



## QIIB SENIOR SUKUK LIMITED

(an exempted company incorporated with limited liability in the Cayman Islands)

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

### Trust Certificate Issuance Programme

Under the U.S.\$2,000,000,000 trust certificate issuance programme (the **Programme**) described in this Base Prospectus (the **Base Prospectus**), QIIB Senior Sukuk Limited (in its capacity as issuer and trustee, the **Trustee**), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the **Certificates**) denominated in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below). Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$2,000,000,000 (or its equivalent in other currencies, calculated as provided for in the Programme Agreement described herein), subject to increase as described herein.

The Certificates may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer(s) appointed under the Programme from time to time by the Trustee and Qatar International Islamic Bank (Q.P.S.C.) (the **Bank** or the **Obligor**) (each a **Dealer** and together, the **Dealers**), which appointment may be for a specific issue of Certificates or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer(s)** 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 to such Certificates.

**An investment in Certificates issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the ability of the Trustee to fulfil its obligations under the Certificates, see "Risk Factors".**

Each Tranche (as defined in the terms and conditions of the Certificates (the **Conditions**)) of Certificates will be constituted by: (i) an amended and restated master trust deed (the **Master Trust Deed**) dated 16 January 2019 entered into by the Trustee, the Bank and Citicorp Trustee Company Limited as delegate of the Trustee (in such capacity, the **Delegate**); and (ii) a supplemental trust deed (each a **Supplemental Trust Deed**) in relation to the relevant Tranche. Certificates of each Series confer on the holders of the Certificates from time to time (the **Certificateholders**) the right to receive payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the **Trust**).

Application has been made to the United Kingdom Financial Conduct Authority in its capacity as competent authority under the Prospectus Directive (as defined below) (the **UK Listing Authority**) for Certificates issued under the Programme (other than Exempt Certificates (as defined below)), during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Certificates to be admitted to trading on the London Stock Exchange's regulated market. References in this Base Prospectus to Certificates being **listed** (and all related references) shall mean that such Certificates have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU), as amended (**MiFID II**).

Notice of the aggregate face amount of Certificates, profit payable in respect of Certificates, and certain other information not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Certificates*") of Certificates (other than Exempt Certificates) will be set out in a final terms document (the **Final Terms**) or, in the case of Exempt Certificates, in a Pricing Supplement (as defined below) which, with respect to Certificates to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange. Copies of the Final Terms in relation to Certificates to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service. In the case of Exempt Certificates, notice of the aggregate nominal amount of such Exempt Certificates, profit payable in respect of such Exempt Certificates, the issue price of such Exempt Certificates and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

The requirement to publish a prospectus under the Prospectus Directive only applies to Certificates which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive. References in this Base Prospectus to **Exempt Certificates** are to Certificates for which no prospectus is required to be published under the Prospectus Directive. The UK Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Certificates. The Programme provides that Exempt 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, the Bank and the relevant Dealer. The Programme also permits Exempt Certificates to be issued on the basis that they will not be admitted to listing, trading on a regulated market for the purposes of MiFID II in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States. Certificates may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S. For a description of certain restrictions on offers and sales of Certificates and on distribution of this Base Prospectus, see "*Subscription and Sale*".

Each Series of Certificates will initially be represented by a global certificate in registered form (a **Global Certificate**). Global Certificates will be deposited on the relevant issue date with, and registered in the name of a nominee for, a common depositary (the **Common Depositary**) on behalf of Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**). The provisions governing the exchange of interests in Global Certificates for definitive Certificates are described in "*Summary of Provisions relating to the Certificates while in Global Form*".

The Bank has been assigned a long-term rating of A with a stable outlook and A2 with a stable outlook by Fitch Ratings Ltd. (**Fitch**) and Moody's Investors Service Cyprus Ltd. (**Moody's**), respectively. The Programme has been rated A2 by Moody's. The State of Qatar (**Qatar**) has been assigned a credit rating of AA- with a stable outlook, Aa3 with a stable outlook and AA- with a stable outlook, by Fitch, Moody's Deutschland GmbH (**Moody's Deutschland**) and S&P Global Ratings Europe Limited (**Standard & Poor's**), respectively.

Each of Fitch, Moody's, Moody's Deutschland and Standard & Poor's is established in the European Union (EU) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Fitch, Moody's, Moody's Deutschland and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A Series of Certificates to be issued under the Programme may be rated or unrated. Where a Series of Certificates is rated, such rating will be disclosed in the applicable Final Terms (or, in the case of Exempt Certificates, the applicable Pricing Supplement) 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 transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Sharia Supervisory Committee of Qatar International Islamic Bank (Q.P.S.C.), the Shariah Advisory Board of Citi Islamic Investment Bank and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates

and should consult their own Sharia advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Sharia principles.

Amounts payable on Floating Rate Certificates will be calculated by reference to one of LIBOR, EURIBOR, KIBOR, HIBOR, KLIBOR, TRLIBOR or TRYLIBOR, SIBOR, EIBOR, TIBOR, SAIBOR, CHF LIBOR and QIBOR (as specified in the applicable Final Terms (or, in the case of Exempt Certificates, the applicable Pricing Supplement)). As at the date of this Base Prospectus, the administrators of LIBOR, SAIBOR and CHF LIBOR are included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As at the date of this Base Prospectus, the administrators of EURIBOR, KIBOR, HIBOR, KLIBOR, TRLIBOR or TRYLIBOR, SIBOR, EIBOR, TIBOR and QIBOR are not included in ESMA's register of administrators under the Benchmarks Regulation. As far as the Bank is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that European Money Markets Institute, Central Bank of Kuwait, Treasury Markets Association, Bank Negara Malaysia, Banks Association of Turkey, Associate of Banks in Singapore, UAE Central Bank, Japanese Bankers Association and Qatar Central Bank are not currently required to obtain authorisation/registration (or, if located outside the EU, recognition, endorsement or equivalence).

*Arrangers*

**QNB Capital**

**Standard Chartered Bank**

*Dealers*

**Maybank**

**QNB Capital**

**Standard Chartered Bank**

The date of this Base Prospectus is 16 January 2019.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended or superseded) (the **Prospectus Directive**) in respect of all Certificates other than Exempt Certificates issued under the Programme, and for the purpose of giving information with regard to the Trustee, the Bank and its subsidiaries and affiliates taken as a whole (the **Group**) and the Certificates which, according to the particular nature of the Trustee, the Bank, the Group and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Trustee and the Bank.

The Trustee and the Bank accept responsibility for the information contained in this Base Prospectus and the applicable Final Terms or (in the case of Exempt Certificates) the applicable Pricing Supplement for each Series of Certificates issued under the Programme. To the best of the knowledge of the Trustee and the Bank (each having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. In the case of a Series of Certificates which is the subject of a Pricing Supplement, each reference in this Base Prospectus to information being specified or identified in the applicable Final Terms shall be read and construed as a reference to such information being specified or identified in the applicable Pricing Supplement unless the context requires otherwise.

This Base Prospectus should be read and construed together with any amendments or supplements hereto, with any information incorporated by reference herein and, in relation to any Tranche of Certificates, should be read and construed together with the applicable Final Terms.

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

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the Programme or the issue or sale of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, the Bank, the Arrangers, any of the Dealers, the Delegate or the Agents (each as defined herein). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Trustee or the Bank since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Trustee or the Bank since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Certificates which are to be 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, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Certificates).

The distribution of this Base Prospectus and the offering or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Trustee, the Bank, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Certificates may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S. Each purchaser of the Certificates in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. Prospective purchasers are hereby notified that the offer, sale or delivery of Certificates to it will be made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S. For a description of certain restrictions on offers and sales of Certificates and on distribution of this Base Prospectus, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Trustee, the Bank, the Arrangers or the Dealers to subscribe for, or purchase, any Certificates.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Delegate or the Agents accepts any responsibility for the contents of this Base Prospectus or for any other statement made, or purported to be made, by the Arrangers, a Dealer, the Delegate, the Agents or on its or their behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each of the Arrangers, the Dealers, the Delegate and the Agents

accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement, including in relation to the information contained in this Base Prospectus or any other information provided by the Trustee or the Bank in connection with the Programme or the issue or offering of Certificates thereunder. Neither this Base Prospectus nor any other such statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents that any recipient of this Base Prospectus or any other such statements should purchase the Certificates. Each potential purchaser of Certificates should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Certificates should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers, the Delegate or the Agents undertakes to review the financial condition or affairs of the Trustee or the Bank during the life of the arrangements contemplated by this Base Prospectus, nor to advise any investor or potential investor in Certificates issued under the Programme of any information coming to the attention of any of the Arrangers, the Dealers, the Delegate or the Agents.

The Certificates may not be a suitable investment for all investors. Each potential investor in any 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:

- (i) 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 or any applicable supplement;
- (ii) 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 such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including Certificates where the currency for any Dissolution Distribution Amount or Periodic Distribution Amount (each as defined herein) payments are different from the potential investor's currency;
- (iv) understands thoroughly the terms of the relevant Certificates and is familiar with the behaviour of financial markets; and
- (v) 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.

The Certificates are complex financial instruments and such instruments may be purchased 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 unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. 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 or raising of finance 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.

The Certificates to which this Base Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Certificates offered should conduct their own due diligence on the Certificates. If you do not understand the contents of this Base Prospectus you should consult an authorised financial adviser.

No comment is made or advice given by the Agents, the Trustee, the Bank, the Arrangers, the Dealers or the Delegate 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.**

**In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the *Stabilisation Manager(s)*) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms or Pricing Supplement 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 of the relevant Tranche 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 Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

#### **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 the Bank'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*", "*Description of Qatar International Islamic Bank (Q.P.S.C.)*" and other sections of this Base Prospectus. The Bank has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Bank believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Bank has otherwise identified in this Base Prospectus, or if any of the Bank's underlying assumptions prove to be incomplete or inaccurate, the Bank's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read, among others, the sections entitled "*Risk Factors*", "*Description of Qatar International Islamic Bank (Q.P.S.C.)*", "*Management and Employees*", "*Risk Management*", "*Related Party Transactions*", "*Selected Financial Information*", "*Overview of Qatar*" and "*The Qatar Banking Sector and Regulations*", which include a more detailed description of the factors that might have an impact on the Bank's business development and on the industry sector in which it operates.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions and, in particular, recovery from 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 and construction sectors), the impact of provisions and impairments and concentration of the Bank's portfolio of Islamic financing and investing assets;
- liquidity risks, including the inability of the Bank 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*".

Any forward-looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Bank 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. Given the uncertainties of forward-looking statements, the Bank cannot assure potential investors that projected results or events will be achieved and the Bank cautions potential investors not to place undue reliance on these statements.

#### **CERTAIN PUBLICLY AVAILABLE INFORMATION**

Certain information under the headings "*Description of Qatar International Islamic Bank (Q.P.S.C.)*", "*Overview of Qatar*" and "*The Qatar Banking Sector and Regulations*" has been extracted from information obtained from the Qatar Central Bank's (QCB) Quarterly Statistical Bulletin dated June 2017, the QFC annual reports, the QCB website, the International Monetary Fund's 2016 Article IV Consultation – staff report (IMF Country Report No. 17/88), the International Monetary Fund's 2014 Article IV Consultation – staff report (IMF Country Report No. 14/108), the Qatar Ministry of Development Planning and Statistics website and BP's Statistical Review of World Economy June 2017 and, in each case, the relevant source of such information is specified where it appears under

those headings. None of the Arrangers, the Dealers, the Delegate, the Agents, the Trustee nor the Bank accepts responsibility for the factual correctness of any such statistics or information but the Bank and the Trustee accept responsibility for accurately extracting and transcribing such statistics and information and believe, after due inquiry, that such statistics and information represent the most current publicly available statistics and information from such sources at the dates and for the periods with respect to which they have been presented. Without prejudice to the foregoing, the Bank and the Trustee confirm that all such third party information has been accurately reproduced and, so far as each of them is aware and has been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Presentation of Financial Information

The Trustee is a special purpose company established in the Cayman Islands. No financial statements for any period have been prepared in respect of the Trustee.

The historical financial information included in this Base Prospectus has been derived as follows:

- i) in the case of the financial information as at and for the year ended 31 December 2017 and as at and for the year ended 31 December 2016, from the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2017 together with the notes thereto prepared in accordance with Financial Accounting Standards (**FAS**) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (**AAOIFI**), the Islamic Rules and Principles as determined by the Bank's Sharia Supervisory Committee (**SSC**), related regulations of the QCB and applicable provisions of the Qatar Commercial Companies Law No. 11 of 2015 (the **2017 Financial Statements**);
- ii) in the case of the financial information as at and for the year ended 31 December 2015 from the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2016 together with the notes thereto prepared in accordance with FAS issued by AAOIFI, the Islamic Rules and Principles as determined by the Bank's SSC, related regulations of the QCB and applicable provisions of the Qatar Commercial Companies Law No. 11 of 2015 (the **2016 Financial Statements**), (the 2017 Financial Statements and the 2016 Financial Statements together, the **Annual Financial Statements**);
- iii) in the case of the financial information as at and for the nine months ended 30 September 2018, from the unaudited interim condensed consolidated financial statements of the Bank as at and for the nine months ended 30 September 2018 together with the notes thereto prepared in accordance with FAS issued by AAOIFI and applicable provisions of QCB regulations (the **2018 Interim Financial Statements**); and
- iv) in the case of the financial information as at and for the nine months ended 30 September 2017, from the unaudited interim condensed consolidated financial statements of the Bank as at and for the nine months ended 30 September 2017 together with the notes thereto prepared in accordance with the guidance given by the International Accounting Standard 34 - "*Interim Financial Reporting*" (the **2017 Interim Financial Statements**) (the 2017 Interim Financial Statements and the 2018 Interim Financial Statements together, the **Interim Financial Statements** and the Annual Financial Statements and the Interim Financial Statements together, the **Financial Statements**).

The Bank's financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year. References in this Base Prospectus to any specific period are to the nine-month period ended on 30 September of the year.

The Bank's Annual Financial Statements have been prepared in accordance with FAS issued by the AAOIFI, the Islamic Rules and Principles as determined by the Bank's SSC, related regulations of the QCB and applicable provisions of the Qatar Commercial Companies Law No. 11 of 2015. The Bank's Interim Financial Statements have been prepared in accordance with the guidance given by the International Accounting Standard 34 – *Interim Financial Reporting*. In line with the requirements of AAOIFI, for matters which are not covered by FAS issued by the AAOIFI, the Bank uses guidance from the relevant International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

The financial information included in this Base Prospectus has not been prepared in accordance with IFRS and there may be material differences in the financial information had IFRS been applied to the historical financial information. See "*Summary of Significant Differences Between The Financial Accounting Standards Issued by AAOIFI and International Financial Reporting Standards*".

The Bank made certain changes to the name of the line items entitled "equity of unrestricted investment account holders" and "share of unrestricted investment account holders of profit" in the 2017 Financial Statements and Interim Financial Statements to "equity of investment account holders" and "investment account holders' share of profit", respectively. The terminology changes were effected due to the release of AAOIFI Financial Accounting Standard 27 (**FAS 27**) "Investment Accounts" which clarified the general balance sheet treatment of restricted and unrestricted investment accounts, removing the need for distinguishing between the two types of investments accounts for balance sheet presentation; hence, the term "unrestricted" is removed from the name of the line items. Previously, restricted investment accounts would have been presented as off-balance sheet items prior to the introduction of FAS 27.

These changes were incorporated formally in the 2017 Financial Statements. The re-naming of such 2016 Financial Statements line items in this Base Prospectus does not have any effect on the figures and is simply a

change in referencing of such line items as the Bank did not have, historically and as at the date of this Base Prospectus, any balances of restricted investment accounts which would have been reclassified upon application of these changes.

In the 2018 Interim Financial Statements, the Bank made a minor reclassification to the comparative financial information as at and for the nine months ended 30 September 2017. The comparative figures as at and for the period ended 30 September 2017 have been reclassified to conform to the presentation of the figures as at and for the nine months ended 30 September 2018. However, such reclassification did not have any effect on the consolidated net profit, the consolidated total equity and the consolidated financing assets for the comparative information as at and for the nine months ended 30 September 2017.

In respect of the consolidated income statement for the nine months ended 30 September 2017, net income from investing activities before reclassification was QR 230,910 thousand and after reclassification was QR 228,176 thousand. In addition, depreciation and amortisation was QR 15,017 thousand before reclassification and was QR 12,283 thousand after reclassification.

### **Presentation of Other Information**

In this Base Prospectus, unless otherwise specified or the context otherwise requires, any reference to:

- **Basel III** means the reforms to the international regulatory capital framework issued by the Basel Committee on Banking Supervision and as adopted by the QCB as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for international credit institutions (including guidance on the eligibility criteria for tier 1 capital and tier 2 capital instruments);
- **CAR** means Capital Adequacy Ratio;
- **GCC** means the Gulf Co-operation Council, which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE;
- **GDP** means Gross Domestic Product;
- **Government** means the government of Qatar;
- **IMF** means the International Monetary Fund;
- **QR and riyals** means the lawful currency for the time being of Qatar;
- **Qatar** means the State of Qatar;
- **QCB** means the Qatar Central Bank;
- **QCB Law** means the Law of the Qatar Central Bank and the Regulation of Financial Institutions (Law No. 13 of 2012);
- **QFC** means the Qatar Financial Centre;
- **QFC Law** means the Law of the Qatar Financial Centre (Law No.7 of 2005);
- **QFCA** means the Qatar Financial Centre Authority;
- **QFCRA** means the Qatar Financial Centre Regulatory Authority;
- **QFMA** means the Qatar Financial Markets Authority;
- **QIA** means the Qatar Investment Authority;
- **QSE** means the Qatar Stock Exchange;
- **UAE** means the United Arab Emirates;
- **U.S.** means the United States of America; and
- **U.S.\$, USD or U.S. dollars** means the lawful currency for the time being of the United States.

### **Exchange rate and rounding**

The riyal currently is, and since the mid-1980s has been, pegged to the U.S. dollar at a fixed exchange rate of 3.64 riyals per U.S. dollar and, accordingly, translations of amounts from riyals to U.S. dollars have been made at this exchange rate for all periods in this Base Prospectus. Translations of amounts from riyals to U.S. dollars in this



Base Prospectus are solely for the convenience of the reader. Such translations should not be construed as representations that riyal 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.

### ALTERNATIVE PERFORMANCE MEASURES

A number of the financial measures presented by the Bank in this Base Prospectus are not defined in the FAS or IFRS accounting standards that have been applied in the preparation of the Bank's Financial Statements. For further information, see "*Selected Financial Information*". However, the Bank believes that these measures provide useful supplementary information to both investors and the Bank'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 in the FAS or IFRS.

Unless otherwise stated, the list below presents alternative performance measures, along with their definition and method of calculation to the extent that such information is not defined in the FAS or IFRS and not included in the Bank's Financial Statements incorporated by reference into this Base Prospectus:

<b>Metric</b>	<b>Definition and method of calculation</b>	<b>Rationale for inclusion</b>
Return on average shareholders' equity	Net profit for the period divided by average shareholders' equity for the period. Average shareholders' equity represents the average of total shareholders' equity calculated on a yearly basis	Performance measure. The ratio is a measure of the profitability of the Bank's business in relation to the book value of shareholders' equity, also known as net assets or assets minus liabilities. The ratio is a measure of how well the Bank uses shareholders' equity to generate earnings growth.
Return on average assets	Net profit for the period divided by average assets for the period	Performance measure. The ratio shows how many QR of earnings the Bank derives from each QR of assets it controls.
Capital adequacy ratio	Tier 1 capital and sukuk eligible as additional capital as at period end plus tier two capital as at period end divided by total risk weighted assets as at period end	Risk measure. A measure of the Bank's core capital to its risk of losses impacting the Bank's ability to continue operations as a going concern. The higher the ratio the better the Bank's ability to absorb losses, should they occur.
Financing assets to deposit ratio	Net financing assets as at period end divided by customers current accounts plus equity of investment account holders as at period end	Liquidity measure. The financing assets to deposit ratio is used to calculate the Bank's ability to make payments to customers withdrawing their deposits. A percentage of less than 100 implies that the Bank has relied on funds deposited by customers to make financing assets. A percentage of more than 100 implies that the Bank has extended financing assets from funds borrowed by it in addition to deposits.

Cost to income ratio	Total expenses (excluding finance expenses) for the period divided by total income (after netting off investment account holders' share of profit and finance expenses) for the period	Performance measure. A lower percentage indicates that operating expenses are low relative to operating income.
Net profit margin	Net profit for the period divided by total income for the period	Performance measure. It represents the Bank's ability to generate profit on its income.
Financing assets to total assets ratio	Financing assets as at period end divided by total assets as at period end	Asset quality measure. Demonstrates the significance of financing assets as against the Bank's total assets.
Non-performing financing assets ratio	Non-performing financing assets as at period end divided by gross financing assets as at period end	Asset quality measure. The ratio shows non-performing financing facilities as compared to the Bank's financing assets.

### **MIFID II PRODUCT GOVERNANCE / TARGET MARKET**

The applicable Final Terms in respect of any Certificates (or Pricing Supplement, in the case of Exempt Certificates) will 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 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.

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

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

### **VOLCKER RULE**

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

#### NOTICE TO RESIDENTS IN 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 Services and Markets Act 2000, as amended (the *FSMA*)) which has not been authorised, recognised or otherwise approved by the United Kingdom 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 or Pricing Supplement, as the case may be, and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates (whether or not such Certificates are *AFIBs*) is being effected by a person who is not an authorised person under the *FSMA*, only the following persons: (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 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the 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 defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the *Promotion of CISs Order*); (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise be lawfully promoted.

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 Pricing Supplement, as the case may be, or any other marketing materials in relation to any Certificates.

Prospective investors in the United Kingdom in any Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Any prospective investor intending to invest in any investment described in this Base Prospectus should consult its professional adviser and ensure that it fully understands all the risks associated with making such an investment and that it has sufficient financial resources to sustain any loss that may arise from such investment.

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

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

This Base Prospectus does not constitute an offer of securities in 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 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 Bahrain, other than to accredited investors for an offer outside Bahrain.

The *CBB* has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside 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 securities will be made to the public in 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 IN SAUDI ARABIA

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia (*Saudi Arabia*) except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of 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 issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Certificates. If you do not understand the contents of this Base Prospectus you should consult an authorised financial adviser.

#### NOTICE TO RESIDENTS IN QATAR

Any Certificates to be issued under the Programme will not be offered or sold at any time, directly or indirectly, in Qatar (including the QFC) 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 QFMA, the QCB, the QSE or the QFCRA in accordance with their regulations or any other regulations in Qatar. The Certificates are not and will not be traded on the QSE. The Certificates and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of Qatar.

#### NOTICE TO RESIDENTS IN KUWAIT

Unless all necessary approvals from the Kuwait Capital Markets Authority (the *Kuwait CMA*) pursuant to Law No. 7 of 2010, and its Executive Regulations (each as amended) and the various Resolutions, Instructions and Announcements issued pursuant thereto, or in connection therewith, have been given in relation to the marketing of, and sale of, the Certificates, the Certificates may not be offered for sale, nor sold, in Kuwait. No such approvals have been received or applied for in respect of the Certificates. Neither this Base Prospectus nor any of the information contained herein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

#### NOTICE TO RESIDENTS IN THE CAYMAN ISLANDS

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

#### NOTICE TO RESIDENTS IN 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 such 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 Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 (the *CMSA*) of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

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

## TABLE OF CONTENTS

	Page
RISK FACTORS.....	1
DOCUMENTS INCORPORATED BY REFERENCE.....	22
STRUCTURE DIAGRAM AND CASH FLOWS .....	23
OVERVIEW OF THE PROGRAMME.....	27
TERMS AND CONDITIONS OF THE CERTIFICATES .....	35
SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM .....	66
FORM OF FINAL TERMS .....	69
FORM OF PRICING SUPPLEMENT.....	77
USE OF PROCEEDS.....	85
DESCRIPTION OF THE TRUSTEE .....	86
DESCRIPTION OF QATAR INTERNATIONAL ISLAMIC BANK (Q.P.S.C.) .....	88
SELECTED FINANCIAL INFORMATION .....	122
FINANCIAL REVIEW.....	125
OVERVIEW OF QATAR.....	147
THE QATAR BANKING SECTOR AND REGULATIONS .....	152
SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS .....	162
TAXATION .....	182
SUBSCRIPTION AND SALE.....	184
GENERAL INFORMATION .....	189
SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN THE FINANCIAL ACCOUNTING STANDARDS ISSUED BY AAOIFI AND INTERNATIONAL FINANCIAL REPORTING STANDARDS.....	191

## **RISK FACTORS**

*Each of the Trustee and the Bank believes that the following factors may affect both the Trustee's ability to pay amounts owing under Certificates issued under the Programme and the Bank's ability to satisfy its obligations under the relevant Transaction Documents (as defined in the Conditions). All of these factors are contingencies which may or may not occur and neither the Trustee nor the Bank is in a position to express a view on the likelihood of any such contingency occurring. However, should any of these factors occur, it would have the potential to materially adversely affect the Bank's business, results of operations, financial condition and prospects and thereby affect its ability to perform its obligations in respect of the relevant Transaction Documents.*

*Factors which each of the Trustee and the Bank believes may be material for the purpose of assessing the market risks associated with Certificates issued under the Programme are also described below.*

*Each of the Trustee and the Bank believes that the non-exhaustive list of factors described below represent the material risks inherent in investing in Certificates, but the inability of the Trustee to pay Periodic Distribution Amounts (as defined in the Conditions), Dissolution Distribution Amounts (as defined in the Conditions) or other amounts on or in connection with any Certificates may occur for other reasons which may not be considered significant risks by the Trustee and/or the Bank based on information currently available to them or which they may not currently be able to anticipate. Neither the Trustee nor the Bank represents that the statements below regarding the risks of holding any Certificates are exhaustive. 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 the Conditions or "Summary of the Principal Transaction Documents" shall have the same meanings in this section.*

### **RISKS RELATED TO THE TRUSTEE**

The Trustee is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 7 June 2017. The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets in respect of each Series of Certificates issued, including the obligation of the Bank to make payments to the Trustee under the relevant Transaction Documents relating to each Series. Therefore, the Trustee is subject to the same risks that affect the Bank to the extent that those risks limit the Bank's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents. The ability of the Trustee to pay amounts due on the Certificates is dependent upon receipt by the Trustee from the Bank of amounts to be paid pursuant to the relevant Transaction Documents, which may not be sufficient to meet all claims under the Certificates and the relevant Transaction Documents. See "*Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents*".

The Trustee has not engaged, and will not engage, in any business activity other than the issuance of Certificates under the Programme, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other related activities as required under the Transaction Documents. As the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

### **RISKS RELATING TO THE BANK AND ITS ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE TRANSACTION DOCUMENTS**

***The Bank's business, financial condition and results of operations are materially affected by conditions in regional and global financial markets and economic conditions***

The financial services industry generally prospers in periods of economic growth and stable geopolitical conditions and benefits from capital markets that are transparent, liquid and buoyant and experience positive investor sentiment. Any future increase in market volatility could result in a material reduction in the availability of financing, both for financial institutions and their customers, compelling many financial institutions to rely on central banks and governments to provide liquidity and, in some cases, additional capital. More recently, the anticipated exit of the United Kingdom (**UK**) from the EU has also caused, and threatens to continue to be a source of, market disruption, particularly with respect to the UK and its main trading partners in Europe. Enhanced credit risks could arise from a general deterioration in local or global economic conditions or from systemic risks within the financial systems.

A key source of potential risk in the global financial system comes from tighter U.S. monetary policy. Short-term interest rates in the U.S. have risen since the U.S. Federal Reserve Bank began increasing its policy interest rate in December 2015 from close to zero to almost 2.0 per cent. The U.S. Federal Reserve Bank lifted its policy interest rate by a further 0.25 per cent. in September 2018 and again in December 2018 to 2.5 per cent. The U.S. Federal Reserve Bank has also commenced shrinking its balance sheet by not reinvesting interest payments on its

substantial holdings of U.S. Treasury and agency debt. With the European Central Bank not expected to commence policy tightening until September 2019, interest rates in the United States have increased relative to prevailing interest rates globally, increasing the value of the U.S. dollar. This dynamic has led to capital outflows from emerging markets and to many emerging markets central banks increasing their interest rates in response. These factors may lead to tighter financial conditions and slower growth in emerging markets. In turn, the burden of servicing U.S. dollar-denominated debt has increased along with credit and systemic risks. Governments around the world, including in Qatar and some of the other countries in the Middle East and North Africa (MENA) region, have taken actions intended to stabilise financial markets and prevent the failure of financial institutions.

Changes in interest rates and/or widening credit spreads can create a less favourable environment for certain of the Bank's businesses and could lead to a decrease in the demand for certain financing arrangements and other products and services offered by the Bank. In addition, fluctuations in interest rates and credit spreads have affected the fair value of financial instruments held by the Bank.

The Bank's operations are concentrated in Qatar whose economy is relatively dependent on the price of crude oil. International oil prices have been volatile since 2014 with prices steadily rising after sharp falls between the second half of 2014 and 2016. Brent crude oil prices averaged over U.S.\$100 per barrel for the period 2011 to 2013 and for the first half of 2014, but then fell sharply to reach lows of an average U.S.\$32 per barrel in January 2016, before recovering to an average of U.S.\$45 per barrel throughout 2016 and U.S.\$55 per barrel in 2017. This led to reduced revenues in a number of countries in which the Bank operates. Reduced economic activity resulting from lower oil prices could impact the demand for financing arrangements and other products and services offered by the Bank. The price of Brent crude oil has averaged U.S.\$71 in the first half of 2018, an increase of 30 per cent. as compared to the average price in 2017. Non-performing loans in Qatar as a share of total loans were 1.7 per cent. in 2017, according to the QCB, an increase from 1.3 per cent. in 2016 but a decrease from 1.9 per cent. in 2013. If volatility in the crude oil price recurs, the Bank may experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, credit losses, write-downs and impairment charges, and lower profitability and cash flows. The Bank's business and financial performance may also be affected by future recovery rates on assets and the historical assumptions underlying asset recovery rates, which may not be as accurate given the unprecedented market volatility and disruption during the past several years.

If significant market disruptions and high levels of volatility occur, the Bank may experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, increased credit losses and impairment charges, and lower profitability and cash flows. The Bank's business and financial performance may also be adversely affected by future recovery rates on assets (including real estate and equity securities which it has accepted as security), particularly as the historical assumptions underlying asset recovery rates may prove to be inaccurate.

In addition, although economic conditions are different in each country in the MENA region, investors' reactions to developments in one country may affect the price of securities of issuers in other countries in the MENA region, including Qatar. Accordingly, the market price of Certificates issued under the Programme may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Bank.

***The Bank could be adversely affected by the soundness or the perceived soundness of other financial institutions and counterparties, which could result in significant systemic liquidity problems, losses or defaults***

The Bank, like other financial institutions, is subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Bank or other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Bank interacts on a daily basis. Systemic risk could have a material adverse effect on the Bank's ability to raise new funding and on its business, financial condition, results of operations, liquidity or prospects and thereby affect the Bank's ability to perform its obligations under the Transaction Documents.

***With 97.4 per cent. of its assets and 92.3 per cent. of its liabilities in Qatar as at 30 September 2018, the Bank is dependent on the state of the Qatari economy which, in turn, is dependent on developments in international oil and gas prices***

Qatar's economy is materially affected by international oil and natural gas prices, which have fluctuated widely over the past two decades. The mining and quarrying sector (which includes oil and gas) contributed 32.3 per

cent. as at 31 December 2017 (based on preliminary estimates by the QCB), 30.3 per cent. and 38.6 per cent. to Qatar's total nominal GDP for the years ended 31 December 2016 and 31 December 2015, respectively.

International prices for crude oil have fallen significantly since the middle of 2014 and, prior to that, fluctuated substantially as a result of many factors, including global demand for oil and natural gas, changes in governmental regulations, weather, general economic conditions and competition from other energy sources. In addition, as crude oil prices provide a benchmark for gas and petrochemical feedstock prices, changes in crude oil prices may also have an impact on gas and petrochemical prices. International prices for natural gas have also fallen significantly since the middle of 2014 and, prior to that, fluctuated significantly depending on global supply and demand and the availability and price of alternative energy sources.

In the past, Qatar has been able to partially offset lower hydrocarbon prices by increasing hydrocarbon production, but the future rate of growth in Qatar's hydrocarbon production is expected to slow down. Most of Qatar's oilfields are mature and oil production has been in decline since 2011.

Thus, any prolonged period of low or further decline of prices of natural gas, crude oil and other hydrocarbons may have a significant adverse impact on the economy of Qatar and may also materially adversely impact Qatar's revenues and financial condition. Such effects would be likely to materially adversely affect the Bank's business, financial condition, results of operations, liquidity and prospects by reducing the demand from its Qatari customers for financing and by adversely affecting the quality of its outstanding financing, thus potentially increasing its impairment losses and so reducing profitability. In addition, any reduction in Qatar's revenues would reduce the likelihood and/or extent of government financial support being available to Qatari banks, including the Bank, should such support be needed in the future.

***Slower economic growth in the countries where the Bank and its associates operate could adversely impact the Bank***

The Bank's net financing assets (as disclosed in note 10 to the 2017 Financial Statements) have generally increased over recent years (with the exception of the nine months ended 30 September 2018) growing by: (i) 19.3 per cent. to QR 32.5 billion as at 31 December 2017 from QR 27.2 billion as at 31 December 2016; and (ii) 9.0 per cent. to QR 27.2 billion as at 31 December 2016 from QR 25.0 billion as at 31 December 2015. The growth in the Bank's assets and loan portfolio over the past several years has been supported by the rapid growth of the economy in Qatar. The economies of Qatar and other GCC countries are dependent on oil and gas and related industries, as well as the prices and quantities of these commodities. Although over the past few years Qatar has made efforts to develop its non-hydrocarbon economy, a significant portion of government revenue is dominated by oil and gas, contributing an estimated U.S.\$36.5 billion, or 82.7 per cent., of total revenues by 31 December 2017 (*source*: QCB). Furthermore, a recurrence of declines in global crude oil prices such as those seen in 2011 to 2013, the first half of 2014 and early 2016 could potentially adversely affect economic activity in Qatar and the other GCC countries.

The Bank's financial performance has been and will continue to remain closely linked to the rate of economic growth in Qatar and the other countries in which the Bank operates. Any deterioration in economic conditions in Qatar or the other countries in which the Bank operates, due to a deterioration in the oil and gas or related industries or due to other factors, could materially adversely affect many of the Bank's borrowers and contractual counterparties which may, in turn, adversely affect the Bank's business, financial condition, results of operations, liquidity or prospects and thereby affect the Bank's ability to perform its obligations under the Transaction Documents.

***Qatar is located in a region that is subject to ongoing political and security concerns***

Although Qatar enjoys domestic political stability and generally healthy international relations, as a country located in the MENA region, there is a risk that regional geopolitical instability could impact the country. The MENA region is currently experiencing an unprecedented level of political instability, and in recent years there has been significant political and social unrest in a number of countries in the MENA region, ranging from public demonstrations, sometimes violent, in countries such as Algeria, Bahrain, Egypt, Lebanon, Tunisia and Turkey, to armed conflict and even civil war in countries such as Iraq, Libya, Syria, Palestine and Yemen.

On 5 June 2017, three GCC member states, namely the Kingdom of Saudi Arabia, the UAE, and Bahrain, together with other states in the MENA region, such as Egypt, moved to cut diplomatic ties, trade and transport links with Qatar (the **Qatar Political Developments**). The measures adopted included a closure of land, sea and air access and the expulsion of Qatari officials, residents and visitors from those countries. Kuwait and Oman, the remaining two member states of the GCC, have maintained ties with Qatar; and, as at the date of this Base Prospectus, the former is mediating between Qatar and the relevant governments. The Qatari government has issued statements through various ministers that the above-mentioned measures have not significantly affected Qatar's economy,



but the full economic impact of this dispute on the country and on the public and private institutions operating within its borders is currently unknown.

Other potential sources of instability in the region include a worsening of the situation in Iraq and Syria, the ongoing civil war in Yemen and an escalation in the Israeli-Palestinian conflict. A further deterioration, and possible conflict, between the United States and certain governments in the MENA region, such as Syria, has the potential to adversely affect regional security, as well as global oil and gas prices. Such a deterioration in relations, should it materialise, could adversely impact Qatar and broader regional security, potentially including the outbreak of a regional conflict.

These recent and continued developments, along with historic regional wars and terrorist acts, acts of maritime piracy and other forms of instability in the MENA region, could have an adverse effect on Qatar's economy and its ability to engage in international trade which, in turn, could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects and thereby affect the Bank's ability to perform its obligations under the Transaction Documents.

***Failure to comply with international sanctions could adversely affect the Bank***

European, U.S. and other international sanctions have in the past been imposed on companies engaging in certain types of transactions with specified countries or companies or individuals in those countries. Companies operating in certain countries in the MENA region have been subject to such sanctions in the past. The terms of legislation and other rules and regulations which establish sanctions regimes are often broad in scope and difficult to interpret.

As at 30 September 2018, the Bank held a 20 per cent. equity investment in Syria Islamic Insurance Company (SIIC), which operates in Syria, a country that the U.S. Department of Treasury's Office of Foreign Assets Control has targeted, and currently targets, for economic and trade sanctions. Also, the Arab League as well as the EU imposed certain sanctions on Syria due to the continuing unrest in Syria. Sanctions imposed include restrictions on conducting transactions with the Syrian central bank, halting funding by Arab governments for projects in Syria, the banning of commercial and cargo flights between Syria and member states of the Arab League and the EU, restrictions on the transportation of Syrian crude oil and petroleum products to any country, restrictions on the provision of certain support services to the oil and gas and power generation industries, including technical and financial assistance and restrictions on the sale, supply, transfer or export of luxury goods to Syria. Although the Bank continues to hold its equity investment in SIIC (with the ownership percentage referred to above remaining unchanged as at the date of this Base Prospectus), since 31 December 2016, the book value of SIIC was zero. The Bank does not have any influence over SIIC's management and business decisions notwithstanding the Bank's minority shareholding in SIIC and given the Bank's directors resigned from the board of SIIC at the onset of sanctions being imposed by the aforementioned sanctions authorities upon Syria and relevant Syrian entities.

As at the date of this Base Prospectus, the Bank believes that it is not in violation of any existing European, U.S. or international sanctions (which do not include any measures arising from Qatar's relationship with the other GCC member states (see "*Qatar is located in a region that is subject to ongoing political and security concerns*")). Should the Bank or its associates in the future violate any existing or further European, U.S. or international sanctions, penalties could include a prohibition or limitation on such company's ability to conduct business in certain jurisdictions or on the Bank's ability to access the U.S. or international capital markets and potentially breach the terms of the Bank's existing financing agreements. Any such violation of sanctions could have a material adverse effect on the Bank's business, financial condition, results of operations, liquidity and prospects.

***The Bank is subject to the risk that liquidity may not always be readily available; this risk may be exacerbated by conditions in global financial markets***

Liquidity risk is the risk that the Bank will be unable to meet its obligations, including funding commitments, as they fall due, which in turn could have a materially adverse effect on the Bank's business, financial condition, results of operations and prospects. The Bank has historically relied substantially on retail and corporate depositors to meet most of its funding needs as access to other funding sources has been limited. Such deposits are subject to fluctuation due to certain factors outside the Bank's control, such as any possible loss of confidence and competitive pressures, which could result in a significant outflow of deposits within a short period of time. Any unexpected withdrawals of such deposits could have a material impact on the Bank's liquidity. Liquidity risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings, political concerns or market-wide phenomena such as market dislocation and major disasters. Credit markets worldwide have, since the final quarter of 2008, experienced a severe reduction in liquidity and term-

funding in the aftermath of events in the U.S. sub-prime residential mortgage market and the resulting severe market dislocation. Since then, market fundamentals have improved, although a level of risk aversion still remains.

Perception of counterparty risk between banks has also increased significantly since the final quarter of 2008, which has led to reductions of certain traditional sources of liquidity, such as the debt markets, asset sales and redemption of investments. The Bank's access to these traditional sources of liquidity may be restricted or available only at a higher cost, and there can be no assurance that Qatar will continue to provide the levels of support that it has provided to date, either to the Qatari banking sector generally or to the Bank in particular.

In addition, uncertainty or volatility in the capital and credit markets may limit the Bank's ability to refinance maturing liabilities with long-term funding and increase the cost of such funding. The availability to the Bank of any additional financing it may need will depend on a variety of factors, such as market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, the funding policies and positions of key depositors and the Bank's financial condition, credit ratings and credit capacity.

In extreme market stress, the Bank may be exposed to situations whereby it is unable to realise its high quality liquid assets in the market. If the Bank is unable to realise its high quality liquid assets to manage its liquidity requirements, this could affect the Bank's ability to perform its obligations under the Transaction Documents.

***The Bank may be subject to increased capital requirements or standards due to new governmental or regulatory requirements and changes in perceived levels of adequate capitalisation***

Financial institutions have experienced, and may continue to experience, irregularity in the markets in which the Bank operates, increasing the capital requirements for the Bank's operations. It should be noted that, pursuant to the QCB's laws and regulations, the QCB is entitled to amend capital adequacy requirements at its sole discretion. In December 2010, the Basel Committee published Basel III, the implementation of which began in Qatar and within QIIB on 1 January 2013. A circular concerning Basel III was issued by the QCB in August 2012 relating to Basel III's liquidity requirements. This circular mandated all national banks to submit liquidity ratio calculations in accordance with Basel III's requirements for Liquidity Coverage, Net Stable Funding and Leverage Ratios on a monthly basis, with initial reports to be submitted based on 31 August 2012 data.

In January 2014, the QCB issued Circular No. 3 of 2014 to all conventional banks operating in Qatar and Circular No. 6 of 2014 applicable to all Islamic banks with instructions regarding the implementation of the QCB's Basel III capital adequacy requirements. The QCB's minimum recommended capital adequacy requirements under Basel III were increased to 12.5 per cent. (including a capital conservation buffer of 2.5 per cent.). Commercial banks in Qatar were also required to maintain a minimum liquidity coverage ratio of 60 per cent. for 2014, to be increased by 10 per cent. each year to reach 100 per cent. in 2018. This represents a shorter timeline than Basel III, which allows banks until 1 January 2019 to comply with the 100 per cent. minimum liquidity coverage ratio. The QCB has undertaken extensive groundwork in order to implement its Basel III requirements including the initiation of a test phase.

These regulations increase the amount of capital the Bank is required to maintain and may limit the Bank's activities and further changes in supervision and regulation in Qatar could adversely affect the Bank's business, financial condition, results of operations, liquidity and prospects, as well as the value of its assets. For additional information regarding the QCB's Basel III requirements and the Bank's procedures and controls implemented in respect of such requirements, see "*Description of Qatar International Islamic Bank (Q.P.S.C.) – Capital Management/Adequacy*" and "*The Qatar Banking Sector and Regulations*".

The QCB has also issued Circular No. 6/2014 implementing the Domestic Systemically Important Bank (**DSIB**) framework which has been effective from 2016. According to the circular, (i) the DSIB additional capital buffer ranges from 0.5 per cent. to 3.5 per cent. of risk weighted assets (to be met solely by common equity Tier 1), (ii) the QCB will have identified DSIBs which will be subject to the additional capital requirements, and (iii) the key relevant aspects and additional capital buffer requirements for identified DSIBs will be communicated individually by the QCB to each relevant bank. At the date of this Base Prospectus, the Bank has not been identified by the QCB as a DSIB requiring additional capital buffers.

In March 2016, the QCB issued Circular No. 23/2016 implementing the Basel III counter-cyclical (capital) buffer (**CCB**) guidelines, which require banks to hold additional capital ranging from 0.0 per cent. to no more than 2.5 per cent. of risk-weighted assets (to be met solely by common equity Tier 1), with the required capital buffer being determined by the QCB, and varied within this range depending on its analysis of system-wide risk affecting banks. The QCB has announced a CCB of 0.0 per cent. of additional capital at the time of issuing the Circular, and has maintained the CCB at 0.0 per cent. at the date of this Base Prospectus. Requirements imposed by regulators, including capital adequacy requirements, are designed to ensure the integrity of the financial markets and to protect customers and other third parties with whom the Bank deals. These requirements are not designed to protect the holders of Certificates issued under the Programme. Consequently, these regulations may limit the

Bank's activities, including its financing, and may increase the Bank's costs of doing business, or require the Bank to seek additional capital in order to maintain Qatari capital adequacy requirements or different varieties of funding to satisfy the Qatari liquidity requirements. In addition, a regulatory breach of guidelines in Qatar could expose the Bank to potential liability and other sanctions, including the loss of its general banking licence.

Additional capital, whether in the form of financing arrangements or additional equity, may not be available on attractive terms, or at all. Further, any such development may require the Bank to change how it conducts its business, including by reducing the risk and leverage of certain activities, or otherwise have an adverse impact on its business, the products and services it offers and the value of its assets. The Bank may become subject to mandatory guidelines and direct monitoring by the QCB should it fail to strengthen its capital position.

There can be no assurance that any of these alternative methods of raising capital would be successful in increasing the Bank's capital ratios sufficiently or within the timetable required. If the Bank is unable to increase its capital ratios sufficiently, its credit ratings may drop, its cost of funding may increase and its share price may decline.

***The growth and diversification of the Bank's financing portfolio has increased its credit exposure and risk profile***

Risks arising from adverse changes in the credit quality and recoverability of the Bank's financing portfolio, securities and amounts due from counterparties are inherent in a wide range of the Bank's businesses, principally in its financing and investment activities. Credit risks could also arise from a general further deterioration in local or global economic conditions, a deterioration in the market value, amount or type of collateral available or from systemic risks within these financial systems, which could affect the recoverability and value of the Bank's assets. The Bank's failure to maintain growth of its financing portfolio while maintaining the quality of its assets through effective risk management policies could lead to higher financing loss provisioning and result in higher levels of defaults and write-offs, which in turn could have a material adverse effect on the Bank's results of operations, business, financial condition, liquidity and prospects. See "*Description of Qatar International Islamic Bank (Q.P.S.C.) – Risk Management*".

In March 2011, the QCB launched the Central Credit Bureau, the purpose of which is to collate information about customers based in Qatar and their credit history. Banks and financial institutions in Qatar rely on the credit reports of the Credit Bureau to support their risk management decisions and to monitor the ongoing financial performance of their customers. However, as the availability of accurate and comprehensive financial and general credit information on individuals and small businesses in Qatar is limited, it is likely to be more difficult for the Bank to accurately assess the credit risk associated with such financing. As a result, retail and small business customers may be overextended by virtue of other credit obligations of which the Bank is unaware. The Bank is therefore exposed to retail and small business credit risks that it may not be able to accurately assess and provide for. These factors may result in the Bank facing credit delinquencies in its customer financing portfolio. Although the Bank has policies to deal with problem financings, there can be no assurance that these policies will result in full or partial recovery of all amounts due.

If the Bank is unable to maintain the quality of its assets through effective risk management policies, this could lead to higher impairment losses and result in higher levels of defaults and write-offs, which in turn could have a material adverse effect on the Bank's financial condition or results of operations.

***The Bank is exposed to the possibility of declining property values in Qatar on the collateral supporting residential and commercial real estate lending***

The Bank's total financing assets as at 30 September 2018 were QR 30.2 billion (such gross amount including deferred profit, suspended profit, and impairment provisions), of which real estate amounted to 30.4 per cent. or QR 9.2 billion on a gross basis. Residential property prices and commercial property prices in Qatar generally declined from 2009, reflecting the decrease in global economic growth and the reduction in the availability of credit. Property prices in Qatar recovered strongly between 2010 and 2015 as the population continued to increase. However, the property market has weakened since 2016. The QCB's real estate index declined by 13.5 per cent. between 31 December 2015 and 31 December 2017. However, the property market was broadly stable during the first three months of 2018. Housing costs in Qatar's Consumer Price Index (the **CPI**) decreased by 5.8 per cent. from December 2017 to December 2018 and by 4.3 per cent. from June 2017 to June 2018. The latest IMF Article IV report, published in May 2018, noted that developments in the real estate market continue to "warrant vigilance". Property prices are generally subject to fluctuation and volatility. Economic and other factors impacting Qatar's property market could lead to contraction in the residential mortgage and commercial lending market and to decreases in residential and commercial property prices which would impact on the Bank's profitability and, in turn, could have a material adverse effect on the Bank's business, financial condition, results of operations, liquidity and prospects. See "*– Continued rising inflation, or a recurrence of deflation may impact the Bank's profitability*".

### ***Credit risk***

Credit risks could arise from a deterioration in the credit quality of specific borrowers, trustees and counterparties of the Bank, or from a general further deterioration in local or global economic conditions, or from systemic risks within these financial systems, which could affect the recoverability and value of the Bank's assets and require an increase in the Bank's provisions for the impairment of loans, securities and other credit exposures.

### ***Concentration risk***

Concentrations in the financing and deposit portfolio of the Bank subject it to risks of default by the Bank's larger borrowers, from exposure to particular sectors and from withdrawal of large deposits. The financing portfolio of the Bank shows borrower and industry concentration.

The Bank's 10 largest private sector borrowers represented 27.9 per cent. of the Bank's total financing assets as at 30 September 2018, amounting to QR 30.2 billion. As at 30 September 2018, the Bank's largest funded exposure to a private sector borrower was QR 2.0 billion, which constitutes 32.9 per cent. of its total regulatory capital.

In terms of the industry concentration of the Bank's reportable segment liabilities and equity of investment account holders, as at 30 September 2018, Personal Banking accounted for 48.5 per cent., Corporate Banking accounted for 27.6 per cent. and Investment and Treasury operations deposits accounted for 23.9 per cent.

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

### ***Market conditions may increase the risk of financing activities being impaired***

The Bank and its associates are exposed to the risk that borrowers may not repay on their financing activities according to their contractual terms and that any collateral securing the payment of these activities may be insufficient. The Bank continuously reviews and analyses its financing portfolio and credit risks. The Bank's allowance for losses on financing activities is based on, among other things, its analysis of current and historical delinquency rates and the valuation of any underlying assets, as well as numerous other management assumptions. These internal analyses and assumptions may give rise to inaccurate predictions of credit performance (see "*Description of Qatar International Islamic Bank (Q.P.S.C.) – Risk Management – Credit Risk*"). A material increase in financing activity losses would have a material adverse effect on the Bank's financial condition and results of operations.

### ***The Bank is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have a material adverse effect on the Bank***

The Bank is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. These regulations include Qatari laws, regulations, administrative actions and policies (particularly those of the QCB, the QFMA and the QSE), as well as the laws, regulations, administrative actions and policies of the other countries in which the Bank's associates operate.

These regulations may limit the Bank's ability to increase its financing operations. Changes in supervision and regulations may also increase the Bank's cost of doing business, limit the products or services offered and could have a material adverse effect on the value of its assets and its financial condition.

Increased regulations, changes in laws and regulations (such as those made pursuant to the revised capital adequacy framework (BCBS107) issued by the Basel Committee on Banking Supervision (**Basel II**) and **Basel III**) and the manner in which they are interpreted or enforced (such as Resolution No. (11) of 1997) may have a material adverse effect on the Bank's results of operations, business, financial condition, liquidity and prospects.

Additionally, the Government announced in 2008 its intention to establish a single financial regulator in Qatar, which will regulate the banking, insurance and securities sectors. Although these plans have been postponed by the Government for the foreseeable future, the QCB, the QFCRA and the QFMA welcomed the enactment of the QCB Law, which was enacted by H.H. The Emir on 2 December 2012. The QCB Law is seen as a key step in advancing the framework for financial regulation and supervision in Qatar and expanding the ambit of regulation and supervision to cover areas requiring new and enhanced financial regulation within Qatar. It also lays the foundation for increased co-operation between the regulatory and supervisory bodies in Qatar as they develop and apply regulatory and supervisory policy and implement international standards and best practices to deliver the objectives of the Qatar National Vision 2030 (the **National Vision**). Although, at present, the Qatar National Development Strategy 2011-2016 focuses on increased co-ordination between regulators rather than the establishment of a single regulator, such co-ordination may change the way that current regulations are

implemented or enforced. Non-compliance with regulatory guidelines could expose the Bank to potential liabilities. Although the Bank works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond the control of the Bank.

Furthermore, the Bank is required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in Qatar and other jurisdictions where it has operations. In Qatar, the Bank must comply with the Anti Money Laundering Law No. 4 of 2010 and the QCB Instructions on Anti Money Laundering and Combating Financing Terrorism. To the extent the Bank may fail or be perceived to fail to comply fully with applicable laws and regulations, the regulatory agencies to whom the Bank reports have the power and authority to impose fines and other penalties on the Bank. See also " – *Failure to comply with international sanctions could adversely affect the Bank*". In addition, the Bank's business and reputation could suffer if customers use the Bank for money laundering or illegal or improper purposes.

***The Bank's ability to achieve its strategic objectives could be impaired if it is unable to maintain or obtain required licences, permits, approvals and consents***

In order to carry out and expand its business, the Bank needs to maintain or obtain a variety of licences, permits, approvals and consents from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these permits and approvals are often lengthy, complex, unpredictable and costly. If the Bank is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives could be impaired, with a consequent adverse impact on the market value of Certificates issued under the Programme, the Trustee's and the Bank's ability to perform its obligations under the Transaction Documents to which it is a party and the Bank's results of operations, business, financial condition, liquidity and prospects.

***The Bank may not be able to manage its expansion strategy effectively, which could impact its profitability***

The Bank cannot assure prospective investors that it will be able to manage its growth effectively. Challenges that may result from strategic investments or acquisitions include the Bank's ability to: finance strategic investments or acquisitions; fully integrate strategic investments, or newly established entities or acquisitions in line with its strategy; assess the value, strengths and weaknesses of investment or acquisition candidates; align its current information technology systems adequately with those of an expanded organisation; manage efficiently the operations and employees of expanding businesses; manage a growing number of entities without over-committing management or losing key personnel; maintain its existing customer base; acquire and maintain all necessary licences, permits, approvals and consents (as described further above) and apply its risk management policy effectively to an enlarged organisation.

The Bank cannot ensure that it will be able to adequately address these concerns, which could prevent the Bank from achieving its strategic objectives and expansion targets, and could also have a material adverse effect on the Bank's results of operations, business, financial condition, liquidity and prospects.

***Continued rising inflation, or a recurrence of deflation, may impact the Bank's profitability***

In 2010, Qatar experienced an overall annual deflation rate of 2.4 per cent., which mirrored a decrease in housing and food costs. Since then, the overall annual inflation rate was 2.0 per cent. in 2011, 1.8 per cent. in 2012, 3.2 per cent. in 2013, 3.4 per cent. in 2014, 1.7 per cent. in 2015, 2.7 per cent. in 2016 and 0.5 per cent. in 2017. The latest available data shows that inflation has decreased to 0.1 per cent. as of June 2018 (as compared to June 2017), reflecting declining residential rental prices and a reduction in food prices.

Housing costs fell by 12.8 per cent. in 2010, 4.8 per cent. in 2011 and 3.3 per cent. in 2012, but thereafter rose by 5.8 per cent. in 2013, 7.8 per cent. in 2014, 2.9 per cent. in 2015, 4.1 per cent. in 2016 and then fell by 3.0 per cent. in 2017. Housing costs fell 4.3 per cent. in June 2018 (as compared to June 2017).

High inflation could slow the rate of economic growth and consumer spending in Qatar. A deflationary environment in Qatar could also adversely affect the Bank's profitability by adversely affecting property values, which could have an adverse effect on the Bank's real estate loan portfolio. High rates of inflation or deflation thus could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects and thereby affect the Bank's ability to perform its obligations under the Transaction Documents. Although the Government and the QCB have announced their intention to continue to take measures to ensure that inflation is stabilised, there can be no assurance that the Government and the QCB will be able to achieve or maintain price stability, in the real estate market or otherwise, and thus control inflation.

***The Bank's financial condition and operating results could be affected by market risks***

The Bank's financial condition and operating results could be affected by market risks that are outside the Bank's control, including, amongst other things, prices of securities, profit and interest rates, currency exchange rates and investment and asset and liability management activities.

Fluctuations in reference interest rates could adversely affect the Bank's operations and financial condition in a number of different ways. An increase in such rates generally may decrease the value of the Bank's fixed profit rate financing arrangements and raise the Bank's funding costs. Such an increase could also generally decrease the value of the Bank's securities portfolio. Volatility in reference interest rates may result in a repricing gap between the Bank's profit rate sensitive assets and liabilities. As a result, the Bank may incur additional costs.

The Bank's financial condition and operating results may also be affected by changes in market value of the Bank's securities portfolio. The Bank's income from investment activities depends on numerous factors beyond its control, such as overall market trading activity, reference interest rate levels (as described above), fluctuations in currency exchange rates and general market volatility. Although the Bank has risk management processes that review and monitor the market risk aspects of investment proposals and investment portfolios (which respond to the QCB requirements and guidelines, including overall structure and investment limits), market price fluctuations may still adversely affect the value of the Bank's securities portfolio. See "*Description of Qatar International Islamic Bank (Q.P.S.C.) – Risk Management – Market Risk*".

***Market fluctuations and volatility may adversely affect the value of the Bank's positions in certain securities and make it more difficult to assess the fair value of certain of its assets***

Financial markets were subject to significant stress conditions from 2008 to 2009, with steep falls in perceived or actual asset values accompanied by a severe reduction in market liquidity. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant changes in the fair values of the Bank's exposure. In addition, the value ultimately realised by the Bank may be materially different from the current or estimated fair value. Any of these factors could require the Bank to recognise valuation losses or realise impairment charges, any of which may adversely affect its business, financial condition, results of operations, liquidity and prospects.

***The Bank's business may be adversely affected if the riyal/U.S. dollar peg were to be removed or adjusted***

As at the date of this Base Prospectus, the riyal remains pegged to the U.S. dollar (U.S.\$1.00 = QR 3.64). The QCB purchases the U.S. dollar at a fixed rate of QR 3.6385 and sells the U.S. dollar to banks operating in Qatar at a fixed rate of QR 3.6415. However, the Bank's business, financial position, financial performance and prospects could be adversely impacted in case of possible de-pegging of the riyal and other U.S. dollar-pegged GCC currencies from the dollar. The Bank's operations could be adversely impacted if Qatar (or any country where the Bank or its associates operate) should de-peg its currency. Ultimately, there can be no assurance that the Bank will be able to protect itself from any adverse effects of a currency revaluation or the de-pegging from the U.S. dollar which could have a material adverse effect on the Bank's financial condition and results of operations.

***Increasing competition may have a material adverse effect on the Bank's results of operations***

The Bank and its associates face high levels of competition for all of their products and services. The Bank competed with other Islamic banks and (until the closing of the "Islamic window" on 31 December 2011) conventional banks with Islamic capabilities in Qatar. International banks are increasing their presence in Qatar, either directly or through strategic investments, and compete with the Bank for its wholesale corporate and Government-related clients. According to the QCB, as at 30 September 2018, there were a total of 18 banks licensed by the QCB, consisting of six domestic conventional banks, one state-owned development bank, four Islamic banks and seven foreign banks. In addition to the existing retail banks in Qatar, more international banks are expected to commence business through the QFC, which would allow them to compete for large corporate and Government business (see "*The Qatar Banking Sector and Regulations – Qatar Financial Centre*").

The closing of the Islamic windows in December 2011, as well as subsequent regulations implemented to extend the ban on conventional banks operating Islamic windows to financial institutions in the QFC, were intended to drive development in the Islamic banking sector and allow Islamic banks to obtain exclusive access to Sharia compliant customers, whilst competing with conventional banks in relation to non-Sharia compliant customers. Should the ban on Islamic operations for conventional banks be lifted, this would substantially increase competition in the Qatari market.

The competitive nature of the Qatari market and the Bank's potential failure to continue to compete successfully may adversely impact the Bank's business. Increased competition in countries where the Bank's associates currently operate could result in similar competition for associates.

***The QCB circular on retail banking, which sets certain limits on the Bank's retail operations, may have adverse implications on the profitability of the Bank's business***

On 10 April 2011, the QCB issued a circular to all banks operating in Qatar which, amongst other things, caps the loan amounts, both in real terms and as a percentage of salary, that may be made available to retail customers in

Qatar. The circular also limits the repayment period and caps the profit rate payable (or interest rate payable for conventional banks) on retail loans, and puts similar profit rate restrictions (or interest rate restrictions for conventional banks) in place in respect of credit cards made available to retail customers. The circular only applies to transactions entered into by the Bank after 10 April 2011. In the period immediately following the issuance of the circular, the Bank experienced a noticeable slowdown in credit growth. This has been mitigated by the September 2011 Government's initiative to increase the salaries of public sector employees. This initiative was subsequently adopted by Qatari private sector companies (see "*Description of Qatar International Islamic Bank (Q.P.S.C.) – Strategy – Maintaining a highly visible and expanding presence in the local Qatari and regional markets through organic and expansion growth*"). However, the Bank's profitability in respect of its retail operations may be adversely affected in the future as a result of this QCB circular.

***The Bank's compliance systems might not be fully effective***

The Bank's ability to comply with all applicable legal restrictions and the QCB's regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. The Bank cannot provide assurance that these systems and procedures are fully effective. The Bank is subject to extensive oversight by regulatory authorities, including regular examination activity. In addition, the Bank performs regular internal audits and employs an external auditor to monitor and test its compliance systems. In the case of actual or alleged non-compliance with regulations, the Bank could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers for damages. Any of these could have a material adverse effect on the Bank's results of operations, business, financial condition, liquidity and prospects. Notwithstanding the foregoing, the Bank believes that its risk management and internal control policies and procedures are sufficient to ensure the Trustee complies with its obligations as a company with securities admitted to the Official List.

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

The Bank's success and ability to maintain current business levels and sustain growth will depend, in part, on the Bank's ability to continue to recruit and retain qualified and experienced banking and management personnel. The Bank could face challenges in recruiting qualified personnel to manage its business. Additionally, if the Bank continues to grow, it will need to continue to increase its number of employees. The Bank is guided in its human resources decisions by the Government's recommended policy that a minimum of 20 per cent. of the Bank's total staff consists of Qatari nationals. While the Bank believes that it has effective staff recruitment, training and incentive programmes in place, the Bank's failure to recruit, train and/or retain necessary personnel or the shortage of qualified Qatari or other nationals prepared to relocate to Qatar, could have a material adverse effect on its business, financial condition and results of operations.

***The loss of key personnel may adversely affect the Bank's ability to implement its strategies***

The Bank's future success and growth depends to a substantial degree on its ability to retain and motivate the Bank's senior management and other key personnel. The Bank depends especially on the efforts, skill, reputation and experience of its key senior management, as well as synergies among their diverse fields of expertise and knowledge. Moreover, the Bank is not insured against losses that may be incurred in the event of the loss or dismissal of its key personnel.

***The Bank's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks***

In the course of its business activities, the Bank is exposed to a variety of risks, the most significant of which are credit risk, market and refinancing risk, liquidity risk, legal risk and operational risk. See "*Description of Qatar International Islamic Bank (Q.P.S.C.) – Risk Management*". The Bank's risk management techniques may not be fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Bank's methods of managing risk are based upon its use of historical market behaviour. These methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. There can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against, all credit and other risks. In addition, certain risks could be greater than the Bank's empirical data would otherwise indicate. The Bank also cannot guarantee that all of its staff will adhere to its policies and procedures.

The Bank is susceptible to, among other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record keeping errors, errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders. See "*The Bank is subject to risks relating to its information technology systems*". The Bank's risk management and internal control capabilities

are also limited by the information, tools and technologies available to the Bank. Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose the Bank to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Bank's business, results of operations and financial condition.

***The Bank has significant credit-related contingent items and commitments that may lead to potential losses***

The Bank has significant credit-related contingent items and commitments that may lead to potential losses. As part of its normal banking business, the Bank issues commitments, guarantees, letters of credit and other facilities, all of which are accounted for off the Bank's balance sheet until such time as they are actually funded or cancelled. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject the Bank to related credit and liquidity risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as loans and advances, and commitments to extend credit are contingent on customers maintaining required credit standards. Although the Bank anticipates that only a portion of the Bank's obligations in respect of these commitments will be triggered, the Bank may become obligated to make payments in respect of a greater portion of such commitments, which could have a material adverse effect on the Bank's funding needs and credit risks. As at 30 September 2018, the Bank had QR 14.2 billion in such contingent liabilities and other commitments.

***A downgrade in the Bank's credit ratings could limit its ability to negotiate new loan facilities, access the debt capital markets and may increase its borrowing costs and/or adversely affect its relationship with creditors***

The Bank's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining the Bank's cost of borrowing funds. The profit rates on the Bank's financings are partly dependent on its credit ratings. As of the date of this Base Prospectus, the Bank's long-term local and foreign currency rating was assessed by Fitch at A with a stable outlook and by Moody's at A2 with a stable outlook. A downgrade of the Bank's credit ratings may increase its cost of borrowing and materially adversely affect its results of operations.

***The Bank is subject to risks relating to its information technology systems***

The Bank depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Bank's business and operating data. The proper functioning of the Bank's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to the Bank's business and ability to compete effectively. The Bank's business activities would be materially disrupted if there were a partial or complete failure of any of the information technology systems or communications networks. Such failures can be caused by a variety of factors, including natural disasters, extended power outages and computer viruses. The proper functioning of the Bank's information technology systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing the Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. The Bank has implemented and tested detailed business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may have a material adverse effect on the Bank's business, results of operations and financial condition.

***The Bank may not receive future support from the Government, or it may not receive future support that is commensurate with the support that it has received in the past***

In light of the 2008 global economic crisis and its impact on the Qatari banking sector, the Government initiated several plans to support domestic banks in Qatar. See "*Description of Qatar International Islamic Bank (Q.P.S.C.) – Competitive Strengths – Strong governmental support of the Qatari banking sector*". Although the Government has supported the domestic banking industry during the recent global economic crisis, there can be no assurance, however, that the Government will provide any additional support to the Bank and the domestic banking industry in response to the recent crisis or initiate support if another major economic disruption were to occur in the future as the Government is currently under no legal obligation to provide such support.

In particular, it is anticipated that a fall in energy prices could prompt the Government to reduce current expenditure and investment in development projects. Any such diversion in the Government's expenditure or investment could affect the amount of business opportunities available for the Bank and therefore impact the Bank's business, financial condition, results of operations, liquidity and prospects.



***The Bank's corporate governance standards are not equivalent to those of the United States or Western Europe***

In 2015, the QCB published new Corporate Governance Guidelines for Banks and Financial Institutions (the **Guidelines**) which replace those issued in 2008 and set out the principles for corporate governance for banks and financial institutions in Qatar. While the Guidelines reflect the increasing importance that the QCB places on corporate governance to improve the perception and performance of the Qatari banking industry, the provisions are not as stringent as those of many developed countries. The Guidelines state that all banks shall comply generally with the principles set out in the Guidelines and explain the specific nature of business activities where these principles are not required to be complied with or require compliance. The QCB shall review these specific conditions for applicability or application of the principles. It is unclear what the impact will be, if any, if a bank or financial institution fails to comply with the recommendations in the Guidelines. Although the Bank has ensured compliance with the Guidelines, these standards are not equivalent to those required in the United States or Western Europe. Any failure to comply with the Guidelines or observe stringent corporate governance standards may expose the Bank to operational, liquidity and reputational risk and may impact the Bank's business, financial condition, results of operations, liquidity and prospects.

***The Government, through the QIA, has a significant shareholding in the Bank, and its interests may conflict with those of Certificateholders under the Programme***

As at the date of this Base Prospectus, the Government, through the QIA, holds approximately 16.6 per cent. of the Bank's share capital. By virtue of such shareholding, the Government has the ability to influence the Bank's business through its ability to vote on corporate actions that require shareholder approval. If circumstances were to arise where the interests of the Government conflicted with the interests of Certificateholders under the Programme, Certificateholders under the Programme may be disadvantaged by such conflict.

***The Bank is operating within a Sharia environment, which may impact its profitability and competitiveness due to a lack of Islamic financing products***

As the Bank is governed by its SSC, the range of products and services that it can offer might be limited compared to those offered by conventional banks. This factor may limit its ability to compete effectively with conventional banks for the business of customers who are not sensitive as to whether or not their banking arrangements are structured in a Sharia compliant manner.

Like some conventional financial products, the structure of Islamic financial products can include the financial institution offering the products by acquiring legal title to physical assets including, for example, real estate, aircraft or ships. Whilst the risks associated with ownership of these products can be reduced through contractual arrangements and the purchase of Islamic insurance (takaful), if the Bank is found to have financial liability arising from the ownership of assets comprising part of its offering of financial products, this could have a material adverse effect on the Bank's business and results of operations.

***Qatar has a relatively new insolvency law and there is no certainty as to how Qatari courts will construe or enforce such law in the event of a bankruptcy affecting the Bank***

Qatar has adopted bankruptcy and insolvency provisions (part of the Commercial Code No. 27 of 2006) (the **Bankruptcy Provisions**), which came into effect on 13 May 2007. The Bankruptcy Provisions are similar to those included in the Egyptian and most other GCC laws and relate largely to the declaration of bankruptcy, its effects and its administration, and include conciliation to prevent bankruptcy. However, because the Bankruptcy Provisions are relatively new and untested by Qatari courts, there is no certainty as to how Qatari courts would construe or enforce the Bankruptcy Provisions in the event of a bankruptcy affecting the Bank. There can also be no assurance that a Qatari court would compel a bankruptcy administrator to perform any of the Bank's obligations under the Transaction Documents to which it is a party during an administration period. The Bankruptcy Provisions also enable Qatari courts to defer adjudication of a company's bankruptcy if the court decides that it is possible to improve that company's financial position during a period (such period to be specified by the court) or if judged to be in the interest of the national economy. Similarly, given the lack of precedent, there is no certainty as to if and how the QCB might exercise its powers of temporary management and control under the Banking Provisions (including putting a financial institution into liquidation) in relation to any domestic financial institutions experiencing financial difficulties. The QCB Law deals with interim administration and liquidation of the financial institutions licensed by the QCB. The QCB Law provides that the QCB may place a financial institution under interim administration if such an institution is threatened with insolvency or at the request of such financial institution. The QCB as the interim administrator of the financial institution is entitled to take control of the assets of the financial institution and take such steps as required to protect the funds of the financial institution, the rights of the depositors, investors and customers. Following the conclusion of the interim administration, the governor of the QCB may decide to revoke the licence of the financial institution and develop a plan for the liquidation of its assets and obligations. Further, the QCB shall be responsible for the implementation

and supervision of the execution of the liquidation plan. There are no specific guidelines in respect of how the QCB would administer the resolution of a failing bank in Qatar.

***The Bank's Financial Statements are prepared in accordance with FAS issued by AAOIFI and applicable provisions of QCB regulations and, for matters not covered by those standards, IFRS and significant discretion is required to be exercised by management in the preparation of the Bank's Financial Statements***

The Bank's Financial Statements are prepared in accordance with FAS issued by AAOIFI and applicable provisions of QCB regulations and, in line with the requirements of AAOIFI for matters which are not covered by those standards, the Bank uses guidance from the relevant IFRS as issued by IASB. In preparing its financial statements, the Bank also takes into account Sharia rules and principles as determined by its SSC and applicable regulations of the QCB and Qatar Commercial Companies Law No. 11 of 2015. As a result, there may be significant differences between the Bank's financial statements as currently prepared and its financial statements if they had been prepared solely in accordance with IFRS and applicable Qatari law and regulation. For a discussion of certain differences between FAS issued by AAOIFI and IFRS issued by IASB, see "*Summary of Significant Differences between The Financial Accounting Standards issued by AAOIFI and International Financial Reporting Standards*".

Both FAS issued by AAOIFI and IFRS issued by IASB change from time to time and these changes may have a material effect on how the Bank reports its results of operations and financial position.

In accordance with applicable accounting standards, the Bank's management is required to make a number of significant accounting estimates, assumptions and judgments in preparing the Bank's Financial Statements. Many of these estimates, assumptions and judgments relate to determinations as to whether or not financing advances and financial assets should be impaired. In part, the judgments are based on observable market data, expected credit losses and the Bank's historical experience of incurred losses in relation to assets of the type concerned. In other cases, significantly greater levels of judgment are required. The Bank's management also uses significant discretion in determining the fair value of financial instruments, particularly in cases where there is no observable market data on which to base the determination, and in determining the useful lives of fixed assets, which in turn affects the annual depreciation charges on those assets. The Bank has established detailed policies and control procedures that are intended to ensure that these significant accounting estimates, assumptions and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Bank's estimates, assumptions and judgments, the Bank cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

## **RISKS RELATED TO THE CERTIFICATES**

***The Certificates are limited recourse obligations of the Trustee***

The Certificates are not debt obligations of the Trustee, instead, each Certificate represents an undivided ownership interest in the Trust Assets relating to that Series. Recourse to the Trustee is limited to the Trust Assets of the relevant Series and the proceeds of the Trust Assets of the relevant Series are the sole source of payments on the Certificates of that Series. Upon the occurrence of a Dissolution Event, the sole rights of the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series of Certificates) will be against the Bank to: (i) pay the Exercise Price in accordance with the Purchase Undertaking and the Wakala Portfolio Principal Revenues in accordance with the Service Agency Agreement in respect of such Series, and in addition, in the case of a Wakala/Mudaraba Series only, to liquidate the relevant Mudaraba and distribute the Final Liquidation Proceeds and the applicable Mudaraba Profit (in an amount not exceeding the Mudaraba Percentage of the Required Amount) in accordance with the relevant Restricted Mudaraba Agreement; and (ii) otherwise perform its obligations under the Transaction Documents to which it is a party.

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), the Delegate, any Agent or (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is party) the Bank in respect of any shortfall in the expected amounts due on the Certificates. The Bank is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against the Bank to recover such payments due to the Trustee pursuant to the Transaction Documents.

After enforcing or realising the rights in respect of the Trust Assets in respect of a Series of Certificates and distributing the net proceeds of such Trust Assets in accordance with Condition 5(b), the Master Trust Deed and the Agency Agreement, the obligations of the Trustee and/or the Delegate in respect of that Series of Certificates shall be satisfied and neither the Trustee nor the Delegate nor any Certificateholder may take any further steps against the Trustee or the Bank to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate

or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets other than as contemplated in the Transaction Documents. The sole right of the Trustee, the Delegate and the Certificateholders against the Bank shall be to enforce the obligation of the Bank to perform its obligations under the Transaction Documents.

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

If the amount payable in respect of the Certificates of any Series is required to be increased to include additional amounts and/or the Bank is required to pay additional amounts pursuant to the Transaction Documents, in each case as a result of certain changes affecting taxation in the Cayman Islands, Qatar or, in each case, any political subdivision or any authority thereof or therein having power to tax, the Bank may be entitled to require the Trustee to redeem all but not some only of the Certificates upon giving notice in accordance with Condition 8(b). In addition, if so provided in the applicable Final Terms, a Series may also be redeemed early at the option of the Bank pursuant to Condition 8(c). Any such early redemption feature of any Certificate is likely to limit its market value.

During any period when the Bank may elect to require the Trustee to redeem the Certificates (whether pursuant to Condition 8(b) or Condition 8(c)), the market value of those Certificates generally will not rise substantially above the Dissolution Distribution Amount payable. This also may be true prior to any other Dissolution Date.

***Investors must make their own determination as to Sharia compliance***

The Sharia Supervisory Committee of Qatar International Islamic Bank (Q.P.S.C.), the Shariah Committee of Maybank Islamic Berhad and the Shariah Supervisory Committee of Standard Chartered Bank have each confirmed that the Transaction Documents are, in their view, in compliance with Sharia principles. However, there can be no assurance that the Transaction Documents or any issue and trading of Certificates will be deemed to be Sharia compliant by any other Sharia board or Sharia scholars. None of the Trustee, the Bank, the Delegate, the Agents, the Arrangers or the Dealers makes any representation as to the Sharia compliance of any Series and potential investors are reminded that, as with any Sharia views, differences in opinion are possible. Potential investors should obtain their own independent Sharia advice as to whether the Transaction Documents and any issue of Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradability of the Certificates on any secondary market. Questions as to the Sharia permissibility of the Transaction Documents or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents would be, if in dispute, either the subject of arbitration under English law or court proceedings under the laws of Qatar or England and Wales. In such circumstances, the arbitrator or judge (as applicable) will first apply the governing law of the relevant Transaction Document in determining the obligations of the parties.

***There can be no assurance as to the impact of a change in the laws governing the Certificates or the Transaction Documents***

The structure of each issue of Certificates under the Programme is based on English law and the laws of Qatar 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 judicial decision or change to English or Qatari law or administrative practices in any 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 Bank to make payments under the Transaction Documents to which it is a party and/or the Trustee to make payments under any Series of Certificates, or the ability of the Trustee or the Bank to otherwise comply with their respective obligations under the Transaction Documents to which they are a party.

***Certificates are subject to modification by a majority of the Certificateholders of a Series without the consent of all of the Certificateholders***

The Master Trust Deed contains provisions for calling meetings of the Certificateholders to consider matters affecting their interests. In addition, the Master Trust Deed contains provisions for obtaining written resolutions on matters relating to the Certificates from holders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates of the relevant Series for the time being outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

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

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, the Bank and the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, the Bank and the Delegate (as the case may be) by accountholders in the clearing systems with entitlements to such global certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Trustee, the Bank and the Delegate (as the case may be) have obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the provisions of the Master Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held.

These provisions permit defined majorities to bind all of the Certificateholders of the relevant Series (including Certificateholders who did not attend or vote at the relevant meeting as well as Certificateholders who voted in a manner contrary to the majority).

The Master Trust Deed also provides that the Delegate may, without the consent or sanction of Certificateholders (i) agree to any modification of the Trust Deed, any of the other Transaction Documents or the Trustee's memorandum and articles of association that (in the opinion of the Delegate) is of a formal, minor or technical nature, or is made to correct a manifest error, or (ii)(a) give its consent under the Transaction Documents and agree to any other modification of any provisions of the Trust Deed, the Transaction Documents or the Trustee's memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or any of the other Transaction Documents or (b) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided that such modification, consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the outstanding aggregate face amount of the relevant Series and, in the case of modifications referred to in paragraph (ii)(a) above, other than in respect of a matter which requires a special quorum resolution (as defined in the Master Trust Deed). Any such modification, consent, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine and shall be binding on the Certificateholders and, unless the Delegate agrees otherwise, shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 as soon as practicable thereafter.

***The Delegate may request that the Certificateholders provide an indemnity and/or security and/or pre-funding to its satisfaction***

Pursuant to the Conditions and the Master Trust Deed, the Delegate may, in certain circumstances, request the Certificateholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Certificateholders. The Delegate shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact on when such actions can be taken.

***Credit ratings assigned to the Bank and/or the Certificates are subject to ongoing evaluations and there can be no assurance that the ratings currently assigned to the Bank and/or the Certificates will not be downgraded***

The Bank has been assigned long-term ratings of A with a stable outlook by Fitch and A2 with a stable outlook by Moody's. The Certificates of each Series may be unrated or may be rated by one or more independent credit rating agencies who may also assign credit ratings to the Certificates. Any ratings of either the Bank or the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. Nevertheless, real or anticipated changes in the Bank's credit ratings or the ratings of the Certificates generally may affect the market value of the Certificates.

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

### ***Interest or profit rate risks***

Investment in Fixed Rate Certificates involves the risk that if market interest or profit rates subsequently increase above the rate paid on the Fixed Rate Certificates, this will adversely affect the value of the Fixed Rate Certificates.

Certificates with variable profit rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### ***The Certificates may be subject to exchange rate risks and exchange controls***

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

The Trustee will pay all amounts due on any Certificates, and the Bank will make any payments pursuant to the Transaction Documents, in the Specified Currency. If an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency, such investor may therefore bear certain exchange rate risks. These include the risk that: (i) exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency); and (ii) authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Any appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (a) the Investor's Currency-equivalent yield on the Certificates; (b) the Investor's Currency-equivalent value of the Dissolution Distribution Amount payable in respect of 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 amounts on a Certificate. As a result, investors may receive less than expected, or no payment at all. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Certificate would not be available at such Certificate's maturity.

### ***A secondary market may not develop or be maintained for the Certificates***

There is no assurance that a 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 such Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates easily or at prices that will provide a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in Certificates must be prepared to hold the relevant Certificates for an indefinite period of time or until their maturity. Whilst an application has been made for the listing of certain Series to be issued under the Programme on the London Stock Exchange, there can be no assurance that any such listing will occur or will enhance the liquidity of the Certificates of the relevant Series.

### ***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.

A Certificateholder who holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time 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 also be illiquid and difficult to trade.

***Investors in the Certificates must rely on Euroclear and Clearstream, Luxembourg procedures***

Each Series of Certificates issued under the Programme will be represented on issue by a Global Certificate that may be deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Certificate held through it. While the Certificates of each Series are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants, and the Trustee will discharge its payment obligations under the relevant Series of Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the relevant Series of Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

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

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

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

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

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

***Future discontinuance of the London Interbank Offered Rate (LIBOR) may adversely affect the value of Floating Rate Certificates which reference LIBOR***

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

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

**RISKS RELATING TO THE SUKUK ASSETS**

***Ownership of Wakala Assets***

In order to comply with the requirements of Sharia, an ownership interest (the nature of such interest as more particularly described in "*Transfer of the Wakala Assets*" below and "*Summary of the Principal Transaction Documents*") in the Wakala Assets of each Series will pass to the Trustee under the relevant Supplemental Purchase Agreement or the relevant Sale Agreement, as the case may be. The Trustee will declare a trust in respect of its ownership interest in such Wakala Assets and the other relevant Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the relevant Supplemental Trust Deed. Accordingly, Certificateholders will have beneficial ownership interests in the relevant Wakala Assets unless transfer of such interests in the Wakala Assets is prohibited by, or ineffective under, any applicable law (see "*Transfer of the Wakala Assets*" below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any legal documentation or contracts entered into by the Bank with its customers in relation to any Wakala Assets. The Wakala Assets will be selected by the Bank in its absolute discretion (subject to the provisions contained in the Transaction Documents) and the Certificateholders will have no ability to influence such selection. Only limited representations will be obtained from the Bank in respect of the Wakala Assets of a Series. In particular, the precise terms of such Wakala Assets or the nature of the assets leased, sold, originated or otherwise held will not be known. No steps will be taken to perfect the transfer of the title in any Wakala Assets to the Trustee or otherwise to give notice to, or obtain any acknowledgement of notification from, any lessee or obligor in respect thereof. Obligors and lessees may have rights of set-off or counterclaim against the Bank in respect of such Wakala Assets. If and to the extent that a third party is able to establish a direct claim against the Trustee, the Delegate or any relevant Certificateholders in relation to any Wakala Assets, the Bank has agreed in the Master Trust Deed to indemnify the Trustee and the Delegate (on behalf of itself (where applicable) and the Certificateholders) against any liabilities in connection with such claim. If the Bank is unable to satisfy any such claims or meet its indemnity obligations, then the relevant Certificateholders may suffer losses in excess of the original face amount invested.

***Transfer of the Wakala Assets***

No investigation will be made to determine if any Supplemental Purchase Agreement will have the effect of transferring an ownership interest in the relevant Wakala Assets. The Master Purchase Agreement is, and each Supplemental Purchase Agreement will be, governed by the laws of Qatar and, to the extent that such laws are applied in relation to any dispute, there are doubts whether an ownership interest in certain assets (in particular receivable assets such as *ijara* or *murabaha* contracts) can be effectively transferred without notice of the transfer being given to the lessee or other obligor. In addition, the Qatari civil code requires an official date certification to be effected for a transfer of assets to be perfected. Accordingly, no assurance is given that any ownership interest in any Wakala Assets will be transferred to the Trustee.

### ***Investment in Mudaraba Portfolio***

Pursuant to the relevant Restricted Mudaraba Agreement, the Mudaraba Capital for each Wakala/Mudaraba Series will be invested in the relevant Mudaraba Portfolio with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates. If any of the risks relating to the business of the Bank mentioned above (see "*Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents*") materialise or otherwise impact the Bank's business, the value of and profit earned from the investment in such Mudaraba Portfolio may drop which may, in turn, have a material adverse effect on the Trustee's ability to fulfil its payment obligations in respect of the Certificates. No investigation or enquiry will be made and no due diligence will be conducted in respect of any legal documentation or contracts entered into by the Bank with its customers in relation to any Mudaraba Assets. The Mudaraba Assets will be selected by the Bank in its absolute discretion (subject to the provisions contained in the Transaction Documents) and the Certificateholders will have no ability to influence such selection. Only limited representations will be obtained from the Bank in its capacity as Mudarib in respect of the Mudaraba Assets of a Wakala/Mudaraba Series. In particular, neither the precise terms nor the nature of such Mudaraba Assets will be known. Lessees and obligors may have rights of set-off or counterclaim against the Bank in respect of any Mudaraba Assets.

### **RISK FACTORS RELATING TO ENFORCEMENT**

#### ***Enforcement risk***

Ultimately, the payments under the Certificates are dependent upon the Bank, the Servicing Agent and the Mudarib making payments to the Trustee in the manner contemplated under the Transaction Documents to which they are a party. If the Bank (acting in any capacity) fails to make such payments, 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. Certain of the Transaction Documents are governed by English law, with an arbitral tribunal with its seat in London having jurisdiction to settle any disputes (or, subject to the exercise of an option to litigate given to certain parties, the courts of England and Wales are stated to have jurisdiction to settle any disputes). Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that the Bank has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced.

#### ***Enforcing foreign judgments and arbitral awards in Qatar***

There is currently no treaty or convention for the reciprocal enforcement of judgments of the courts of Qatar and the courts of England on the other. A judgment obtained from a court in England will be enforceable in Qatar subject to the provisions of Article 379 and 380 of the Civil and Commercial Procedure Law, which provides: (i) in the case of Article 379, that judgments and orders pronounced in a foreign country may be ordered to be executed in Qatar upon the conditions determined in that country for the execution of Qatari judgments and orders; and (ii) in the case of Article 380, that an order for execution of a foreign judgment or order will not be made unless and until the following have been ascertained, that: (a) the judgment or order was delivered by a competent court of the foreign jurisdiction in question; (b) the parties to the action were properly served with notice of proceedings and properly represented; (c) the judgment or order is one that is capable of being executed by the successful party to the proceedings in conformity with the laws of the foreign jurisdiction in question; and (d) the foreign judgment or order does not conflict with a previous judgment or order of a competent Qatari court and is not contrary to public policy or morality in Qatar.

If enforcement of a judgment were to be sought in Qatar, under current Qatari law, due to the lack of reciprocity of enforcement of judgments between the courts of Qatar and England, the Qatari courts would be unlikely to enforce such judgment without re-examining the merits of the claim (although a judgment obtained from a court in England would be admissible in evidence in any proceedings brought in Qatar to enforce such judgment) and may not observe the choice by the parties of English law as the governing law of the relevant Transaction Documents and may apply Qatari law instead.

Under the relevant Transaction Documents and the Certificates, the parties have agreed that any disputes will, subject as provided in the paragraph below, be referred to arbitration under the LCIA Arbitration Rules. Qatar is a signatory to the New York Convention on Enforcement of Foreign Arbitral Awards of 1958 with effect from 30 March 2003. The enforcement of foreign arbitral awards in Qatar is presumed to be straightforward; however, a Qatari court may refuse enforcement of an arbitral award and may consider the relevant dispute on its merits if the subject matter of the award is not compatible with mandatory provisions of Qatari law and public policy and morals in Qatar.

Under the relevant Transaction Documents and the Certificates, any dispute may, at the option of certain parties, also be referred to the courts of England who shall have jurisdiction to settle any dispute arising from such Transaction Documents or Certificates. Such wording may create confusion as to the intended jurisdiction if the



matter was brought before the Qatari courts and there is a risk that the Qatari courts may find that submission to arbitration was not the sole jurisdiction intended by the parties, and assume jurisdiction. Further, where an English judgment has been obtained, there is no assurance that the Bank has, or would at the relevant time have, assets in the United Kingdom against which such judgment could be enforced.

Furthermore, in February 2017, Qatar enacted Law No. (2) of 2017 promulgating the Civil and Commercial Arbitration Law (the **Arbitration Law**) which came into force in April 2017. Under Article 8 of the Arbitration Law, the court will dismiss any dispute between contracting parties which is required to be referred to arbitration pursuant to an arbitration agreement between the contracting parties. The respondent (in the dispute) is required to object to court proceedings before any other motion or statement of defence on the merits of the case is filed before the court.

Article 35 of the Arbitration Law specifies the grounds upon which the recognition and enforcement of an arbitral award may be refused irrespective of the location of the seat of arbitration. The grounds on which recognition and enforcement of an arbitral award may be refused are as follows:

- (i) (a) a party to the arbitration agreement was, under the law applicable to it, under some incapacity or the agreement is not valid under the applicable law, (b) the party against whom the arbitral award was made was not provided with adequate notice of the appointment of the arbitrator or of the arbitration proceedings or was not given the opportunity to present its case, (c) the nature of the dispute fell outside the scope of the arbitration agreement, (d) the composition of the arbitral tribunal, the appointment of the arbitrators or arbitral tribunal or the arbitral proceedings were not in accordance with the law or agreement of the parties, or (e) the award has not become binding on the parties or has been set aside or suspended by the court of the country in which or under which the award was made; and
- (ii) (a) the subject matter of the dispute is not capable of settlement by arbitration under the law of the relevant jurisdiction; and (b) the recognition and enforcement of the award would be contrary to the public policy of the relevant country.

As the Qatari legal system is based on a civil code, judicial precedents in Qatar have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in Qatar. As a result, any experience with and knowledge of prior rulings of the Qatari courts may not be a reliable basis from which to predict decisions that Qatari courts may adopt in the future. These factors create greater uncertainty.

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

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

#### ***Claims for specific enforcement***

In the event that the Bank fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include 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 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 the Bank to perform its obligations as set out in the Transaction Documents to which it is a party.

### **ADDITIONAL RISK FACTORS**

#### ***Emerging markets***

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

#### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to investment laws and regulations, or the review of such laws and regulations by certain governmental or regulatory authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Certificates constitute legal investments for it; (ii)

the Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Certificates by the investor. 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 and regulations.

***Sharia requirements in relation to interest awarded by an arbitrator or court***

In accordance with applicable Sharia principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any arbitrator or court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment or arbitration given against the Bank, judgment interest (or equivalent interest awarded in connection with an arbitration) may well accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest. Certificateholders should note that the Trust Assets specifically exclude any rights which have been expressly waived by the Trustee in any of the Transaction Documents (which, to the extent applicable, would extend to any award of interest made in favour of the Trustee by an arbitrator or court in respect of a dispute).

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents which have previously been published and have been filed with the UK Listing Authority shall be incorporated by reference in, and form part of, this Base Prospectus:

- a) the 2018 Interim Financial Statements together with the review report thereon (available at: <http://www.qiib.com.qa/Documents/Download/108>);
- b) the 2017 Interim Financial Statements together with the review report thereon (available at: <http://www.qiib.com.qa/Documents/Download/99>);
- c) the 2017 Financial Statements together with the audit report thereon (available at: <http://www.qiib.com.qa/Documents/Download/101>); and
- d) the 2016 Financial Statements together with the audit report thereon (available at: <http://www.qiib.com.qa/Documents/Download/90>).

Following the publication of this Base Prospectus, a supplement may be prepared by the Trustee and approved by the UK Listing Authority 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. In addition, copies of such documents will be available on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

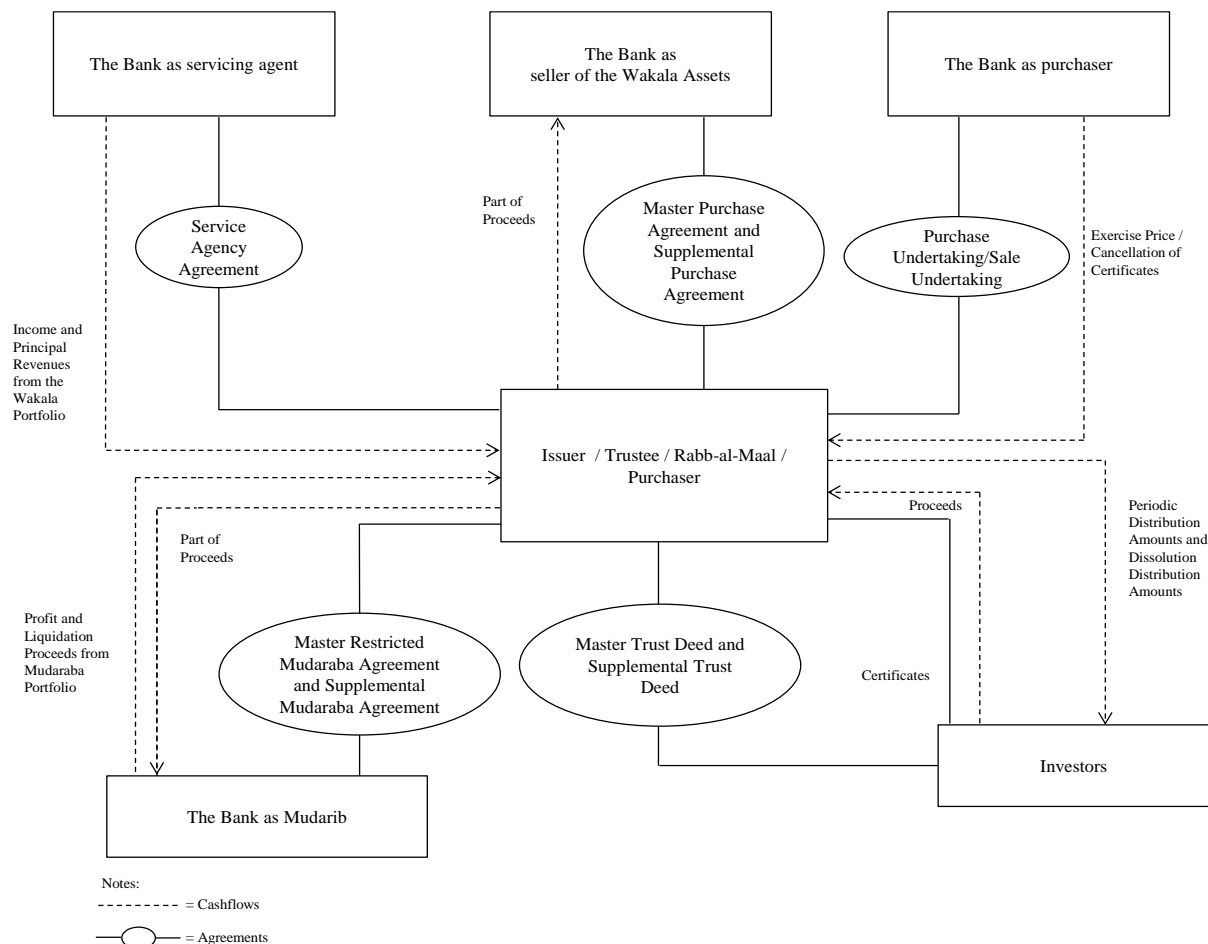
Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Any hyperlinks included in this Base Prospectus, other than those set out above, or included in any documents incorporated by reference in this Base Prospectus, and the websites and their content are not incorporated into, and do not form part of, this Base Prospectus.

The Trustee and the Obligor 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 CASH FLOWS

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 set out in "Terms and Conditions of the Certificates" and the detailed descriptions of the relevant Transaction Documents set out in "Summary of the Principal Transaction Documents" for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.



### Principal cash flows

#### Payments by the Certificateholders and the Trustee

On the issue date of the first Tranche of any Series (the **Issue Date**), the Certificateholders will pay the issue price in respect of the Certificates (the **Issue Proceeds**) to the Trustee and the Trustee will pay:

- (i) (as Purchaser) in the case of a Wakala Series, the Issue Proceeds in full or, in the case of a Wakala/Mudaraba Series, the percentage specified in the applicable Final Terms of the Issue Proceeds (the **Wakala Percentage**), to or to the order of the Bank (as Seller) as the purchase price payable under the relevant Supplemental Purchase Agreement for the purchase of an initial portfolio (the **Initial Wakala Portfolio**) consisting of:
  - (a) real estate and/or non-real estate tangible assets together with the related *ijara* (lease) contracts and the receivables payable thereunder (excluding, for the purposes of the Wakala Portfolio only, any Restricted Vehicles and any real estate assets not located in a Designated Area) (**Ijara Assets**);
  - (b) real estate related assets (i) which are under construction; (ii) in respect of which the Bank has entered into a Sharia compliant financing arrangement; and (iii) are located in a Designated Area (as defined herein) (**Istisna'a Assets**);
  - (c) receivables under *murabaha* or other contracts involving the sale of commodities or goods on a deferred payment basis together with the payments of the related profit amounts and the contracts in respect thereof and all rights, title, interests, benefits and entitlements in, to and under such contracts (each such receivable, a **Murabaha Receivable**);

- (d) other Sharia compliant tangible income generating assets owned by or on behalf of the Bank (excluding, for the purposes of the Wakala Portfolio only, any Restricted Vehicles and any real estate assets not located in a Designated Area) (**Other Tangible Sharia Compliant Assets**); and
- (e) other Sharia compliant intangible income generating assets owned by or on behalf of the Bank (**Other Intangible Sharia Compliant Assets**),

each such Ijara Asset, Istisna'a Asset, Murabaha Receivable, Other Tangible Sharia Compliant Asset and Other Intangible Sharia Compliant Asset, a **Wakala Asset**; and

- (ii) (as Rabb-al-Maal) in the case of a Wakala/Mudaraba Series, the percentage specified in the applicable Final Terms of the Issue Proceeds (the **Mudaraba Percentage**), to or to the order of the Bank (as Mudarib) as the initial capital of the relevant Mudaraba (the **Mudaraba Capital**), which the Mudarib will invest in accordance with the Master Restricted Mudaraba Agreement and the relevant Supplemental Restricted Mudaraba Agreement (which includes the relevant Mudaraba Investment Plan), in an initial portfolio (the **Initial Mudaraba Portfolio**) consisting of:
  - (a) Real Estate Ijara Assets;
  - (b) Non-Real Estate Ijara Assets;
  - (c) Other Tangible Sharia Compliant Assets; and/or
  - (d) Sharia compliant deposits with the Bank (**Sharia Compliant Investments** and each such Real Estate Ijara Asset, Non-Real Estate Ijara Asset, Other Tangible Sharia Compliant Asset and Sharia Compliant Investment, a **Mudaraba Asset**),

in each case, with a view to earning profit therefrom.

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

On the Business Day prior to each Periodic Distribution Date (i) the Servicing Agent will pay amounts reflecting the returns (excluding any amounts in the nature of principal) generated in respect of the relevant Wakala Portfolio (the **Wakala Portfolio Income Revenues**) into the relevant Transaction Account and (ii) in the case of a Wakala/Mudaraba Series, the Mudarib will also pay, in accordance with a pre-agreed profit sharing ratio, amounts representing the Rabb-al-Maal's share of the returns (excluding any amounts in the nature of principal) generated in respect of the relevant Mudaraba Portfolio (the **Mudaraba Profit**) into the relevant Transaction Account, which, in aggregate, are intended to be sufficient to fund the Periodic Distribution Amounts payable by the Trustee under the Certificates of the relevant Series (the **Required Amount**) and shall be applied by the Trustee for that purpose.

If the Wakala Portfolio Income Revenues are greater than the Wakala Percentage of any Required Amount or, in the case of a Wakala/Mudaraba Series, the Mudaraba Profit is greater than the Mudaraba Percentage of the Required Amount, such excess returns shall be credited to a separate account by the Servicing Agent or the Mudarib, as applicable, (such account, in the case of a Wakala Portfolio being the **Wakala Reserve Collection Account** and, in the case of a Mudaraba Portfolio, being the **Mudaraba Reserve Account**).

If, in respect of any period, the Wakala Portfolio Income Revenues are insufficient to fund the Wakala Percentage of the Required Amount, the Servicing Agent shall apply amounts standing to the credit of the Wakala Reserve Collection Account towards such shortfall and, in the case of a Wakala/Mudaraba Series, if, in respect of any period, the Mudaraba Profit is insufficient to fund the Mudaraba Percentage of the Required Amount, the Mudarib shall apply amounts standing to the credit of the Mudaraba Reserve Account towards such shortfall, in each case by paying an amount equal to the same into the Transaction Account. If, having applied such amounts from the Wakala Reserve Collection Account and, in the case of a Wakala/Mudaraba Series, from the Mudaraba Reserve Account, there remains a shortfall between the amount standing to the credit of the Transaction Account and the Required Amount, the Servicing Agent may make Sharia compliant funding available (or may procure its availability, as applicable) to the Trustee in the amount of the shortfall remaining on terms that such funding is repayable (i) from Wakala Portfolio Income Revenues received in respect of a subsequent period, or (ii) on a Dissolution Date on which the Certificates of a Series are to be redeemed (a **Liquidity Facility**).

#### ***Payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date***

In respect of the Scheduled Dissolution Date in relation to each Series:

- (i) the Trustee and the Delegate will have the right under the Purchase Undertaking to require the Bank to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala

Assets comprising the Wakala Portfolio for payment of the relevant Exercise Price into the Transaction Account on the Business Day immediately preceding the Scheduled Dissolution Date;

- (ii) the Servicing Agent will be required under the terms of the Service Agency Agreement to pay an amount equal to the amount of the principal or capital revenues standing to the credit of the Principal Collection Account (as defined in the Service Agency Agreement) (the **Wakala Portfolio Principal Revenues**) into the Transaction Account on the Business Day immediately preceding the Scheduled Dissolution Date; and
- (iii) in the case of a Wakala/Mudaraba Series, the Mudarib will also be required under the Master Restricted Mudaraba Agreement and the relevant Supplemental Restricted Mudaraba Agreement to liquidate the relevant Mudaraba on the Business Day prior to the Scheduled Dissolution Date and distribute to the Trustee (as Rabb-al-Maal) the proceeds of the liquidation (in an amount not exceeding the Mudaraba Capital) and the Mudaraba Profit (in an amount not exceeding the Required Amount) realised by such liquidation by payment of the same into the Transaction Account,

and such amounts are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

***Payment of the Dissolution Distribution Amount in the event of early redemption***

The Trust in relation to any Series may be dissolved prior to the relevant Scheduled Dissolution Date for the following reasons: (a) following a Dissolution Event; (b) for tax reasons; (c) if so specified in the applicable Final Terms, at the option of the Bank; and (d) if so specified in the applicable Final Terms, at the option of the Certificateholders.

***Early redemption following a Dissolution Event or early redemption at the option of Certificateholders***

In respect of an early redemption following a Dissolution Event or at the option of Certificateholders, on a Dissolution Date:

- (i) the Trustee and the Delegate will have the right under the Purchase Undertaking to require the Bank to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under all (in the case of redemption following a Dissolution Event or where all Certificates are to be redeemed on such Dissolution Date) or (where some only of the Certificates are to be redeemed on such Dissolution Date) a portion of the Wakala Assets comprising the Wakala Portfolio corresponding to the number of Certificates to be redeemed for payment of the relevant Exercise Price into the Transaction Account on the Dissolution Event Redemption Date (in the case of redemption following a Dissolution Event) or the Business Day immediately preceding the relevant Dissolution Date (in the case of dissolution at the option of Certificateholders);
- (ii) the Servicing Agent will be required under the terms of the Service Agency Agreement to pay an amount equal to the amount of the Wakala Portfolio Principal Revenues (or a portion thereof corresponding to the number of Certificates to be redeemed, where some only of the Certificates are to be redeemed on the relevant Dissolution Date) standing to the credit of the Principal Collection Account into the Transaction Account on the Dissolution Event Redemption Date (in the case of redemption following a Dissolution Event) or the Business Day immediately preceding the relevant Dissolution Date (in the case of dissolution at the option of Certificateholders); and
- (iii) in the case of a Wakala/Mudaraba Series, the Mudarib will also be required under the Master Restricted Mudaraba Agreement and the relevant Supplemental Restricted Mudaraba Agreement to liquidate the relevant Mudaraba (or a portion of the Mudaraba Assets comprising the Mudaraba Portfolio, where some only of the Certificates are to be redeemed on the relevant Dissolution Date, corresponding to the number of Certificates to be redeemed) on the Dissolution Event Redemption Date (in the case of redemption following a Dissolution Event) or the Business Day immediately preceding the relevant Dissolution Date (in the case of dissolution at the option of Certificateholders) and distribute to the Trustee (as Rabb-al-Maal) the proceeds of the liquidation (in an amount not exceeding the Mudaraba Capital) and the Mudaraba Profit (in an amount not exceeding the Mudaraba Percentage of the Required Amount) realised by such liquidation by payment of the same into the Transaction Account,

and such amounts are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates on the relevant Dissolution Date.

***Early redemption for tax reasons or early redemption at the option of the Bank***

In respect of an early redemption for tax reasons or an early redemption at the option of the Bank:

- (i) the Bank will have the right under the Sale Undertaking to require the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under all or (where some only of the Certificates are to be redeemed on such Dissolution Date) a portion of the Wakala Assets (corresponding to the number of Certificates to be redeemed) comprising the Wakala Portfolio for payment of the relevant Exercise Price into the Transaction Account on the Business Day immediately preceding the relevant Dissolution Date;
- (ii) the Servicing Agent will be required under the terms of the Service Agency Agreement to pay an amount equal to the amount of the Wakala Portfolio Principal Revenues (or a portion thereof corresponding to the number of Certificates to be redeemed) where some only of the Certificates are to be redeemed on the relevant Dissolution Date) standing to the credit of the Principal Collection Account into the Transaction Account on the Business Day immediately preceding the relevant Dissolution Date; and
- (iii) in the case of a Wakala/Mudaraba Series, the Mudarib will also be required under the Master Restricted Mudaraba Agreement and the relevant Supplemental Restricted Mudaraba Agreement to liquidate the relevant Mudaraba (or a portion of the Mudaraba Assets comprising the Mudaraba Portfolio, where some only of the Certificates are to be redeemed on the relevant Dissolution Date, corresponding to the number of Certificates to be redeemed) on the Business Day immediately preceding the relevant Dissolution Date and distribute to the Trustee (as Rabb-al-Maal) the proceeds of the liquidation (in an amount not exceeding the Mudaraba Capital) and the Mudaraba Profit (in an amount not exceeding the Mudaraba Percentage of the Required Amount) realised by such liquidation by payment of the same into the Transaction Account,

and such amounts are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates on the relevant Dissolution Date.

***Purchase and Cancellation of Certificates***

Pursuant to Conditions 8(f) and 8(g), the Bank and its subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank elects to cancel any Certificates so purchased:

- (i) the Bank may exercise its right under the Sale Undertaking to require the Trustee to assign and/or transfer, as applicable, all of its rights, title, interests, benefits and entitlements in, to and under all or a specified portion (as applicable) of the Wakala Assets comprising the Wakala Portfolio to the Bank against delivery of the relevant Certificates for cancellation in accordance with Condition 8 and the Agency Agreement;
- (ii) the Servicing Agent will be required under the terms of the Service Agency Agreement to surrender all or a specified portion (as applicable) of the Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Account to the Bank; and
- (iii) in the case of a Wakala/Mudaraba Series, the Mudarib will also be required under the Master Restricted Mudaraba Agreement and the relevant Supplemental Restricted Mudaraba Agreement to release all or a specified portion (as applicable) of the Mudaraba Assets from the Mudaraba Portfolio to the Bank for its own account,

in each case on the relevant date specified by the Bank for cancellation.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche, the applicable Final Terms (or, in the case of Exempt Certificates, the applicable Pricing Supplement). The Trustee and any relevant Dealer(s) may agree that Certificates shall be issued in a form other than that contemplated in the Terms and Conditions of the Certificates, in which event, in the case of listed Certificates only and, if appropriate, a supplement to the Base Prospectus will be published.*

Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of Provisions relating to the Certificates while in Global Form" shall have the same meanings in this overview.

<b>Seller, Obligor and Servicing Agent and, in the case of a Wakala/Mudaraba Series, Mudarib:</b>	Qatar International Islamic Bank (Q.P.S.C.), incorporated in 1990 by an Amiri Decree (No. 52 of 1990), with commercial registration number 13023, in its capacity as Seller pursuant to the Master Purchase Agreement, Obligor pursuant to the Purchase Undertaking and Servicing Agent pursuant to the Service Agency Agreement and, in the case of a Wakala/Mudaraba Series, as Mudarib pursuant to the Master Restricted Mudaraba Agreement.
<b>Trustee:</b>	QIIB Senior Sukuk Limited, as issuer of the Certificates and as trustee for and on behalf of the Certificateholders, an exempted company with limited liability incorporated on 7 June 2017 in accordance with the Companies Law (2016 Revision) of the Cayman Islands and formed and registered in the Cayman Islands with company registration number 323690 with its registered office at c/o 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.
<b>Trustee (LEI):</b>	549300A07UNNRZ2DVQ26.
<b>Ownership of the Trustee:</b>	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held on trust by MaplesFS Limited under the terms of a trust for charitable purposes.
<b>Administration of the Trustee:</b>	The affairs of the Trustee are managed by MaplesFS Limited, a licensed trust company in the Cayman Islands (the <b>Trustee Administrator</b> ), with registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands, who will provide, amongst other things, corporate administrative services, director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement dated 27 September 2017 made between the Trustee and the Trustee Administrator (the <b>Corporate Services Agreement</b> ).
<b>Arrangers:</b>	QNB Capital LLC Standard Chartered Bank
<b>Dealers:</b>	Maybank Investment Bank Berhad, QNB Capital LLC, 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.
<b>Delegate:</b>	Citicorp Trustee Company Limited (the <b>Delegate</b> ). In accordance with the Master Trust Deed, the Trustee will, <i>inter alia</i> , unconditionally and irrevocably appoint the Delegate to be its delegate and attorney and to exercise certain present and future rights, powers, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed in accordance with the terms 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 Bank (in any capacity) following a Dissolution Event.

**Principal Paying Agent and Transfer Agent:**

Citibank, N.A., London Branch

**Registrar:**

Citigroup Global Markets Europe AG

**Initial Programme Size:**

Up to U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The size of the Programme may be increased in accordance with the terms of the Programme Agreement.

**Method of Issue:**

The Certificates may be issued on a syndicated or non-syndicated basis. The specific terms of each Series will be recorded in the Final Terms or applicable Pricing Supplement (in the case of Exempt Certificates).

**Issuance in Series:**

Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Certificates of each Series will have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.

**Currencies:**

Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a **Specified Currency**) agreed between the Trustee, the Bank and the relevant Dealer.

**Maturities:**

The Certificates will have such maturities as may be agreed between the Trustee, the Bank 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, the Bank or the Specified Currency.

**Issue Price:**

Certificates may be issued at any price on a fully-paid basis, as specified in the applicable Final Terms or applicable Pricing Supplement (in the case of Exempt Certificates). The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Denomination of Certificates:**

The Certificates will be issued in such denominations as may be agreed between the Trustee, the Bank and the relevant Dealer(s), save that (i) the minimum denomination 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 Specified Currency; (ii) the minimum denomination 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 at least €100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency, as calculated on the Issue Date of such Series); and (iii) unless otherwise permitted by such current laws and regulations, Certificates (including Certificates denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of

the FSMA will have a minimum denomination of £100,000 (or, if the Certificates are denominated in a currency other than sterling, the equivalent amount in such currency, as calculated on the Issue Date of such Series).

**Status of the Certificates:**

The Certificates will represent an undivided beneficial ownership interest in the Trust Assets of the relevant Series and will be limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* and without any preference or priority with all other Certificates of the relevant Series.

The payment obligations of the Bank (in any capacity) to the Trustee under the Transaction Documents in respect of each Series of Certificates will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 6(b)) unsecured obligations of the Bank and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b), at all times rank at least equally with all other unsecured and unsubordinated monetary obligations of the Bank, present and future.

**Trust Assets:**

The Trust Assets of the relevant Series will be (i) the cash proceeds of the issue of the relevant Series of Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (ii) the Trustee's rights, title, interest, benefits and entitlements, present and future, in, to and under the Wakala Portfolio and, in the case of a Wakala/Mudaraba Series, the Mudaraba Portfolio; (iii) the Trustee's rights, title, interest, benefits and entitlements, present and future, in, to and under the Transaction Documents (other than in relation to the Excluded Representations (as defined in the Conditions) and the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed); and (iv) all moneys standing to the credit of the relevant Transaction Account from time to time; and all proceeds of the foregoing listed (i) to (iv) (the **Trust Assets**).

**Periodic Distribution Amounts:**

Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms or applicable Pricing Supplement (in the case of Exempt Certificates).

**Fixed Rate Certificates:**

Fixed Rate Certificates will bear profit on their outstanding face amount at such fixed rate per annum and on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s), calculated in accordance with such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s), each as more particularly described in Condition 7(a).

**Floating Rate Certificates:**

Floating Rate Certificates will bear profit on their outstanding face amount at such floating rate per annum as may be determined:

- (i) on the same basis as the floating rate under a notional profit rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the relevant Series of Certificates) plus or minus the applicable margin; or
- (ii) on the basis of the relevant Reference Rate as adjusted for any applicable margin.

The margin (if any) relating to such floating rate will be agreed between the Trustee, the Bank and the relevant Dealer(s) for each Series of Floating Rate Certificates.

Such profit will be paid on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s) and will be calculated on the basis of such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s).

Floating Rate Certificates may also have a maximum profit rate, a minimum profit rate or both.

See Condition 7(b).

**Negative Pledge:**

The Certificates will have the benefit of a negative pledge granted by the Bank in respect of itself and its Subsidiaries, as described in Condition 6(b).

**Cross-Default:**

In respect of the Bank, the Certificates will have the benefit of a cross-default provision, as described in Condition 12 and paragraph (viii) of the definition of Obligor Event corresponding thereto.

**Dissolution on the Scheduled  
Dissolution Date:**

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the relevant Dissolution Distribution Amount on the relevant Scheduled Dissolution Date specified in the applicable Final Terms or applicable Pricing Supplement (in the case of Exempt Certificates) for such Series and the Trust in relation to the relevant Series will be dissolved by the Trustee following the payment of all such amounts in full.

**Dissolution Distribution Amount:**

In relation to each Certificate of a Series, either:

- (i) the sum of:
  - (a) the outstanding face amount of such Certificate; and
  - (b) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
- (ii) such other amount specified in the applicable Final Terms or applicable Pricing Supplement (in the case of Exempt Certificates) as being payable upon the relevant Dissolution Date.

**Early Dissolution of the Trust:**

The Trust may only be dissolved (in whole or in part) prior to the Scheduled Dissolution Date upon the:

- (i) occurrence of a Dissolution Event;
- (ii) exercise of an Optional Dissolution Right (if applicable to the relevant Series);
- (iii) exercise of a Certificateholder Put Right (if applicable to the relevant Series); or
- (iv) occurrence of a Tax Event.

In each case, the Certificates of a Series will be redeemed (i) pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking (as applicable) and the Service Agency Agreement whereupon the Bank will pay the relevant Exercise Price to the Trustee and receive from the Trustee all or the relevant proportion of the Wakala Assets and pay all relevant Wakala Portfolio Principal Revenues to the Trustee in accordance with the Service Agency Agreement and (ii) in the case of a Wakala/Mudaraba Series, pursuant to the Master Restricted Mudaraba Agreement and the relevant Supplemental Restricted Mudaraba Agreement whereby the Bank will liquidate all or the relevant proportion of the Mudaraba Portfolio and pay the proceeds of such liquidation (in an amount not exceeding the Mudaraba Capital) and the Mudaraba Profit (in an amount not exceeding the Mudaraba Percentage of the Required Amount)

realised by such liquidation to the Trustee. The relevant Exercise Price payable under the Purchase Undertaking or the Sale Undertaking, as the case may be, together with the relevant Wakala Portfolio Principal Revenues and, in the case of a Wakala/Mudaraba Series, the proceeds from the liquidation of the relevant proportion of the Mudaraba Portfolio and the Mudaraba Profit as aforementioned will be used to fund the redemption of the Certificates of the relevant Series at an amount equal to the relevant Dissolution Distribution Amount.

**Dissolution Events:**

The Dissolution Events are described in Condition 12. Following the occurrence and continuation of a Dissolution Event in respect of a Series of Certificates, the Certificates may be redeemed in full at an amount equal to the relevant Dissolution Distribution Amount in the manner described in Condition 12.

**Early Dissolution for Tax Reasons:**

Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 10, or the Bank has or will become obliged to pay any additional amounts in respect of amounts payable to the Trustee pursuant to the terms of any Transaction Document, as a result of a change in, or amendment to, the laws or regulations of the Cayman Islands (in the case of a payment by the Trustee) or Qatar (in the case of a payment by the Bank) or, in each case, any political subdivision or any authority therein or thereof having power to tax or any change in the application or official interpretation of such laws or regulations, and such obligation cannot be avoided by the Trustee or the Bank, as applicable, taking reasonable measures available to it, the Bank may in its sole discretion require the Trustee to redeem the Certificates in whole, but not in part, on a Periodic Distribution Date (in the case of a Floating Rate Certificate) or at any time (in the case of a Fixed Rate Certificate) at the relevant Dissolution Distribution Amount, as more particularly described in Condition 8(b).

**Optional Dissolution Right:**

If so specified in the applicable Final Terms or applicable Pricing Supplement (in the case of Exempt Certificates), the Bank may, in accordance with Condition 8(c), require the Trustee to redeem all or some of the Certificates of the relevant Series at the relevant Dissolution Distribution Amount on any Optional Dissolution Date.

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

**Certificateholder Put Right:**

If so specified in the applicable Final Terms or applicable Pricing Supplement (in the case of Exempt Certificates), Certificateholders may elect to redeem their Certificates on any Certificateholder Put Right Date(s) specified in the applicable Final Terms at an amount equal to the relevant Dissolution Distribution Amount in accordance with Condition 8(d).

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

Pursuant to Condition 8(f), the Bank and/or any of its Subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries, the Bank may do so in accordance with Condition 8(g).

**Limited Recourse:**

Each Certificate of a particular Series will represent an undivided beneficial ownership interest in the Trust Assets for such Series. 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 have no recourse to any assets of the Trustee (and/or its directors or officers in their capacity as such) (other than

the relevant Trust Assets) or the Delegate or any Agent or any of their respective directors, officers, employees, shareholders or affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished.

See further Condition 4(b).

**Form and Delivery of the Certificates:**

The Certificates will be issued in registered form only. The Certificates of each Series will be represented on issue by beneficial interests in a Global Certificate, which will be deposited with, and registered in the name of a nominee for, a Common Depositary for Euroclear and Clearstream, Luxembourg. Individual Certificates evidencing holdings of Certificates will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances described under "*Summary of Provisions relating to the Certificates while in Global Form*".

**Clearance and Settlement:**

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

**Withholding Tax:**

All payments by the Trustee in respect of the Certificates are to be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or Qatar or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Trustee has agreed to pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by it had no such withholding or deduction been required, subject to and in accordance with Condition 10. If the Trustee is required to pay any additional amounts as aforesaid, the Bank has undertaken in the Purchase Undertaking to pay such additional amounts as may be necessary so that the full amount due and payable by the Trustee in respect of the Certificates is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of Condition 10.

In addition, all payments by the Bank under the Transaction Documents to which it is a party are to be made without any deduction or withholding for, or on account of, any present or future taxes, levies, duties, fees, assessments or other charges of whatever nature unless required by law and without set-off or counterclaim of any kind. If any deduction or withholding is required by law, the Bank has undertaken to pay such additional amounts as shall result in receipt by the Trustee of such amounts as would have been received by it under the relevant Transaction Document had no such deduction or withholding been made.

**Listing:**

Application has been made to the UK Listing Authority for the Certificates (other than Exempt Certificates) to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the London Stock Exchange's regulated market.

Certificates may also be issued and listed (or admitted to trading, as the case may be), on other or further stock exchanges or markets agreed between the Trustee, the Bank 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 (or applicable Pricing Supplement, in the case of Exempt Certificates) 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.

**Certificateholder Meetings:**

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 14.

**Tax Considerations:**

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

**Governing Law and Dispute Resolution:**

The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by English law.

Each of the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Programme Agreement, any Subscription Agreement, the Service Agency Agreement, the Sale Undertaking, the Purchase Undertaking, the Master Restricted Mudaraba Agreement, any Supplemental Restricted Mudaraba Agreement and any non-contractual obligations arising out of or in connection with the same will be governed by and construed in accordance with English law. In respect of any dispute under any such Transaction Document to which it is a party or the Certificates, each party has consented to arbitration in London under the LCIA Arbitration Rules. Any dispute may also be referred to the courts of England (which shall have exclusive jurisdiction to settle any dispute arising from such documents).

The Master Purchase Agreement and any Supplemental Purchase Agreement and any sale and/or transfer agreement (as applicable) entered into pursuant to the Purchase Undertaking or the Sale Undertaking, as the case may be, will be governed by, and construed in accordance with, the laws of Qatar. The parties thereto have consented to arbitration in London under the LCIA Arbitration Rules. Any dispute may also be referred to the courts of Qatar (which shall have exclusive jurisdiction to settle any dispute arising from such documents).

The Corporate Services Agreement and the Registered Office Terms (as defined in "*Description of the Trustee–The Administrator*") will be governed by the laws of the Cayman Islands.

**Waiver of Sovereign Immunity:**

The Bank has agreed in each of the Transaction Documents to which it is a party that, to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Bank or any of its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any legal or arbitral proceedings or Disputes (as defined in the Conditions). In addition, the Bank has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any legal or arbitral proceedings or Disputes.

**Transaction Documents:**

The Transaction Documents in respect of a Series shall comprise the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Certificates, the Service Agency Agreement, the Sale Undertaking, the Purchase Undertaking, (in respect of a

Wakala/Mudaraba Series) the Master Restricted Mudaraba Agreement and any Supplemental Restricted Mudaraba Agreement, any sale and/or transfer agreement (as applicable) entered into pursuant to the Purchase Undertaking or the Sale Undertaking, as the case may be, the Master Purchase Agreement and any Supplemental Purchase Agreement.

**Rating:**

The Bank has been assigned long-term ratings of A with a stable outlook and A2 with a stable outlook by Fitch and Moody's, respectively.

The Programme has been assigned a rating of A2 by Moody's.

Qatar has been assigned a credit rating of AA- with a stable outlook, Aa3 with a stable outlook and AA- with a stable outlook, by Fitch, Moody's Deutschland and Standard & Poor's, respectively.

Each of Fitch, Moody's, Moody's Deutschland and Standard & Poor's is established in the EU and is registered under the CRA Regulation. As such, each of Fitch, Moody's, Moody's Deutschland and Standard & Poor's 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.

A Series of Certificates to be issued under the Programme may be rated or unrated. Where a Series of Certificates is to be rated, its rating will be specified in the Final Terms (or Pricing Supplement, in the case of Exempt Certificates).

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.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of the Certificates, including in the Cayman Islands, the Dubai International Financial Centre, the European Economic Area, Hong Kong, Kuwait, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Malaysia, Singapore, Qatar, the United Arab Emirates (excluding the Dubai International Financial Centre), the United Kingdom and the United States of America. See "*Subscription and Sale*".

**United States Selling Restrictions:**

Regulation S, Category 2.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the applicable Final Terms or, as applicable, the applicable Pricing Supplement (as defined below) shall be applicable to the Certificates in definitive form (if any) issued in exchange for the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such definitive Certificates. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the applicable Final Terms. Those definitions will be endorsed on the definitive Certificates. References in the Conditions to **Certificates** are to the Certificates of one Series only, not to all Certificates that may be issued under the Programme.*

*In the case of a Series of Certificates which will not be admitted to listing, trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/65/EU) in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system (**Exempt Certificates**) and, accordingly, for which no base prospectus is required to be produced in accordance with Directive 2003/71/EC (as amended or superseded), a pricing supplement (a **Pricing Supplement**) will be issued describing the final terms of such Series of **Exempt Certificates**. Each reference in these terms and conditions to **Final Terms** shall, in the case of a Series of **Exempt Certificates**, be read and construed as a reference to such Pricing Supplement unless the context requires otherwise.*

QIIB Senior Sukuk Limited (in its capacity as issuer and in its capacity as trustee, the **Trustee**) has established a programme (the **Programme**) for the issuance of trust certificates (the **Certificates**) in a maximum aggregate face amount of U.S.\$2,000,000,000 (or the equivalent in other currencies calculated as described in the amended and restated programme agreement between the Trustee, Qatar International Islamic Bank (Q.P.S.C.) (the **Obligor**) and the Dealers named therein dated 16 January 2019 (the **Programme Agreement**)), or such other maximum aggregate face amount as increased in accordance with the terms of the Programme Agreement.

The Certificates are constituted by an amended and restated master declaration of trust dated 16 January 2019 between the Trustee, the Obligor and Citicorp Trustee Company Limited as the Trustee's delegate (the **Delegate**, which expression shall include all persons for the time being the delegate or delegates under the Master Trust Deed) (the **Master Trust Deed**) as supplemented by a supplemental declaration of trust entered into on or before the date of issue of the relevant Certificates (the **Issue Date**) in respect of the relevant Tranche (the **Supplemental Trust Deed** and, together with the Master Trust Deed, the **Trust Deed**).

An agency agreement (as amended or supplemented as at the Issue Date, the **Agency Agreement**) dated 16 January 2019 has been entered into in relation to the Certificates between the Trustee, the Obligor, the Delegate, Citibank, N.A., London Branch as principal paying agent and transfer agent, Citigroup Global Markets Europe AG as registrar and the other agents named in it. The principal paying agent, the other paying agents, the registrar, the transfer agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the **Principal Paying Agent**, the **Paying Agents** (which expression shall include the Principal Paying Agent), the **Registrar**, the **Transfer Agent** (which expression shall include the Registrar) and the **Calculation Agent(s)**, and together the **Agents**.

These terms and conditions (the **Conditions**) include summaries of, and are subject to, the detailed provisions of (i) the Trust Deed, which includes the form of Certificates referred to below, (ii) the Agency Agreement and (iii) the remaining Transaction Documents (as defined below). The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. The final terms for this Certificate (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Certificate which complete these Conditions. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on the relevant Certificate.

Copies of the Transaction Documents are available for inspection and/or collection by Certificateholders during usual business hours at the specified office of the Principal Paying Agent.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the any Tranche of Certificates (the **Proceeds**) in accordance with the terms of the Transaction Documents; (b) to act as Purchaser pursuant to the Master Purchase Agreement and any Supplemental Purchase Agreement and, in the case of a Wakala/Mudaraba Series, as Rabb-al-Maal pursuant to the Master Restricted Mudaraba Agreement and any Supplemental Restricted Mudaraba Agreement, in each case, on its behalf (which authorisation and direction



shall also apply to its successors in title); and (c) to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Trust Deed and these Conditions.

## 1 Interpretation

Unless defined herein or the context otherwise requires, any capitalised words and expressions used but not defined herein shall have the meaning given to them in the Trust Deed and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

**Authorised Signatory** has the meaning given to it in the Trust Deed;

**Broken Amount** means the amount specified as such in the applicable Final Terms;

**Business Day** has the meaning given to it in Condition 7(h);

**Calculation Amount** means the amount specified as such in the applicable Final Terms;

**Cancellation Notice** means a cancellation notice given pursuant to the terms of the Sale Undertaking;

**Certificateholder** or **holder** has the meaning given to it in Condition 2;

**Certificateholder Put Exercise Notice** has the meaning given to it in Condition 8(d);

**Certificateholder Put Right** means the right specified in Condition 8(d);

**Certificateholder Put Right Date** means, in relation to any exercise of the Certificateholder Put Right, the date(s) specified as such in the applicable Final Terms and which must (if this Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

**Corporate Services Agreement** means the corporate services agreement entered into between the Trustee and the Trustee Administrator dated 27 September 2017;

**Day Count Fraction** has the meaning given to it in Condition 7(h);

**Delegation** has the meaning given to it in Condition 15(a);

**Dispute** has the meaning given to it in Condition 20(b);

**Dissolution Date** means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;
- (d) any Certificateholder Put Right Date;
- (e) any Dissolution Event Redemption Date; or
- (f) such other date as specified in the applicable Final Terms for the redemption of Certificates and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

**Dissolution Distribution Amount** means:

- (a) the sum of:
  - (i) the outstanding face amount of such Certificate; and
  - (ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
- (b) such other amount specified in the applicable Final Terms as being payable upon any Dissolution Date;

**Dissolution Event** means a Trustee Event or an Obligor Event;

**Dissolution Event Redemption Date** has the meaning given to it in Condition 12(a);

**Dissolution Notice** has the meaning given to it in Condition 12(a)(ii);

**Early Tax Dissolution Date** has the meaning given to it in Condition 8(b);

**Excluded Representations** means any representations given by the Obligor to the Trustee and/or the Delegate pursuant to the Transaction Documents, save for the representations given in Clause 5.2(c) of the

Master Purchase Agreement, Clause 3.1(e)(iii) of the Service Agency Agreement and, in respect of a Wakala/Mudaraba Series, Clause 10.2(c) of the Master Restricted Mudaraba Agreement;

**Exercise Notice** means an exercise notice given pursuant to the terms of the Purchase Undertaking and/or the Sale Undertaking (as the case may be);

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

**Fixed Amount** means the amount specified as such in the applicable Final Terms;

**Fixed Rate Certificates** means a Series in respect of which Fixed Periodic Distribution Provisions is specified as applicable in the applicable Final Terms;

**Floating Rate Certificates** means a Series in respect of which Floating Periodic Distribution Provisions is specified as applicable in the applicable Final Terms;

**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):

- (i) any obligation to purchase such Indebtedness or Relevant Indebtedness;
- (ii) 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;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness or Relevant Indebtedness; and
- (iv) 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 borrowed money or liability arising under or in respect of any acceptance or acceptance credit or evidenced by any notes, bonds, debentures, debenture stock, loan stock or other securities or any monies raised under any transaction having the commercial effect of borrowing or raising money (whether structured in accordance with the principles of Sharia or otherwise);

**Initial Mudaraba Portfolio** has the meaning given to it in the Master Restricted Mudaraba Agreement;

**Initial Wakala Portfolio** has the meaning given to it in the Supplemental Purchase Agreement;

**ISDA Definitions** means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable Final Terms;

**LCIA** means the London Court of International Arbitration;

**Liability** means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis, and references to **Liabilities** shall mean all of these;

**Master Purchase Agreement** means the amended and restated master purchase agreement dated 16 January 2019 between the Trustee (in its capacity as Purchaser) and the Obligor (in its capacity as Seller);

**Master Restricted Mudaraba Agreement** means the amended and restated master restricted mudaraba agreement dated 16 January 2019 between the Trustee (in its capacity as Rabb-al-Maal) and the Obligor (in its capacity as Mudarib);

**Material Subsidiary** means at any relevant time a Subsidiary of the Obligor:

- (i) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total income (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent more than 5 per cent. of the consolidated total assets, or, as the case may be, the consolidated total income of the Obligor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated financial statements of the Obligor, provided that, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Obligor relate for the purpose of applying each of the foregoing tests, the reference to the Obligor's latest audited consolidated financial statements shall be deemed to be a reference to such financial statements as if such Subsidiary had been shown therein by reference to

its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of the Obligor for the time being after consultation with the Obligor; or

- (ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (A) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (B) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary, shall be determined pursuant to the provisions of paragraph (i) above, and

a certificate addressed to the Delegate signed by two directors of the Obligor certifying that in their opinion a Subsidiary is or is not or was or was not at any particular time or during a particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties and the Delegate shall be entitled to rely on such certificate without liability to any person;

**Maximum Optional Dissolution Amount** means the amount specified as such in the applicable Final Terms;

**Minimum Optional Dissolution Amount** means the amount specified as such in the applicable Final Terms;

**Mudaraba** has the meaning given to it in the Master Restricted Mudaraba Agreement;

**Mudaraba Capital** has the meaning given to it in the Master Restricted Mudaraba Agreement;

**Mudaraba Percentage** means the percentage of the Proceeds paid to the Obligor as the initial Mudaraba Capital of the Mudaraba in accordance with the relevant Supplemental Restricted Mudaraba Agreement;

**Mudaraba Portfolio** has the meaning given to it in the Master Restricted Mudaraba Agreement;

**Mudarib** means the Obligor in its capacity as such pursuant to the Restricted Mudaraba Agreement;

**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: (i) any Security Interest given by the Obligor or the relevant Material Subsidiary, as the case may be, is limited solely to assets of the project, (ii) 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 (iii) there is no other recourse to the Obligor or the relevant Material Subsidiary, as the case may be, in respect of any default by any person under the financing;

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

- (i) **Non-payment:** the Obligor (acting in any capacity) fails to pay any amount in the nature of profit (or any amount corresponding to the Periodic Distribution Amount payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of 14 days, or the Obligor (acting in any capacity) fails to pay an amount in the nature of capital, principal (or any amount corresponding to the Dissolution Distribution Amount payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of seven days; or
- (ii) **Breach of Other Obligations:** the Obligor (acting in any capacity) fails to perform or observe any of its covenants and/or obligations under any Transaction Document to which it is a party and such default 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 30 days after notice of such default shall have been given to the Obligor by the Delegate, except a failure by the Obligor to comply with its obligations set out in clause 3.1(n) of the Service Agency Agreement or to comply with its obligations set out in clauses 4(b) or 4(e) of the Master Restricted Mudaraba Agreement will not constitute an Obligor Event under this paragraph (ii); or
- (iii) **Cross-Default:** any Indebtedness of the Obligor or any of the Obligor's 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 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) or any creditor of the Obligor or any of the Obligor's Material Subsidiaries becomes entitled to declare any such Indebtedness due and

- payable prior to its specified maturity or to call any such Guarantee as a result of an event of default (however described) provided, however, that it shall not constitute an Obligor 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, or a creditor becomes entitled so to do, as the case may be, shall be more than U.S.\$10,000,000 (or its equivalent in any other currency or currencies); or
- (iv) **Winding-up, etc.:** the Obligor or any of the Obligor's Material Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started (and such proceedings are not being actively contested in good faith by the Obligor or relevant Material Subsidiary, as the case may be, and have not been discharged within 30 days) 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: (A) on terms approved by an Extraordinary Resolution of the Certificateholders; or (B) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Obligor or another Subsidiary of the Obligor; or
  - (v) **Ceasing of business, etc.:** the Obligor or any of the Obligor's Material Subsidiaries ceases or threatens to cease 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 (i) on terms approved by an Extraordinary Resolution of the Certificateholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Obligor or another Subsidiary of the Obligor; or
  - (vi) **Insolvency, etc.:** the Obligor 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, or admits its inability to pay all or a material part of its debts, or commences negotiations with its creditors as a whole or any one or more classes of its creditors with a view to the general readjustment or rescheduling of all or a material part of its debts or proposes or makes a general assignment for the benefit of or an arrangement or a composition or conciliation with its creditors in respect of such debts; or
  - (vii) **Execution, attachment etc.:** 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 a substantial part of the property of the Obligor or any of the Obligor's Material Subsidiaries and is not discharged within 30 days; or
  - (viii) **Unsatisfied judgment:** the Obligor or any of the Obligor's Material Subsidiaries fails to comply with or pay any sum which amount shall not be less than U.S.\$10,000,000 due from it under any judgment or any order made or given by any court of competent jurisdiction and the judgment or order continues unsatisfied, unstayed or unappealed (or, if appealed, the appeal is unsuccessful and thereafter the judgment or order continues unsatisfied and unstayed for a period of 30 days) for a period of 30 days from the later of (a) the date of such judgment or order, as the case may be, and (b) the date specified in the judgment or order, as the case may be, for payment thereof; or
  - (ix) **Government intervention:** by or under the authority of any government or governmental body, (A) the management of the Obligor or any of the Obligor's Material Subsidiaries is wholly or substantially displaced or the authority of the Obligor or any of its Material Subsidiaries in the conduct of its business is wholly or substantially curtailed or (B) all or a majority of the issued shares of the Obligor or any of the Obligor's Material Subsidiaries or the whole or a substantial part of their respective revenues or assets is seized, nationalised, expropriated or compulsorily acquired; or
  - (x) **Repudiation/Unlawfulness:** the Obligor repudiates any Transaction Document to which it is a party or at any time it is or becomes unlawful for the Obligor (acting in any capacity) to perform or comply with any or all of its material (in the opinion of the Delegate) obligations under or in respect of the Transaction Documents to which it is respectively a party or any of the material (in the opinion of the Delegate) obligations of the Obligor (acting in any capacity) thereunder are not or cease to be legal, valid, binding and enforceable; or

- (xi) **Security Enforced:** any Security Interest present or future, created or assumed by the Obligor or any of the Obligor's Material Subsidiaries in respect of all or a material part of the property, assets or revenues of the Obligor 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
- (xii) **Pre-conditions:** 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 the Obligor (acting in any capacity) lawfully to enter into, exercise its rights and perform and comply with its obligations under any Transaction Document to which it is respectively a party, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Transaction Documents admissible in evidence in the courts of Qatar 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 30 days after written notice requiring remedy shall have been given to the Obligor by the Delegate; or
- (xiii) **Analogous Event:** any event occurs which under the laws of any other relevant jurisdiction has a similar or analogous effect to any of the events described in paragraphs (iv), (v), (vi), (vii), (ix) and (xi) above.

References in paragraphs (iii) and (vi) to "Indebtedness" and "debts", respectively, shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of Sharia, whether entered into directly or indirectly by the Obligor or a Material Subsidiary of the Obligor, as the case may be;

**Optional Dissolution Date** means, in relation to any exercise of the Optional Dissolution Right, the date(s) specified as such in the applicable Final Terms and which must (if the Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

**Optional Dissolution Right** means the right specified in Condition 8(c);

**outstanding** shall have the meaning given to it in the Trust Deed;

**Periodic Distribution Amount** has the meaning given to it in Condition 7(a) or 7(b), as applicable;

**Periodic Distribution Date** means the date or dates specified as such in the applicable Final Terms;

**Periodic Distribution Period** means the period beginning on and including the Profit Commencement Date and ending on but excluding the first Periodic Distribution Date and each successive period beginning on and including a Periodic Distribution Date and ending on but excluding the next succeeding Periodic Distribution Date;

**Permitted Security Interest** means:

- (i) any Security Interest securing any Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with, the Obligor 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 the Obligor or the relevant Material Subsidiary, as the case may be;
- (ii) any Security Interest existing on any property or assets prior to the acquisition thereof by the Obligor 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 the Obligor 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
- (iii) any renewal of or substitution for any Security Interest permitted by any of paragraphs (i) to (ii) (inclusive) of this definition, provided that with respect to any such Security Interest the principal amount or face amount, as the case may be, secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

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

**Proceedings** has the meaning given to it in Condition 20(e)(iii);

**Profit Amount** means:

- (i) in respect of a Return Accumulation Period, the amount of profit payable per Calculation Amount for that Return Accumulation Period and which, in the case of Fixed Rate Certificates, and unless otherwise specified in the applicable Final Terms, shall mean the Fixed Amount or Broken Amount specified in the applicable Final Terms as being payable on the Periodic Distribution Date ending the Periodic Distribution Period of which such Return Accumulation Period forms part; and
- (ii) in respect of any other period, the amount of profit payable per Calculation Amount for that period;

**Profit Commencement Date** means the Issue Date or such other date as may be specified in the applicable Final Terms;

**Profit Period Date** means each Periodic Distribution Date unless otherwise specified in the applicable Final Terms;

**Profit Rate** means the profit rate payable from time to time in respect of this Certificate and that is either specified in the applicable Final Terms or calculated in accordance with the provisions hereof;

**Profit Rate Determination Date** means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such in the applicable Final Terms or, if none is so specified (i) the first day of such Return Accumulation Period, if the Specified Currency is sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Return Accumulation Period, if the Specified Currency is neither sterling nor euro, or (iii) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period, if the Specified Currency is euro;

**Purchase Agreement** means the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement;

**Purchase Undertaking** means the amended and restated purchase undertaking dated 16 January 2019 and granted by the Obligor for the benefit of the Trustee and the Delegate;

**Purchaser** means the Trustee in its capacity as such pursuant to the Master Purchase Agreement;

**Rabb-al-Maal** means the Trustee in its capacity as such pursuant to the Restricted Mudaraba Agreement;

**Record Date** has the meaning given to it in Condition 9(a);

**Reference Banks** means four major banks selected by the Calculation Agent in the inter-bank market that is most closely connected with the Reference Rate;

**Reference Rate** means one of the following benchmark rates (specified in the applicable Final Terms) in respect of the currency and period specified in the applicable Final Terms:

- (i) LIBOR;
- (ii) EURIBOR;
- (iii) KIBOR;
- (iv) HIBOR;
- (v) KLIBOR;
- (vi) TRLIBOR or TRYLIBOR;
- (vii) SIBOR;
- (viii) EIBOR;
- (ix) TIBOR;
- (x) SAIBOR;
- (xi) CHF LIBOR; and
- (xii) QIBOR;

**Register** has the meaning given to it in Condition 2;

**Relevant Date** has the meaning given to it in Condition 10;

**Relevant Financial Centre** means the financial centre specified as such in the applicable Final Terms and, if no such financial centre is specified, the financial centre most closely connected with the relevant Reference Rate;

**Relevant Indebtedness** means: (i) 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 (ii) any Relevant Sukuk Obligation;

**Relevant Powers** has the meaning given to it in Condition 15(a);

**Relevant Screen Page** means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms;

**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 certificates or other instruments intended to be issued in compliance with the principles of Sharia, whether or not in return for consideration of any kind, which certificates or instruments 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;

**Relevant Time** means the time specified as such in the applicable Final Terms;

**Restricted Mudaraba Agreement** means the Master Restricted Mudaraba Agreement as supplemented by the applicable Supplemental Restricted Mudaraba Agreement;

**Return Accumulation Period** means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Profit Period Date and each successive period beginning on (and including) a Profit Period Date and ending on (but excluding) the next succeeding Profit Period Date;

**Sale Undertaking** means the amended and restated sale undertaking dated 16 January 2019 and granted by the Trustee for the benefit of the Obligor;

**Scheduled Dissolution Date** means the date specified as such in the applicable Final Terms;

**Securitisation** means any securitisation of existing or future assets and/or revenues, provided that: (i) any Security Interest given by the Obligor 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; (ii) 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 (iii) there is no other recourse to the Obligor 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, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**Seller** means the Obligor in its capacity as such pursuant to the Master Purchase Agreement;

**Series** means a Tranche of Certificates together with any further Tranche or Tranches of Certificates which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts (as defined herein) thereon and the date from which Periodic Distribution Amounts start to accrue;

**Service Agency Agreement** means the amended and restated service agency agreement dated 16 January 2019 between the Trustee and the Obligor (in its capacity as servicing agent);

**Servicing Agent** means the Obligor in its capacity as such pursuant to the Service Agency Agreement;

**Specified Currency** means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Certificates are denominated;

**Specified Denominations** means the amount(s) specified as such in the applicable Final Terms;

**Subsidiary** means, any person: (i) in which another person (the **parent**) holds a majority of the voting rights; or (ii) of which the parent has the right to appoint or remove a majority of the board of directors; or (iii) of which the parent controls a majority of the voting rights, and includes any person which is a Subsidiary of a Subsidiary of the parent;

**Supplemental Purchase Agreement** means the supplemental purchase agreement to be dated the Issue Date of the relevant Series between the Trustee (in its capacity as Purchaser) and the Obligor (in its capacity as Seller) for purchase of the Initial Wakala Portfolio;

**Supplemental Restricted Mudaraba Agreement** means the supplemental restricted mudaraba agreement to be dated the Issue Date of the relevant Series between the Trustee (in its capacity as Rabb-al-Maal) and the Obligor (in its capacity as Mudarib) for purchase of the Initial Mudaraba Portfolio;

**TARGET Business Day** has the meaning given to it in Condition 7(h);

**TARGET System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

**Tranche** means Certificates which are identical in all respects (including as to listing and admission to trading);

**Transaction Account** means, in relation to each Series, the account maintained in London in the Trustee's name held with Citibank, N.A., London Branch and into which the Obligor will deposit all amounts due to the Trustee under the Transaction Documents, details of which are specified in the applicable Final Terms;

**Transaction Documents** means, in relation to each Series:

- (i) the relevant Certificates;
- (ii) the Trust Deed;
- (iii) the Agency Agreement;
- (iv) the Purchase Agreement;
- (v) the Service Agency Agreement;
- (vi) the Sale Undertaking (together with each relevant sale agreement or transfer agreement executed upon exercise of the Sale Undertaking);
- (vii) the Purchase Undertaking (together with each relevant sale agreement or transfer agreement executed upon exercise of the Purchase Undertaking); and
- (viii) in respect of a Wakala/Mudaraba Series, the Restricted Mudaraba Agreement,

each as may be amended, restated and/or supplemented from time to time;

**Trust** means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

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

**Trustee Administrator** means MaplesFS Limited;

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

- (i) **Non-Payment:** default is made in the payment of the Dissolution Distribution Amount or any Periodic Distribution Amount and, in the case of the Dissolution Distribution Amount, such default continues for a period of seven days from the due date for payment and, in the case of a Periodic Distribution Amount, such default continues for a period of 14 days from the due date for payment; or
- (ii) **Breach of Other Obligations:** the Trustee (acting in any capacity) defaults in the performance or observance of or compliance with any of its other obligations or undertakings under the Transaction Documents to which it is a party and such default is not capable of remedy (in the opinion of the Delegate) or (if capable of remedy (in the opinion of the Delegate)) is not remedied within 30 days after written notice of such default shall have been given to the Trustee by the Delegate; or
- (iii) **Repudiation:** the Trustee (acting in any capacity) repudiates any Transaction Document to which it is a party 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
- (iv) **Illegality:** at any time it is or will become unlawful or impossible for the Trustee (acting in any capacity) (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 a 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

- (v) **Insolvency:** either: (a) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (b) 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); (c) 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 (d) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business; or
- (vi) **Winding-up:** an order or decree is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Trustee; or
- (vii) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (iv), (v) and (vi) above.

For the purpose of paragraph (i) above, all amounts payable in respect of the Certificates shall be considered due and payable (including for the avoidance of doubt any amounts calculated as being payable under Condition 7, Condition 8 and Condition 12) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts;

**Wakala Assets** has the meaning given to it in the Service Agency Agreement;

**Wakala Percentage** means the percentage of the Proceeds used to purchase the Initial Wakala Portfolio pursuant to the relevant Supplemental Purchase Agreement;

**Wakala Portfolio** has the meaning given to it in the Service Agency Agreement;

**Wakala Series** means a Series of Certificates specified as such in the applicable Final Terms; and

**Wakala/Mudaraba Series** means a Series of Certificates specified as such in the applicable Final Terms.

All references to the **face amount** of a Certificate shall be deemed to include the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to **Periodic Distribution Amounts** shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

All references to **U.S.\$, U.S. dollars** and **\$** are to the lawful currency of the United States of America.

All references to **ISDA** and related terms are only included for the purposes of benchmarking.

## 2 **Form, Denomination and Title**

The Certificates are issued in registered form in the Specified Denomination(s) shown in the applicable Final Terms. The Certificates may be Fixed Rate Certificates, Floating Rate Certificates or a combination of the foregoing, depending upon the profit basis specified in the applicable Final Terms.

The Certificates may form part of a Wakala Series or a Wakala/Mudaraba Series, as the case may be, as specified in the applicable Final Terms.

Certificates are represented by registered certificates and, save as provided in Condition 3(c), each Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the **Register**). Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the registered holder of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss) and no person shall be liable for so treating the holder. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

In these Conditions, **Certificateholder** or **holder** means the person in whose name a Certificate is registered and capitalised terms have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Certificates.

*Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. The Conditions are modified by certain provisions contained in the Global Certificate.*

*Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See "Summary of Provisions relating to the Certificates while in Global Form".*

### 3 Transfers

- (a) **Transfer of Certificates:** Subject to Condition 3(e), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee) duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new certificate representing the enlarged holding shall only be issued against surrender of the certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.
- (b) **Exercise of Options or Partial Dissolution in Respect of Certificates:** In the case of an exercise of the Obligor's or the Certificateholders' option in respect of, or a partial redemption of, a holding of Certificates represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- (c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 3(a) or 3(b) shall be available for delivery within five business days (or such longer period as may be required to comply with any applicable fiscal or other regulations) of receipt of the form of transfer or Certificateholder Put Exercise Notice, as the case may be, and surrender of the Certificate for exchange. Delivery of the new Certificate shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer or Certificateholder Put Exercise Notice, as the case may be, and surrender of such Certificate shall have been made or, at the option of the holder making such delivery and surrender as aforesaid and as specified in the relevant form of transfer, Certificateholder Put Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance or takaful as it may specify. In this Condition 3(c), **business day** means a day, other than a Saturday or a Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (d) **Transfers Free of Charge:** Transfers of Certificates on registration, transfer, exercise of an option or partial dissolution shall be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment of any stamp duty, tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Trustee, the Registrar or the relevant Transfer Agent may require).

- (e) **Closed Periods:** No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due, (ii) during the period of 15 days prior to any date on which Certificates may be called for redemption pursuant to Condition 8(c), (iii) after any such Certificate has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

#### 4 Status

- (a) **Status of Certificates:** The Certificates represent an undivided beneficial ownership interest in the relevant Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* and without any preference or priority with all other Certificates of the relevant Series.

The payment obligations of the Obligor (in any capacity) to the Trustee under the Transaction Documents in respect of each Series of Certificates are direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 6(b)) unsecured obligations of the Obligor and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b), at all times rank at least equally with all other unsecured and unsubordinated monetary obligations of the Obligor, present and future.

- (b) **Limited Recourse and Agreement of Certificateholders:** Save as provided in this Condition 4(b), the Certificates do not represent an interest in, or obligation of, any of the Trustee, the Delegate, the Obligor, any of the Agents or any of their respective affiliates.

The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. Certificateholders, by subscribing for or acquiring the Certificates, acknowledge and agree that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Wakala Portfolio and, in the case of a Wakala/Mudaraba Series, the Mudaraba Portfolio to a third party, and may only realise its rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Portfolio and, in the case of a Wakala/Mudaraba Series, the Mudaraba Portfolio in the manner expressly provided in the Transaction Documents;
- (iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services providers in their capacity as such) (other than the relevant Trust Assets), or the Trustee Administrator, the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise;
- (iv) no Certificateholders will be able to petition for, institute or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the Trustee Administrator, the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Trust Deed and the Certificates by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer,

employee, agent, director or corporate services provider of the Trustee or the Delegate (as applicable) in their capacity as such. The obligations of the Trustee, the Trustee Administrator and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee, the Trustee Administrator or the Delegate (as applicable) and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee or the Delegate (as applicable) in their capacity as such, save in the case of the relevant party's wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

- (vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 6(b)).

Pursuant to the terms of the Transaction Documents, the Obligor is obliged to make payments under the relevant Transaction Documents to which it is a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4(b). Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 6(b)) constitute an unsecured claim against the Obligor. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

## 5 The Trust

- (a) **Trust Assets:** Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each holder. The term **Trust Assets** in respect of each Series means the following:
  - (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
  - (ii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under, in the case of a Wakala Series, the Wakala Portfolio and, in the case of a Wakala/Mudaraba Series, the Wakala Portfolio and the Mudaraba Portfolio;
  - (iii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations and the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed); and
  - (iv) all moneys standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

See "*Summary of the Principal Transaction Documents*" appearing elsewhere in this Base Prospectus for more information on the Trust Assets and the Transaction Documents.

- (b) **Application of Proceeds from Trust Assets:** On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the moneys standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):
  - (i) **first**, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed, in each case as notified to the Trustee and the Obligor on or before such Periodic Distribution Date or Dissolution Date, as the case may be;
  - (ii) **second**, only if such payment is due on or before a Periodic Distribution Date (to the extent not previously paid) to pay, *pro rata* and *pari passu* (A) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as trustee; and (B) the Trustee

Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement in its capacity as trustee administrator and provider of registered office services, in each case as notified to the Trustee and the Obligor on or before such Periodic Distribution Date;

- (iii) **third**, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
  - (iv) **fourth**, only if such payment is due on a Dissolution Date, in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
  - (v) **fifth**, only on the Scheduled Dissolution Date (or any earlier date on which the Certificates are redeemed in full) and provided that all amounts required to be paid in respect of the Certificates hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Servicing Agent as an incentive payment for its performance as servicing agent under the Service Agency Agreement and, in the case of a Wakala/Mudaraba Series, in its capacity as Mudarib as an incentive payment for its performance as mudarib under the Restricted Mudaraba Agreement.
- (c) **Transaction Account:** The Trustee will establish a Transaction Account in respect of each Series by no later than the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee and shall be the account into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents.

## 6 Covenants

- (a) **Trustee Covenants:** The Trustee covenants that, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):
- (i) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of Sharia 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;
  - (ii) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
  - (iii) 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 interests in any of the Trust Assets except pursuant to any of the Transaction Documents;
  - (iv) except as provided in Condition 14, 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 constitutional documents;
  - (v) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
  - (vi) have any subsidiaries or employees;
  - (vii) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
  - (viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
  - (ix) 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; or

- (x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
  - (A) as contemplated, provided for or permitted in the Transaction Documents;
  - (B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (C) such other matters which are incidental thereto.
- (b) **Obligor Negative Pledge:** The Obligor has, pursuant to the Purchase Undertaking, undertaken that, so long as any Certificate remains outstanding, the Obligor shall not, and shall ensure that none of its Material Subsidiaries will, create or have outstanding any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or any Guarantee of any Relevant Indebtedness without:
  - (i) 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
  - (ii) providing such other Security Interest for those obligations as (A) the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of the Certificateholders; or (B) as may be approved by the Certificateholders by an Extraordinary Resolution.

## 7 Periodic Distribution Amounts

- (a) **Fixed Rate Certificates:** Each Fixed Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. Each such amount of profit is referred to in these Conditions as a **Periodic Distribution Amount**. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 9.
- (b) **Floating Rate Certificates:**
  - (i) *Periodic Distribution Amounts and Periodic Distribution Dates:* Each Floating Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. Each such amount of profit is referred to in these Conditions as a **Periodic Distribution Amount**. Such Periodic Distribution Date(s) is/are either shown in the applicable Final Terms as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Final Terms, **Periodic Distribution Date** shall mean each date which falls the number of months or other period shown in the applicable Final Terms as the Periodic Distribution Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 9.
  - (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business

Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) *Profit Rate for Floating Rate Certificates:* The Profit Rate in respect of Floating Rate Certificates for each Return Accumulation Period shall be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Certificates

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Profit Rate is to be determined, the Profit Rate for each Return Accumulation Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this paragraph (A) **ISDA Rate** for a Return Accumulation Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the applicable Final Terms;
- (y) the Designated Maturity is a period specified in the applicable Final Terms; and
- (z) the relevant Reset Date is the first day of that Return Accumulation Period unless otherwise specified in the applicable Final Terms.

For the purposes of this paragraph (A), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity, Reset Date** and **Swap Transaction** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Certificates

- (x) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Profit Rate is to be determined, the Profit Rate for each Return Accumulation Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) at the Relevant Time on the Profit Rate Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) If the Relevant Screen Page is not available, or if paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the Relevant Time, subject as provided below, the Calculation Agent shall request the principal office in the Relevant Financial Centre of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Profit Rate for such Return Accumulation Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Profit Rate shall be the arithmetic mean of the rates per annum

(expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Profit Rate Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time, on the relevant Profit Rate Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Financial Centre inter-bank market, provided that, if the Profit Rate cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Profit Rate shall be determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin or Maximum or Minimum Profit Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Return Accumulation Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Return Accumulation Period).

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

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

- (c) **Entitlement to Profit**: Profit shall cease to accumulate in respect of each Certificate on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall, subject to the terms of the Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date.
- (d) **Margin, Maximum Profit Rates/Minimum Profit Rates and Rounding**:
- (i) If any Margin is specified in the applicable Final Terms (either (x) generally or (y) in relation to one or more Return Accumulation Periods), an adjustment shall be made to all Profit Rates, in the case of (x), or the Profit Rates for the specified Return Accumulation Periods, in the case of (y), calculated in accordance with Condition 7(b) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to paragraph (ii) below.
- (ii) If any Maximum Profit Rate or Minimum Profit Rate is specified in the applicable Final Terms, then any Profit Rate shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and



(z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, **unit** means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

- (e) **Calculations:** The amount of profit payable per Calculation Amount in respect of any Certificate for any Return Accumulation Period shall be equal to the product of the Profit Rate, the Calculation Amount specified in the applicable Final Terms and the Day Count Fraction for such Return Accumulation Period, unless a Profit Amount (or a formula for its calculation) is specified in the applicable Final Terms as being applicable to such Return Accumulation Period, in which case the amount of profit payable per Calculation Amount in respect of such Certificate for such Return Accumulation Period shall equal such Profit Amount (or be calculated in accordance with such formula). Where any Periodic Distribution Period comprises two or more Return Accumulation Periods, the amount of profit payable per Calculation Amount in respect of such Periodic Distribution Period shall be the sum of the Profit Amounts payable in respect of each of those Return Accumulation Periods. In respect of any other period for which profit is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which profit is required to be calculated.
- (f) **Determination and Publication of Profit Rates, Profit Amounts and Dissolution Distribution Amounts:** The Calculation Agent shall, as soon as practicable on each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Profit Amounts for the relevant Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Profit Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount, to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Certificateholders and any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information. If the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, the Calculation Agent shall notify such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Periodic Distribution Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Profit Amount, or (ii) in all other cases, the fourth Business Day after such determination. To the extent that the Calculation Agent is unable to notify a stock exchange or other relevant authority (other than the stock exchange or other relevant authority in each of the United Kingdom, Luxembourg and the Republic of Ireland), the Calculation Agent shall notify the Obligor who shall perform such obligation. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 7(b)(ii), the Profit Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Periodic Distribution Period. If the Certificates become due and payable under Condition 12, the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition 7 but no publication of the Profit Rate or the Profit Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of wilful default, bad faith or manifest error) be final and binding upon all parties.
- (g) **Determination or Calculation by the Delegate:** If the Calculation Agent does not at any time for any reason determine or calculate the Profit Rate for a Return Accumulation Period or any Profit Amount or Dissolution Distribution Amount, the Delegate may do so (or may appoint an agent on behalf of the Trustee to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Delegate or, as the case may be, such agent shall apply the foregoing provisions of this Condition 7(g), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

**Business Day** means:

- (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in London and each Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (ii) if TARGET2 System is specified as a Business Centre in the applicable Final Terms, a day on which the TARGET System is open; and
- (iii) either (A) in the case of a currency other than euro, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency or (B) in the case of euro, a day on which the TARGET System is operating (a **TARGET Business Day**).

**Day Count Fraction** means, in respect of the calculation of an amount of profit on any Certificate for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Periodic Distribution Period or a Return Accumulation Period, the **Calculation Period**):

- (i) if **Actual/Actual** or **Actual/Actual – ISDA** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (iv) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;
- (v) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case  $D_2$  will be 30;

- (vii) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Calculation Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date or (ii) such number would be 31, in which case  $D_2$  will be 30;

- (viii) if **Actual/Actual-ICMA** is specified in the applicable Final Terms:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

**Determination Period** means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**Determination Date** means the date(s) specified as such in the applicable Final Terms or, if none is so specified, the Periodic Distribution Date(s).

- (i) **Calculation Agent:** The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Certificate is outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates,

references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such, or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Profit Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 8 Redemption and Dissolution of the Trust

- (a) **Dissolution on the Scheduled Dissolution Date:** Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Final Terms following the payment of all such amounts in full.
- (b) **Early Dissolution for Taxation Reasons:** If:
- (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
  - (ii) (A) the Trustee has received notice from the Obligor that the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of Qatar or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the occurrence of an event described in Condition 8(b)(i) or (ii) being a **Tax Event**), the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Final Terms to the Delegate and the Certificateholders, redeem the Certificates in whole, but not in part, on any Periodic Distribution Date (if this Certificate is a Floating Rate Certificate) or at any time (if this Certificate is a Fixed Rate Certificate) (such dissolution date being an **Early Tax Dissolution Date**), at their Dissolution Distribution Amount, provided that no such notice of dissolution may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8(b), the Trustee or the Obligor, as the case may be, shall deliver to the Delegate:

- (aa) a certificate signed by two directors and/or Authorised Signatories of the Trustee (in the case of Condition 8(b)(i)) or the Obligor (in the case of Condition 8(b)(ii)) stating that the obligation referred to in Condition 8(b)(i) or 8(b)(ii), as the case may be, has arisen and cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it; and
- (bb) an opinion of independent legal or tax advisers of recognised standing to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept and rely on any such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 8(b)(i) or, as the case may be, Condition 8(b)(ii) above (without liability to any person), in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 8(b) and payment in full of the Dissolution Distribution Amount to Certificateholders the Trustee shall be bound to dissolve the Trust.

- (c) **Dissolution at the Option of the Obligor (Optional Dissolution Right):** If Optional Dissolution Right is specified as applicable in the applicable Final Terms, the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Final Terms to the Delegate and the Certificateholders, redeem all or, if so specified in the relevant Exercise Notice, some of the Certificates on any Optional Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Optional Dissolution Amount to be redeemed specified in the applicable Final Terms.

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8(c). If all (and not some only) of the Certificates are to be redeemed on any Optional Dissolution Date in accordance with this Condition 8(c), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

In the case of a partial redemption, the notice to Certificateholders shall also specify the face amount of Certificates drawn and the holder(s) of such Certificates to be redeemed, which shall have been drawn in such place and in such manner as the Trustee deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (d) **Dissolution at the Option of Certificateholders (Certificateholder Put Right):** If Certificateholder Put Right is specified as applicable in the applicable Final Terms, the Trustee shall, at the option of the holder of any Certificate, upon the holder of such Certificate giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee, redeem such Certificate on the Certificateholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be redeemed on any Certificateholder Put Right Date in accordance with this Condition 8(d), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

To exercise such option, the holder must deposit the certificate representing such Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (**Certificateholder Put Exercise Notice**) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

- (e) **Dissolution following a Dissolution Event:** Upon the occurrence and continuation of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trustee may be required to dissolve the Trust, in each case subject to and as more particularly described in Condition 12, as the case may be.
- (f) **Purchases:** Each of the Obligor and/or any Subsidiary of the Obligor Subsidiaries may at any time purchase Certificates at any price in the open market or otherwise.
- (g) **Cancellation:** Any Certificates purchased by or on behalf of the Obligor or any of the Obligor's Subsidiaries shall be surrendered for cancellation by surrendering the certificate representing such Certificates to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Sale Undertaking. Any Certificates so surrendered and all Certificates that are redeemed in accordance with this Condition 8 and/or Condition 12 shall be cancelled forthwith and may not be held, reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged. If all (and not some only) of the

Certificates are cancelled in accordance with this Condition 8(g), the Trustee shall be bound to dissolve the Trust.

- (h) **No other dissolution:** The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 and Condition 12. Upon payment in full of all amounts due in respect of the Certificates of any Series and the subsequent dissolution of the Trust as provided in this Condition 8 and/or Condition 12 (as the case may be), the Certificates shall cease to represent 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.

## 9 Payments

- (a) **Method of Payment:** Payments of the Dissolution Distribution Amount shall be made against presentation and surrender of the relevant Certificate at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided below.

Payments of Periodic Distribution Amounts in respect of each Certificate shall be paid to the person shown on the Register (or, in the case of a Certificate held by two or more persons, to the person whose name appears first in the Register) at the close of business on the fifteenth day before the due date for payment thereof (the **Record Date**).

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in the Specified Currency by transfer to an account in the Specified Currency maintained by the payee with a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System, as notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

- (b) **Payments subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 10) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.
- (c) **Appointment of Agents:** The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Trustee and the Obligor and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Trustee and the Obligor and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the prior written approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Transfer Agents or Calculation Agent(s), provided that the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in at least one major European city and (vi) such other agents as may be required by any stock exchange on which the Certificates may be listed, in each case as approved by the Delegate.

Notice of any such change or any change of any specified office shall promptly be given by the Trustee to the Certificateholders.

- (d) **Non-Business Days:** If any date for payment in respect of any Certificate is not a business day, the holder shall not be entitled to payment until the next following business day, nor to any profit or other sum in respect of such postponed payment. In this Condition 9(d), **business day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located, in such jurisdictions as shall be specified as **Financial Centres** in the applicable Final Terms and:
  - (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency; or

- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

## 10 Taxation

All payments in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or Qatar or any political subdivision or authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Certificate:

- (a) **Other connection:** the holder of which is liable to such taxes, duties, assessments or governmental charges in respect of such Certificate by reason of his having some connection with the Cayman Islands or, in the case of payments by the Obligor, Qatar other than the mere holding of the Certificate; or
- (b) **Surrender more than 30 days after the Relevant Date:** if the relevant Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting or surrendering the Certificate for payment on the last day of such period of 30 days assuming that day to have been a business day (in accordance with Condition 9(d)).

As used in these Conditions, **Relevant Date** means, in respect of any Certificate, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders in accordance with Condition 17 that, upon further presentation of the Certificate being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to **Periodic Distribution Amounts** and the **Dissolution Distribution Amount** shall be deemed to include any additional amounts that may be payable under this Condition 10 or any undertaking given in addition to or in substitution for it under the Trust Deed.

*The Transaction Documents provide that payments thereunder by the Obligor shall be made without any deduction or withholding for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of any nature, unless such withholding or deduction is required by law and without set-off or counterclaim of any kind. If withholding or deduction is required by law, the Transaction Documents provide for the payment by the Obligor of all additional amounts as will result in the receipt by the Trustee or the Delegate, as applicable, of such amounts as would have been received by it if no withholding or deduction had been made.*

*Further, in accordance with the terms of the Master Trust Deed, the Obligor has undertaken to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 10.*

## 11 Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount), or five years (in the case of Periodic Distribution Amounts) of the appropriate Relevant Date in respect of them.

## 12 Dissolution Events

- (a) **Dissolution Event:** If a Dissolution Event occurs and is continuing:
  - (i) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise upon becoming aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing or by Extraordinary Resolution if they wish the Certificates to be redeemed (in whole but not in part) and the Trust to be dissolved; and

- (ii) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series of Certificates outstanding or if so directed by an Extraordinary Resolution (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a **Dissolution Notice**) to the Trustee, the Obligor and the Certificateholders that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 12(a)(ii) whether or not notice has been given to Certificateholders as provided in Condition 12(a)(i).

Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall (x) deliver an Exercise Notice to the Obligor under the Purchase Undertaking and thereafter execute the relevant sale agreement for purchase of the Wakala Portfolio and (y) in the case of a Wakala/Mudaraba Series, give instructions to the Obligor (as Mudarib) to liquidate the Mudaraba. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant **Dissolution Event Redemption Date**) and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent 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.

- (b) **Enforcement and Exercise of Rights:** Upon the occurrence and continuation of a Dissolution Event, to the extent that any amount payable in respect of the Certificates of the relevant Series has not been paid in full (notwithstanding the provision of Condition 12(a)), the Trustee or the Delegate (in each case subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) may (acting for the benefit of the Certificateholders) take one or more of the following steps:
  - (i) enforce the provisions of the Transaction Documents against the Obligor; and/or
  - (ii) take such other actions, steps or proceedings as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

### 13 Realisation of Trust Assets

- (a) Neither the Trustee nor the Delegate shall be bound in any circumstances to take any action, step or proceeding to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against the Obligor or (in the case of the Delegate) against the Trustee under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 20 per cent. of the then outstanding aggregate face amount of the Series of Certificates and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate or the Trustee, as the case may be, having become bound so to proceed (i) fails to do so within a reasonable period or (ii) is unable by reason of an order of a court having competent authority to do so and such failure or inability 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 relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce the Trustee's and the Obligor's respective obligations under the Transaction Documents to which they are a party.
- (c) Following the enforcement, realisation and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series to the Certificateholders in accordance with these Conditions and the Trust Deed, the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including the Obligor) to recover any such sum in respect of the Certificates or the relevant Trust Assets.
- (d) Conditions 13(a), 13(b) and 13(c) are subject to this Condition 13(d). After enforcing or realising the relevant Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates of the relevant Series



shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate or the Agents) to recover any further sums in respect of the Certificates of the relevant Series and the right to receive from the Trustee any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

#### 14 Meetings of Certificateholders, Modification and Waiver

- (a) **Meetings of Certificateholders:** The Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or any other Transaction Document. Such a meeting may be convened by the Trustee, the Obligor or the Delegate at any time, or by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more Eligible Persons present and holding or representing in the aggregate not less than a clear majority in face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more Eligible Persons present (whatever the face amount of the Certificates so held or represented by them), unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend any Dissolution Date in respect of the Certificates or any date for payment of Periodic Distribution Amounts in respect of the Certificates, (ii) to reduce or cancel the face amount of, or any premium payable on redemption of, the Certificates, (iii) to reduce the rate or rates of profit in respect of the Certificates or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Profit Amount in respect of the Certificates, (iv) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Final Terms, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate, (v) to vary any method of, or basis for, calculating the Dissolution Distribution Amount, (vi) to vary the currency of payment or denomination of the Certificates, (vii) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (viii) to modify or cancel the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be), (ix) to amend any of the Obligor's covenants included in the Transaction Documents, or (x) to amend the above list, in which case the necessary quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Certificateholders (whether or not they were present and whether or not they voted at the meeting at which such resolution was passed).

The Trust Deed provides that 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 outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

*For so long as the Certificates are represented by a Global Certificate, an Extraordinary Resolution may also be passed by Certificateholders giving electronic consent, provided that consent to such resolution is given 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. See "Summary of Provisions relating to the Certificates while in Global Form".*

- (b) **Modification of the Trust Deed or any Transaction Document:** The Delegate may (but shall not be obliged to), without the consent of the Certificateholders, (i) agree to any modification of the Trust Deed, the Transaction Documents or the Trustee's memorandum and articles of association that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, or (ii) (A) give its consent under the Transaction Documents and agree to any other modification of any of the provisions of the Trust Deed, the Transaction Documents or the Trustee's memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided that such modification, consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the outstanding aggregate face amount of that Series and, in the case of modifications under paragraph

(ii)(A) only, is other than in respect of a matter which requires a special quorum resolution (as defined in paragraph 7 of Schedule 3 of the Master Trust Deed). Any such modification, consent, waiver, authorisation or determination shall be binding on the Certificateholders and, unless the Delegate agrees otherwise, such modification shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 as soon as practicable.

- (c) **Entitlement of the Delegate:** In connection with the exercise by it of any of its powers, trusts, authorities and discretions under these presents (including, without limitation, any modification), the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of 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 or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, the Obligor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except in the case of the Trustee and the Obligor, to the extent already provided for in Condition 10.

## 15 Delegate

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

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers, rights, authorities and discretions which are vested solely in it from the date of the Master Trust Deed.

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

- (b) **Indemnification:** 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 any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, each of the Trustee and the Delegate shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Certificateholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.
- (c) **No Liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged

to account to Certificateholders in respect of any payments which should have been paid by the Obligor or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.

- (d) **Reliance on Certificates, Reports and/or Information:** The Delegate and the Trustee may rely on any certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or the Obligor (as applicable) or any other expert or other person called for by or provided to the Delegate or the Trustee (whether or not addressed to the Delegate or Trustee) in accordance with or for the purposes of the Trust Deed or the other Transaction Documents and such certificate, report or information may be relied upon by the Delegate and the Trustee (without liability to any person) as sufficient evidence of the facts stated therein, notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate or the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Obligor (as applicable) or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such certificate, report or information may be limited by an engagement or similar letter or by the terms of the certificate, report or information itself and the Delegate or the Trustee shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by their failure to do so.
- (e) **Proper performance of duties:** Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts, powers, authorities or discretions) or as delegate, in the case of the Delegate (having regard to the powers, rights, authorities and discretions conferred on it by the Trust Deed and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Trust Deed.
- (f) **Notice of Events:** Neither the Delegate nor the Trustee shall be responsible for monitoring or ascertaining whether or not a Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing and, unless and until they shall have actual knowledge or shall have received express written notice to the contrary, they will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to Certificateholders or any other person for so doing).
- (g) **Delegate Contracting with the Trustee and the Obligor:** The Trust Deed contains provisions pursuant to which (i) the Delegate is entitled, *inter alia*, to enter into transactions in the ordinary course of business with the Trustee, the Obligor and/or any other party to a Transaction Document or any person or body corporate directly or indirectly associated with the Trustee, the Obligor or such other party and to accept the trusteeship of or act as delegate in relation to the issuance of any other debenture stock, debentures or securities of the Trustee, the Obligor or such other party or any person or body corporate directly or indirectly associated with the Trustee, the Obligor or such other party, and (ii) neither the Delegate nor any director or officer of any corporation being a delegate shall be accountable to the Certificateholders, the Trustee, the Obligor and/or any other party to the Transaction Documents or any person or body corporate directly or indirectly associated with the Trustee, the Obligor or any such other person for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Delegate and any such director or officer shall also be at liberty to retain the same for its or his own benefit.

## 16 Replacement of Certificates

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Trustee may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 17 Notices

Notices to the holders of Certificates shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

The Trustee shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Certificates are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant authority, relevant stock exchange and/or relevant quotation system if required by those rules. Any notices shall be deemed to have been given on the fourth day (being a day other than a Saturday or a Sunday) after being so mailed (or on the date of publication, or, if so published more than once or on different dates, on the date of the first publication).

*So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to the holders of the Certificates of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing as required by Condition 17. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.*

## 18 Further Issues

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

## 19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 20 Governing Law and Dispute Resolution

- (a) **Governing Law:** The Trust Deed (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with the same are and shall be governed by, and construed in accordance with, English law.
- (b) **Arbitration:** Subject to Condition 20(c), any dispute, claim, difference or controversy arising out of or in connection with the Trust Deed (which includes the Certificates, these Conditions and this Condition 20(b)) (including any dispute as to the existence, validity, interpretation, performance, breach or termination of the Trust Deed or the consequence of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a **Dispute**)) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the **Rules**), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 20. For these purposes:
  - (i) the seat of arbitration shall be London, England;
  - (ii) there shall be three arbitrators, each of whom shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the

party-nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

- (iii) the language of the arbitration shall be English.
- (c) **Option to Litigate:** Notwithstanding the agreement described in Condition 20(b) above, the Delegate may, in the alternative and at its sole discretion, by notice in writing to the Trustee and the Obligor in accordance with the Trust Deed:
  - (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
  - (ii) if no arbitration has commenced,  
require that the Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in the manner described in Condition 20(e) and any arbitration commenced as described in Condition 20(b) will be terminated. With the exception of the Delegate and the Agents (whose costs will be borne by the Trustee, failing whom the Obligor), each of the parties to the terminated arbitration will bear its own costs in relation thereto.
- (d) **Notice to Terminate:** If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must also 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 any 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.
- (e) **Effect of exercise of option to litigate:** If a notice is issued pursuant to Condition 20(c), the following provisions shall apply:
  - (i) subject to paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and the Obligor have in the Master Trust Deed submitted to the exclusive jurisdiction of such courts;
  - (ii) each of the Trustee and the Obligor have agreed that the courts of England are the most appropriate and convenient courts to settle any Dispute and accordingly will not argue to the contrary; and
  - (iii) as paragraphs (i) and (ii) above are for the benefit of the Delegate for and on behalf of the Certificateholders only, notwithstanding paragraphs (i) and (ii) above, the Delegate shall not be prevented from taking proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction and, to the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.
- (f) **Service of Process:** In the Trust Deed, the Trustee and the Obligor have each irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings or Disputes in England.
- (g) **Waiver:** Under the Trust Deed, the Obligor has acknowledged that the transactions contemplated by the Trust Deed are commercial transactions and, to the extent that the Obligor may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Obligor or any of its assets or revenues, the Obligor has agreed not to claim and has irrevocably and unconditionally waived such immunity in relation to any legal or arbitral proceedings or Disputes. In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any legal or arbitral proceedings or Disputes.

(h) **Waiver of Interest:**

- (i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest will be payable or receivable under or in connection therewith and if it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- (ii) For the avoidance of doubt, nothing in this Condition 20(h) shall be construed as a waiver of rights in respect of Periodic Distribution Amounts payable under the Certificates, Wakala Portfolio Income Revenues payable under the Service Agency Agreement, the amount of any Exercise Price payable under the Sale Undertaking and/or the Purchase Undertaking or, in the case of a Wakala/Mudaraba Series, Mudaraba Profit payable under the Restricted Mudaraba Agreement or profit of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

## SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM

### 1 Initial Issue of Certificates

Each Tranche of Certificates will initially be represented by a Global Certificate in registered form. Global Certificates will be delivered on or prior to the issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg (the **Common Depository**).

Upon registration of the Certificates in the name of any nominee for, and deposit of the Global Certificate with, a Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a face amount of Certificates equal to the face amount thereof for which it has subscribed and paid.

Certificates that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the applicable Final Terms or, in the case of Exempt Certificates, the applicable Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Certificates that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### 2 Relationship of Accountholders with Clearing Systems

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

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an **Alternative Clearing System**) as the holder of a Certificate represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Trustee to the registered holder of the underlying Certificates, and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on the Certificates for so long as the Certificates are represented by such Global Certificate and such obligations of the Trustee will be discharged by payment to the registered holder of the underlying Certificates, as the case may be, in respect of each amount so paid.

### 3 Transfers in Part

Transfers of the holding of Certificates represented by a Global Certificate pursuant to Condition 3(a) may only be made in part:

- (i) if the Certificates represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) upon the occurrence of a Dissolution Event,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) above, the holder of the Certificates represented by the relevant Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Certificates represented by the relevant Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

## 4 Amendment to Conditions

The Global Certificates contain provisions that apply to the Certificates that they represent, some of which modify the effect of the terms and conditions of the Certificates set out in this Base Prospectus. The following is a summary of certain of those provisions:

### 4.1 Payments

Record Date: All payments in respect of Certificates represented by a Global Certificate will be made (against surrender of that Global Certificate if no further payment falls to be made in respect of the Certificates) to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where **Clearing System Business Day** means Monday to Friday inclusive, except 25 December and 1 January.

For the purposes of any payments made in respect of Certificates represented by a Global Certificate, the words "in the place in which the specified office of the Registrar is located" shall not apply to the definition of "business day" in Condition 9(d).

A record of each payment made will be noted on the relevant Register which shall be *prima facie* evidence that such payment has been made in respect of the Certificates.

### 4.2 Meetings

All holders of Certificates are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Certificates comprising such Certificateholder's holding.

### 4.3 Optional Dissolution Right

If any early dissolution right of the Bank is exercised in respect of some but not all of the Certificates of any Series, the rights of account holders with a clearing system in respect of the Certificates will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

### 4.4 Certificateholder Put Right

Any early dissolution right of the Certificateholders provided for in the Conditions of any Certificates while such Certificates are represented by a Global Certificate may be exercised by the holder of the Certificate(s) in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

### 4.5 Cancellation

Cancellation of any Certificate represented by a Global Certificate that is surrendered for cancellation (other than upon its redemption in full) will be effected by reduction in the aggregate face amount of the relevant Series of Certificates in the Register.

### 4.6 Notices

Notices required to be given in respect of the Certificates represented by a Global Certificate may be given by their being delivered (so long as this Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system) to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, or otherwise to the holder of the Global Certificate, rather than by publication as required by the Conditions, provided that such notices must also be given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange, quotation system or other relevant authority on which the Certificates are for the time being listed or admitted to trading or quotation. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

## 5 Electronic Consent

While any Global Certificate is held on behalf of, and registered in the name of any nominee for, a clearing system, approval of a resolution proposed by the Trustee or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates outstanding (an **Electronic Consent**) shall, for all purposes (including matters that would otherwise require a special quorum resolution (as defined in



paragraph 7 of Schedule 3 to the Master Trust Deed)), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent.

## **6 Further Issues**

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

## FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

### 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.]

[Date]

### QIIB SENIOR SUKUK LIMITED

Legal Entity Identifier (LEI): 549300A07UNNRZ2DVQ26

Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing [Aggregate Face Amount of Tranche] [Title of Certificates] issued on ● (the *Original Certificates*)]<sup>1</sup>  
under the U.S.\$2,000,000,000 Trust Certificate Issuance Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Base Prospectus dated 16 January 2019 [and the supplement[s] to it dated [●] [and [●]]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the Prospectus Directive 2003/71/EC (as amended or superseded) (the **Prospectus Directive**). This document constitutes the Final Terms of the Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Trustee, the Obligor and the offer of the Certificates is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and these Final Terms [is/are] available for viewing in accordance with Article 14 of the Prospectus Directive at the market news section of the London Stock Exchange's website (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>) and during normal business hours at the registered office of the Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained during normal business hours from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

- |          |   |   |
|----------|---|---|
| <b>1</b> | (a) Issuer and Trustee:   | QIIB Senior Sukuk Limited   |
|          | (b) Obligor, Servicing Agent and, in the case of a Wakala/Mudaraba Series, Mudarib: | Qatar International Islamic Bank (Q.P.S.C.)   |
| <b>2</b> | Series Number:  | [●]   |
|          | (a) Tranche Number:   | [●]   |
|          | (b) Date on which the Certificates will be consolidated and form a single Series:   | [The Certificates will be consolidated and form a single Series with [ <i>identify earlier Tranche(s)</i> ] on [ <i>insert date/ the Issue Date</i> ]] [Not Applicable] |

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<sup>1</sup> Include only for an issue of further Certificates in accordance with Condition 18.

- 3 Specified Currency: [●]
- 4 Aggregate Face Amount: [●]
- (i) Series: [●]
- (ii) Tranche: [●]
- 5 Issue Price: [●] per cent. of the Aggregate Face Amount [plus *specified currency* ● in respect of ● days of accrued Periodic Distribution Amounts from (and including) *the issue date of the Original Certificates* to (but excluding) the Issue Date]<sup>2</sup>
- 6 (a) Specified Denominations: [●]
- (b) Calculation Amount: [●]
- 7 (a) Issue Date: [●]
- (b) Profit Commencement Date: [[●]/Issue Date]
- 8 Scheduled Dissolution Date: [●]
- 9 Profit Basis: [Fixed Rate Certificates/Floating Rate Certificates] (further particulars specified at paragraph [15][16] below)
- 10 Dissolution Basis: Dissolution at par
- 11 Change of Profit Basis: [[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 16 below and identify there]/Not Applicable]
- 12 Put/Call Rights: [Not Applicable]  
[Optional Dissolution Right]  
[Certificateholder Put Right]
- 13 Status: Unsubordinated
- 14 Date of Trustee's board approval and date of Obligor's board approval for issuance of Certificates: ● and ●, respectively

**Provisions relating to profit payable**

- 15 Fixed Rate Periodic Distribution Provisions: [Applicable]/[Not Applicable]
- (a) Profit Rate(s): [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Periodic Distribution Date
- (b) Periodic Distribution Date(s): [[●] in each year up to and including the Scheduled Dissolution Date, commencing on [●]/[●]]
- (c) Fixed Amount(s): [●] per Calculation Amount
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]/Not Applicable]
- (e) Day Count Fraction: [Actual/Actual]  
[Actual/Actual – ISDA]

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<sup>2</sup> Include only for an issue of further Certificates in accordance with Condition 18.

	[Actual/365 (Fixed)]
	[Actual/365 (Sterling)]
	[Actual/360]
	[30/360]
	[360/360]
	[Bond Basis]
	[30E/360]
	[Eurobond Basis]
	[30E/360 (ISDA)]
	[Actual/Actual – ICMA]
(f) Determination Date(s):	[[●] in each year/Not Applicable]
<b>16 Floating Periodic Distribution Provisions:</b>	[Applicable]/[Not Applicable]
(a) Specified Periodic Distribution Dates:	[●] in each year, commencing on [●][, subject to adjustment in accordance with the Business Day Convention set out in (d) below/, not subject to adjustment, as the Business Day Convention in (d) below is specified to be Not Applicable]
(b) Periodic Distribution Period:	[Not Applicable]/[●]
(c) Profit Period Date:	[Not Applicable]/[●]
(d) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(e) Business Centre(s):	[●] [Not Applicable]
(f) Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined:	[Screen Rate Determination/ISDA Determination]
(g) Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Calculation Agent):	[●]
(h) Screen Rate Determination:	[Applicable]/[Not Applicable]
(i) Reference Rate:	[●] month [LIBOR/EURIBOR/KIBOR/HIBOR/ KLIBOR/TRLIBOR or TRYLIBOR/SIBOR/EIBOR/ TIBOR/SAIBOR/CHF LIBOR/QIBOR]
(ii) Profit Rate Determination Date(s):	[●]
(iii) Relevant Screen Page:	[●]
(iv) Relevant Time:	[●]
(v) Relevant Financial Centre:	[●]
(i) ISDA Determination:	[Applicable]/[Not Applicable]
(i) Floating Rate Option:	[●]
(ii) Designated Maturity:	[●]
(iii) Reset Date:	[●]

- (iv) ISDA Definitions: [●]
- (j) Margin(s): [+/-][●] per cent. per annum
- (k) Linear Interpolation: [Not Applicable/Applicable – the Profit Rate for the [long/short] [first/last] Periodic Distribution Period shall be calculated using Linear Interpolation (*specify for each short or long periodic distribution period*)]
- (l) Maximum Profit Rate: [●] per cent. per annum
- (m) Minimum Profit Rate: [●] per cent. per annum
- (n) Day Count Fraction: [Actual/Actual]  
[Actual/Actual – ISDA]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360]  
[360/360]  
[Bond Basis]  
[30E/360]  
[Eurobond Basis]  
[30E/360 (ISDA)]  
[Actual/Actual – ICMA]

**Provisions relating to dissolution**

- 17 Notice periods for Condition 8(b):
  - Minimum period: [●] days
  - Maximum period: [●] days
- 18 Optional Dissolution Right: [Applicable]/[Not Applicable]
  - (a) Dissolution Distribution Amount: [As per Condition 1]/[●]
  - (b) Optional Dissolution Date(s): [●]
  - (c) Notice period:
    - Minimum period: [●] days
    - Maximum period: [●] days
    - (N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)*
  - (d) If dissolution in part:
    - (i) Minimum Optional Dissolution Amount: [Not Applicable]/[●]
    - (ii) Maximum Optional Dissolution Amount: [Not Applicable]/[●]
- 19 Certificateholder Put Right: [Applicable]/[Not Applicable]
  - (a) Dissolution Distribution Amount: [As per Condition 1]/[●]

- (b) Certificateholder Put Right Date(s): [●]
- (c) Notice period: Minimum period: [●] days  
Maximum period: [●] days

*(N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)*

- 20 Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date, on any Early Tax Dissolution Date or following the occurrence of a Dissolution Event: [As per Condition 1/[●]]

**General provisions applicable to the Certificates**

- 21 Form of Certificates: Registered Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate  
Reg S Compliance Category 2; TEFRA not applicable
- 22 Financial Centre(s) relating to payment (Condition 9(d)): [Not Applicable/[●]]

**Provisions in respect of the Trust Assets**

- 23 Series: [Wakala Series or Wakala/Mudaraba Series]
- (a) Wakala Percentage: [●] per cent.
- (b) Mudaraba Percentage: [Not Applicable/[●] per cent.]
- 24 Trust Assets: Condition 5(a) applies
- 25 (a) Details of Transaction Account: QIIB Senior Sukuk Limited Transaction Account No: [●] with [●] for Series No.: [●]
- (b) Supplemental Trust Deed: Supplemental Trust Deed dated [●] between the Trustee, the Obligor and the Delegate
- (c) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [●] between the Trustee and the Obligor
- (d) Supplemental Restricted Mudaraba Agreement: [Not Applicable/Supplemental Restricted Mudaraba Agreement dated [●] between the Trustee and the Obligor]
- (e) Declaration of Commingling of Assets:<sup>3</sup> [Declaration of Commingling of Assets dated [●] executed by the Trustee][Not Applicable]
- (f) Sale Agreement:<sup>4</sup> [Sale Agreement dated [●] between the Trustee and the Obligor][Not Applicable]

<sup>3</sup> Include only for an issue of further Certificates in accordance with Condition 18.

<sup>4</sup> Include only for an issue of further Certificates in accordance with Condition 18.

Signed on behalf of

**QIIB Senior Sukuk Limited**

By:

*Duly authorised*

Signed on behalf of

**Qatar International Islamic Bank (Q.P.S.C.)**

By:

*Duly authorised*

## PART B – OTHER INFORMATION

### 1 Listing and Admission to Trading

- (a) Listing and Admission to trading: Application [has been][is expected to be] made by the Trustee (or on its behalf) for the Certificates to be (i) admitted to trading on the London Stock Exchange's regulated market and (ii) admitted to listing on the Official List of the UK Listing Authority with effect from [●].
- (b) Estimate of total expenses related to admission to trading: [●]

### 2 Ratings

Ratings: The Certificates to be issued [have been/are expected to be] rated:

[Fitch: [●]]

[Moody's: [●]]

[Standard & Poor's: [●]]

[[●]: [●]]

[[●] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[●] is established in the European Union and is registered under Regulation (EC) No 1060/2009.]

[[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [●], which is established in the European Union, disclosed the intention to endorse credit ratings of [●].]

[[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [●] in accordance with Regulation (EC) No. 1060/2009. [●] is established in the European Union and registered under Regulation (EC) No. 1060/2009.]

[[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such 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 the Obligor is aware, no person involved in the issue of the Certificates has an interest material to the offer.]



- 4 Yield (Fixed Rate Certificates only):**  per cent. per annum
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
- 5 Operational Information**
- (a) ISIN Code: /[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary ISIN . After that, the Certificates will have the same ISIN as the Original Certificates, which is .
- (b) Common Code: /Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary Common Code . After that, the Certificates will have the same Common Code as the Original Certificates, which is .
- (c) CFI: [Not Applicable]
- (d) FISN: [Not Applicable]
- (e) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]
- (f) Names and addresses of additional Paying Agent(s) (if any):
- (g) Stabilisation Manager(s):

## FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche of Exempt Certificates (whatever the denomination of those Certificates) subject only to the deletion of non-applicable provisions, is set out below:

[MiFID II product governance / target market – *[appropriate target market legend to be included]*]

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF CERTIFICATES DESCRIBED BELOW. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.**

### Pricing Supplement

[Date]

### QIIB SENIOR SUKUK LIMITED

Legal Entity Identifier (LEI): 549300A07UNNRZ2DVQ26

Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing [Aggregate Face Amount of Tranche] [Title of Certificates] issued on ● (the *Original Certificates*)]<sup>5</sup>

under the U.S.\$2,000,000,000 Trust Certificate Issuance Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Base Prospectus dated 16 January 2019 [and the supplement[s] to it dated [●] [and [●]]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the Prospectus Directive 2003/71/EC (as amended or superseded) (the **Prospectus Directive**). This document constitutes the Pricing Supplement of the Certificates described herein and must be read in conjunction with the Base Prospectus. Full information on the Trustee, the Obligor and the offer of the Certificates is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus [is/are] available for viewing in accordance with Article 14 of the Prospectus Directive at the market news section of the London Stock Exchange's website (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>) and during normal business hours at the registered office of the Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained during normal business hours from the registered office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

- |   |   |  |
|---|---|--|
| 1 | (a) Issuer and Trustee:   | QIIB Senior Sukuk Limited  |
|   | (b) Obligor, Servicing Agent and, in the case of a Wakala/Mudaraba Series, Mudarib: | Qatar International Islamic Bank (Q.P.S.C.)  |
| 2 | Series Number:  | [●]  |
|   | (a) Tranche Number:   | [●]  |
|   | (b) Date on which the Certificates will be consolidated and form a single Series:   | [The Certificates will be consolidated and form a single Series with <i>[identify earlier Tranche(s)]</i> on <i>[insert date/ the Issue Date]</i> ] [Not Applicable] |
| 3 | Specified Currency:   | [●]  |
| 4 | Aggregate Face Amount:  | [●]  |
|   | (a) Series:   | [●]  |
|   | (b) Tranche:  | [●]  |

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<sup>5</sup> Include only for an issue of further Certificates in accordance with Condition 18.

- 5 Issue Price: [●] per cent. of the Aggregate Face Amount [plus specified currency ● in respect of ● days of accrued Periodic Distribution Amounts from (and including) the issue date of the Original Certificates to (but excluding) the Issue Date]<sup>6</sup>
- 6 (a) Specified Denominations: [●]  
 (b) Calculation Amount: [●]
- 7 (a) Issue Date: [●]  
 (b) Profit Commencement Date: [●]/[Issue Date]
- 8 Scheduled Dissolution Date: [●]
- 9 Profit Basis: [Fixed Rate Certificates/Floating Rate Certificates] (further particulars specified at paragraph [15][16] below)
- 10 Dissolution Basis: Dissolution at par
- 11 Change of Profit Basis: [[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 16 above and identify there]/Not Applicable]
- 12 Put/Call Rights: [Not Applicable]  
 [Optional Dissolution Right]  
 [Certificateholder Put Right]
- 13 Status: Unsubordinated
- 14 Date of Trustee's board approval and date of Obligor's board approval for issuance of Certificates: ● and ●, respectively
- Provisions relating to profit payable**
- 15 Fixed Rate Periodic Distribution Provisions: [Applicable]/[Not Applicable]
- (a) Profit Rate(s): [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Periodic Distribution Date
- (b) Periodic Distribution Date(s): [[●] in each year up to and including the Scheduled Dissolution Date, commencing on [●]/[●]
- (c) Fixed Amount(s): [●] per Calculation Amount
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]]/[Not Applicable]
- (e) Day Count Fraction: [Actual/Actual]  
 [Actual/Actual – ISDA]  
 [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]  
 [Actual/360]  
 [30/360]  
 [360/360]

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<sup>6</sup> Include only for an issue of further Certificates in accordance with Condition 18.

	[Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
(f) Determination Date(s):	[[●] in each year]/[Not Applicable]
<b>16 Floating Periodic Distribution Provisions:</b>	[Applicable]/[Not Applicable]
(a) Specified Periodic Distribution Dates:	[●] in each year, commencing on [●][, subject to adjustment in accordance with the Business Day Convention set out in (d) above/, not subject to adjustment, as the Business Day Convention in (d) above is specified to be Not Applicable]
(b) Periodic Distribution Period:	[Not Applicable]/[●]
(c) Profit Period Date:	[Not Applicable]/[●]
(d) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(e) Business Centre(s):	[●]/[Not Applicable]
(f) Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined:	[Screen Rate Determination]/[ISDA Determination]
(g) Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Calculation Agent):	[●]
(h) Screen Rate Determination:	[Applicable]/[Not Applicable]
(i) Reference Rate:	[●] month [LIBOR/EURIBOR/KIBOR/HIBOR/ KLIBOR/TRLIBOR or TRYLIBOR/SIBOR/EIBOR/ TIBOR/SAIBOR/CHF LIBOR/QIBOR]
(ii) Profit Rate Determination Date(s):	[●]
(iii) Relevant Screen Page:	[●]
(iv) Relevant Time:	[●]
(v) Relevant Financial Centre:	[●]
(i) ISDA Determination:	[Applicable]/[Not Applicable]
(i) Floating Rate Option:	[●]
(ii) Designated Maturity:	[●]
(iii) Reset Date:	[●]
(iv) ISDA Definitions:	[●]
(j) Margin(s):	[+/-][●] per cent. per annum
(k) Linear Interpolation:	[Not Applicable/Applicable – the Profit Rate for the [long/short] [first/last] Periodic Distribution Period]

shall be calculated using Linear Interpolation (*specify for each short or long periodic distribution period*)

- (l) Maximum Profit Rate: [●] per cent. per annum
- (m) Minimum Profit Rate: [●] per cent. per annum
- (n) Day Count Fraction: [Actual/Actual]  
[Actual/Actual – ISDA]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360]  
[360/360]  
[Bond Basis]  
[30E/360]  
[Eurobond Basis]  
[30E/360 (ISDA)]  
[Actual/Actual – ICMA]

**Provisions relating to dissolution**

- 17 Notice periods for Condition 8(b): Minimum period: [●] days  
Maximum period: [●] days
- 18 Optional Dissolution Right: [Applicable]/[Not Applicable]
  - (a) Dissolution Distribution Amount: [As per Condition 1]/[●]
  - (b) Optional Dissolution Date(s): [●]
  - (c) Notice period: Minimum period: [●] days  
Maximum period: [●] days

*(N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)*

- (d) If dissolution in part:
  - (i) Minimum Optional Dissolution Amount: [Not Applicable]/[●]
  - (ii) Maximum Optional Dissolution Amount: [Not Applicable]/[●]
- 19 Certificateholder Put Right: [Applicable]/[Not Applicable]
  - (a) Dissolution Distribution Amount: [As per Condition 1]/[●]
  - (b) Certificateholder Put Right Date(s): [●]
  - (c) Notice period: Minimum period: [●] days  
Maximum period: [●] days

*(N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)*

- 20** Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date, on any Early Tax Dissolution Date or following the occurrence of a Dissolution Event: [As per Condition 1]/[●]

**General provisions applicable to the Certificates**

- 21** Form of Certificates: Registered Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate  
Reg S Compliance Category 2; TEFRA not applicable
- 22** Financial Centre(s) relating to payment (Condition 9(d)): [Not Applicable]/[●]

**Provisions in respect of the Trust Assets**

- 23** Series: [Wakala Series or Wakala/Mudaraba Series]
- (a) Wakala Percentage: [●] per cent.
- (b) Mudaraba Percentage: [Not Applicable]/[[●] per cent.]
- 24** Trust Assets: Condition 5(a) applies
- 25** (a) Details of Transaction Account: QIIB Senior Sukuk Limited Transaction Account No: [●] with [●] for Series No.: [●]
- (b) Supplemental Trust Deed: Supplemental Trust Deed dated [●] between the Trustee, the Obligor and the Delegate
- (c) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [●] between the Trustee and the Obligor
- (d) Supplemental Restricted Mudaraba Agreement: [Not Applicable]/[Supplemental Restricted Mudaraba Agreement dated [●] between the Trustee and the Obligor]
- (e) Declaration of Commingling of Assets:<sup>7</sup> [Declaration of Commingling of Assets dated [●] executed by the Trustee]/[Not Applicable]
- (f) Sale Agreement:<sup>8</sup> [Sale Agreement dated [●] between the Trustee and the Obligor]/[Not Applicable]

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<sup>7</sup> Include only for an issue of further Certificates in accordance with Condition 18.

<sup>8</sup> Include only for an issue of further Certificates in accordance with Condition 18.

Signed on behalf of

**QIIB Senior Sukuk Limited**

By:

*Duly authorised*

Signed on behalf of

**Qatar International Islamic Bank (Q.P.S.C.)**

By:

*Duly authorised*

## PART B – OTHER INFORMATION

### 1 Listing and Admission to Trading

- (a) Listing and Admission to trading: [Application [has been][is expected to be] made by the Trustee (or on its behalf) for the Certificates to be (i) admitted to trading on [●] and (ii) admitted to listing on [●] with effect from [●].]  
[Not Applicable]
- (b) Estimate of total expenses related to admission to trading: [●]

### 2 Ratings

Ratings: The Certificates to be issued [have been/are expected to be] rated:

[Fitch: [●]]  
[Moody's: [●]]  
[Standard & Poor's: [●]]  
[[●]: [●]]

[[●] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[●] is established in the European Union and is registered under Regulation (EC) No 1060/2009.]

[[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [●], which is established in the European Union, disclosed the intention to endorse credit ratings of [●].]

[[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [●] in accordance with Regulation (EC) No. 1060/2009. [●] is established in the European Union and registered under Regulation (EC) No. 1060/2009.]

[[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such 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 the Obligor is aware, no person involved in the issue of the Certificates has an interest material to the offer.]



- 4 Yield** (Fixed Rate Certificates only): [●] per cent. per annum
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
- 5 Operational Information**
- (a) ISIN Code: [●]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary ISIN [●]. After that, the Certificates will have the same ISIN as the Original Certificates, which is [●].
- (b) Common Code: [●]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary Common Code [●]. After that, the Certificates will have the same Common Code as the Original Certificates, which is [●].
- (c) CFI: [●][Not Applicable]
- (d) FISN: [●][Not Applicable]
- (e) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable]/[give name(s), address(es) and number(s)]
- (f) Names and addresses of additional Paying Agent(s) (if any): [●]
- (g) Stabilisation Manager(s): [●]

## **USE OF PROCEEDS**

The Issue Proceeds in respect of each Tranche of Certificates will be applied by the Trustee as follows:

- (i) in the case of a Wakala Series, towards the purchase from the Bank of the Initial Wakala Portfolio; and
- (ii) in the case of a Wakala/Mudaraba Series, the Wakala Percentage of the Issue Proceeds will be applied towards the purchase from the Bank of the Initial Wakala Portfolio and the Mudaraba Percentage of the Issue Proceeds will be paid by the Trustee (as Rabb-al-Maal) to the Mudarib as the initial Mudaraba Capital of the relevant Mudaraba and invested by the Mudarib in the Initial Mudaraba Portfolio in accordance with the relevant Restricted Mudaraba Agreement (including the relevant Mudaraba Investment Plan).

## DESCRIPTION OF THE TRUSTEE

### The Trustee

QIIB Senior Sukuk Limited (the **Trustee**), an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 7 June 2017 under the Companies Law (2016 Revision) of the Cayman Islands with company registration number 323690. The registered office of the Trustee is at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102 Cayman Islands with telephone number +1 345 945 7099.

### Share Capital

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

### The Business of the Trustee

The objects for which the Trustee is established are set out in Clause 3 of its Memorandum of Association as registered or adopted on 7 June 2017.

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

So long as any of the Certificates remain outstanding, the Trustee shall not incur any other indebtedness in respect of financed, borrowed or raised money whatsoever or engage in any business or activity (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*, redeem any of its shares or pay any dividends or make any other distribution to its shareholders, 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:

<u>Name</u>	<u>Principal Occupation</u>
Norbert Neijzen .....	Head of Fiduciary, Middle East at Maples Fund Services (Middle East) Limited
Stacy Bodden .....	Vice President at MaplesFS Limited

The business address of Norbert Neijzen is Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

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

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

### Conflicts

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

### Secretary

The Trustee's secretary is Maples Secretaries (Cayman) Limited of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

### The Trustee Administrator

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

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

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

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

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

## DESCRIPTION OF QATAR INTERNATIONAL ISLAMIC BANK (Q.P.S.C.)

### OVERVIEW

Qatar International Islamic Bank (Q.P.S.C.) was incorporated in 1990 by an Amiri Decree (No. 52 of 1990) with commercial registration number 13023 and began operations on 1 January 1991 as the second full service Islamic bank in Qatar. The Bank's registered office is Grand Hamad Street, Doha, Qatar and its telephone number is +974 4484 0001. It operates through its head office located on Grand Hamad Street and through 19 branches in Qatar (as at 30 September 2018). The Bank is listed and its shares are traded on the QSE.

As at 30 September 2018, the Bank was the third largest listed Islamic bank in Qatar by total assets, representing approximately 3.5 per cent. of total assets of all commercial banks in Qatar. The Bank also accounted for approximately 13.9 per cent. of Qatar's Islamic banks' assets as at 30 September 2018 (*source: Qatar Statistical Bulletin, September 2018 published by the QCB*).

As at 30 September 2018, the Bank had total assets of QR 48.9 billion, the third largest market capitalisation on the QSE of all listed Islamic banks in Qatar and the sixth largest market capitalisation of all banks on the QSE, with a market capitalisation of QR 8.6 billion.

The Bank's shareholders include founding member Sheikh Thani Bin Abdullah Al-Thani and his family (being extended family members of the Qatar ruling family). As at the date of this Base Prospectus, their business group currently holds 10.0 per cent. of the Bank's shares. In addition to being shareholders, members of Sheikh Al-Thani's family are also members of the Board of Directors of the Bank (the **Board**). Another significant shareholder is the QIA, which currently holds 16.6 per cent. of the Bank's shares as a consequence of the Government initiative, announced in late 2008, to support Qatari banks in the face of the global financial crisis (see "*Competition and Competitive Strengths – Strong governmental Support of the Qatari Banking Sector*" below for further details).

Despite the recent slowing economic growth in Qatar, the Bank has continued to experience growth of its assets, deposits and total income since 2015. The Bank's total assets were QR 48.9 billion, QR 46.6 billion, QR 42.6 billion and QR 40.5 billion as at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015, respectively. Amounts held by the Bank in equity of investment account holders were QR 24.6 billion, QR 25.6 billion, QR 20.4 billion and QR 20.1 billion as at 30 September 2018, 31 December 2017, 31 December 2016 and 31 December 2015, respectively. For the nine months ended 30 September 2018, the Bank's total income was QR 1,583.6 million compared to QR 1,385.2 million for the nine months ended 30 September 2017. The Bank's total income was QR 1,866.4 million, QR 1,715.5 million and QR 1,590.1 million for the years ended 31 December 2017, 31 December 2016 and 31 December 2015, respectively. The Bank initially commenced operations principally as a retail bank, with its corporate financing activities initially developed through the activities of its retail customer base as a result of the growth and development of Qatar's economy. Since then, the Bank has significantly expanded its corporate banking activities, particularly in the real estate sector, by taking advantage of opportunities for growth, such as the Asian Games, which were hosted in Doha in 2006, and, in the current environment, the build-up towards the World Cup in 2022.

Maturing from its retail-based roots in a fully-fledged Islamic commercial bank, the Bank's operations since 2011 are organised into three main business segments comprising:

- Personal Banking (previously called Retail Banking);
- Corporate Banking; and
- Investment and Treasury.

The Personal Banking and Corporate Banking business segments focus on financing and deposit activities whilst the Investment and Treasury business segment focuses on investing activities, as well as managing and providing liquidity in support of the Bank's business activities. Each business segment has further sub-segments as outlined further in "*Business Activities*".

At the date of this Base Prospectus, the Bank has the second largest Islamic banking network in Qatar with a total of 19 branches and 98 automatic teller machines (**ATMs**) throughout Qatar.

The Bank's successes have been internationally recognised, with the Bank receiving the Best Islamic Bank in Qatar in Retail Services from Cambridge IF Analytica in 2016, Best Islamic Bank in Qatar from International Finance Magazine in 2016 and Best Islamic Retail Services in Qatar by the World Union of Arab Bankers in 2018.

The Bank continues to build on its success by pursuing organic growth through its established businesses and strategic partnerships in the MENA region and surrounding regions. With continued strong growth in the Qatari

economy, the Bank is focused on tapping into the accompanying infrastructure development and wealth generation which is expected to accompany this economic growth by expanding its Corporate Banking business segment and developing its affluent banking business line (comprising the Wajaha and Deyafa affluent customer market sub-segments (see "*Strategy – Business Segment Strategies – Personal Banking Strategy*")) within its Personal Banking business segment whilst moving away from its primarily real estate-based financing portfolio in both the Personal Banking and Corporate Banking business segments.

To diversify its revenue sources further, the Bank is working to establish itself in surrounding regions through strategic acquisitions, either directly or in partnership with other Islamic businesses (see "*Strategy – Maintaining a highly visible and expanding presence in the local Qatari and regional markets through organic and expansion growth – Regional and international markets*").

The Bank complies with the QCB's guidance to maintain a total capital adequacy ratio in excess of 12.5 per cent. (comprising the regulatory minimum capital adequacy ratio of 10.0 per cent. and the additional capital conservation buffer of 2.5 per cent.). The Bank's total capital adequacy ratio (calculated in accordance with the QCB's guidelines) was 16.47 per cent. as at 30 September 2018, 17.87 per cent. as at 31 December 2017, 19.47 per cent. as at 31 December 2016 and 16.71 per cent. as at 31 December 2015. The Bank's Tier 1 capital was QR 4,944.4 million as at 30 September 2018, QR 6,041.6 million as at 31 December 2017, QR 5,916.5 million as at 31 December 2016 and QR 4,748.0 million as at 31 December 2015. The Bank's Tier 1 capital adequacy ratio was 15.77 per cent. as at 30 September 2018, 17.87 per cent. as at 31 December 2017, 19.47 per cent. as at 31 December 2016 and 16.71 per cent. as at 31 December 2015.

The Bank's SSC ensures the Bank's compliance with Sharia principles and is responsible for vetting the products and services offered by the Bank to its customers.

The Bank has been assigned long-term issuer ratings of A with a stable outlook by Fitch and A2 with a stable outlook by Moody's. Each of Fitch and Moody's is established in the EU and is registered under Regulation (EC) No. 1060/2009.

## HISTORY

The Bank was incorporated in 1990 as a joint stock company to provide banking services, investment and financing activities through various Sharia compliant modes of financing such as *Murabaha*, *Ijara*, *Mudaraba*, *Musharaka*, *Musawama* and *Istisna* agreements. The Bank also carries out investment activities on its own account and on behalf of its customers. The Bank's activities are conducted in accordance with Islamic Sharia principles as determined by the SSC and in accordance with the provisions of its Memorandum and Articles of Association and regulations of the QCB. The Bank holds a full Islamic banking licence issued and regulated by the QCB.

On 1 January 1991, the Bank began operations with authorised capital of QR 100.0 million and paid-up capital of QR 50.0 million. The Bank's initial primary focus was to provide retail financing with the Bank developing its corporate financing business through its retail customers engaging in business activities.

On 26 May 1997, the Bank's shares began trading on the QSE.

In January 2000, in light of its growth and in anticipation of the Bank's move to its new headquarters at Grand Hamad Street, Qatar, the Board launched a re-organisation plan to improve the Bank's longer-term development and performance. The re-organisation was implemented with the intention of improving customer satisfaction, increasing operational efficiency through automation and improving working conditions for the Bank's employees.

In December 2001, the Bank moved to its current headquarters in Grand Hamad Street, Qatar. During the same year, the Bank doubled its paid-up capital to QR 100.0 million, doing so through progressive share dividend issues (bonus share issues).

In May 2003, the Bank's risk management department (the **RMD**) was established as the culmination of the development of a risk management function arising from the re-organisation plan launched in January 2000. The RMD greatly enhanced the Bank's risk management capabilities. This was demonstrated in October 2003, when the Bank was appointed as a joint lead manager (along with HSBC) for the issuance of U.S.\$700.0 million sukuk by Qatar Global Sukuk QSC, on behalf of the Government. The Bank was responsible for the completion of the legal and financial due diligence for this transaction.

In 2008, the Bank's paid-up capital exceeded QR 1.0 billion, reaching a total paid-up capital of QR 1.3 billion. The Bank's paid-up capital had been built up through continued share dividend issues (bonus share issues). This reflected the commitment of the Bank's shareholders, which was demonstrated by the reinvestment of earnings into the Bank as capital.

In November 2009, the Bank signed a contract for the construction of a new office tower in Al Dafna, Qatar, which was completed in 2016 and was leased during the first quarter of 2018.

In 2011, the Bank undertook a review and update of its strategy, refining its organisation into three major business segments. This update was completed and the re-organisation came into effect in April 2011. Subsequently, in 2012, the Bank commenced a review of its human capital resources in order to align staffing needs with the revised business segmentation. The Bank implemented a new organisational structure (see "*Business Activities – Overview*"), including the rationalisation of business functions and the employment of new staff. Following the review of its human capital resources, the Bank's business segments were rationalised into the current three major business segments instead of the initial four (see "*Business Activities*").

## ASSOCIATES AND OTHER INVESTMENTS

The following table outlines the Bank's investments in associates as at 30 September 2018:

	<b>Activity</b>	<b>Country of incorporation</b>	<b>Percentage of holding</b>	<b>Total investment amount</b> (QR'000)
Mackeen Holdings Q.P.S.C. ....	Real Estate	Qatar	49%	272,859
Al Tashelat Islamic Company W.L.L. ....	Financing	Qatar	49%	47,487
Al Moqawil Company W.L.L. ....	Contracting	Qatar	49%	5,212
Umnia Bank .....	Banking	Morocco	40%	70,885

SIIC is an Islamic insurance company operating in Syria. Although the Bank as at 31 December 2017 held 20 per cent. of SIIC, the Bank, as at the date of this Base Prospectus, no longer has any influence over SIIC's management and business decisions nor is involved in the management of SIIC. The Bank's holding of SIIC shares has been fully provisioned and, accordingly, its total investment amount in this company is recorded as zero in the Bank's balance sheet. Al Tashelat Islamic Company W.L.L. provides Islamic financing services to retail customers for the purchase of consumer goods. Mackeen Holdings Q.P.S.C. manages the development of real estate and develops properties for corporate customers for rental and leasing. Al Moqawil Company W.L.L. provides contracting services to corporate customers in support of real estate and other construction projects.

The Bank has entered into a joint-venture agreement with Crédit Immobilier et Hôtelier Bank (**CIH**) of Morocco in 2016 to establish a joint-venture participative bank under Morocco's new participative banking laws. The resulting investment by the Bank in Umnia Bank (**UB**) received the approval of Bank Al-Maghrib (the Moroccan central bank) for its application for a participative banking licence in January 2017, which licence was granted and gazetted in May 2017, enabling UB to begin operations. The Bank owned, as at 30 September 2018, 40 per cent. of UB with 40 per cent. of the bank being held by CIH, and 20 per cent. by Caisse de Depot et de Gestion, a Moroccan state-owned financial institution which manages the long-term savings of Morocco. Pursuant to Moroccan law, the Bank (as a foreign bank) may not hold a majority ownership of banks operating in Morocco. Although the Bank owns a minority stake in UB, UB's board structure allows the Bank to actively participate in UB's decision-making. In this regard, the Bank holds three of the 11 seats on the board of UB, including the Chairman seat which holds the casting vote. Six of the remaining seats on the board of UB are held by the remaining shareholders whilst the final two seats are held by independent directors. Pursuant to the joint-venture agreement with CIH, if the Bank's shareholding in UB falls below 20 per cent. of UB's share capital, the Bank will lose a seat on the board and no longer participate in decision-making at UB's board level.

The Bank also supports the ongoing developments in the participative financing market in Morocco by aiding the development of the takaful market through the Bank's sister company, Qatar Islamic Insurance Company.

## STRATEGY

### The Bank's mission

The Bank's overall mission is to be a leading and efficient Islamic bank, serving communities where the Bank has a presence in Qatar and beyond and to be the first choice for customers.

The Bank expects to achieve this mission through the following strategies, which were adopted following the re-organisation of the Bank's business into three operating segments in 2012 (see "*Business Activities*"). The focus of these strategic themes is on operational efficiency and providing the foundation for developing excellent customer service.

### *Providing the best value for Islamic banking products and services*

By providing the best value for Islamic banking products and services, the Bank aims to attract customers from both its natural markets (the Islamic population resident in Qatar) and targeted markets (the non-Qatari Arab, non-

Arabic speaking population and non-Qatari, non-Muslim population segments) within Qatar, the wider GCC region and internationally. The Bank's strength in gathering and maintaining low-cost deposits results in the Bank providing competitively priced products and services to differentiate itself from its competitors.

The Bank's competitive pricing capabilities provide the Bank with the market strength to attract additional customers. Although competitive pressures remain in the Qatari banking market, the closure of the "Islamic windows" by conventional banks in Qatar at the end of 2011 has reduced the competitive strength of the conventional banks in the Islamic banking market and provided Islamic banks in Qatar with the possibility of capturing a larger market share of banking assets in the local market. This presents an opportunity for the Bank to continue its domestic organic growth strategy in order to increase its market share in Qatar by acquiring customers from the expanding Islamic banking market.

#### ***Providing superior customer service and relationship management***

Supporting its product pricing approach, in 2014, the Bank introduced its Wajaha affluent banking package, co-branded with Ferrari. In 2015, the Bank officially launched its fully functional mobile banking application, providing a critical customer service channel as part of the Bank's digital strategy supporting excellent customer service. In 2017, the Bank introduced the Dayafa banking package which targeted mid-level customers. In addition, the Bank introduced a loyalty programme which serves all credit card customers. These packages, which include partner discounts, financing rate discounts, free services and loyalty points, assist in the retention and acquisition of customers.

Simultaneously, the Bank is also enhancing its corporate relationship management capabilities through the continued expansion of its relationship management team and the introduction of corporate e-Banking facilities since 2013. Corporate e-Banking facilities enable the provision of online account enquiries, statement requests, cheque issuances, local and overseas money transfer facilities, utility payments, foreign exchange transactions, deposit transactions and financing enquiries to corporate customers.

Through these actions, the Bank aims to cement its existing customer relationships, whilst enhancing its capabilities to develop new customer relationships through its customer service focused strategy.

#### ***Maintaining a highly visible and expanding presence in the local Qatari and regional markets through organic and expansion growth***

The Bank aims to maintain a highly visible local presence and to leverage off that presence, to expand in both the local and wider international and regional markets. Recent developments in the local and regional environments have provided opportunities for both organic and expansion growth for the Bank.

##### *Qatari market*

Qatar has benefited from the high level of hydrocarbon prices in recent years. In July 2008, the ruling family and the Government implemented Qatar's National Vision. The National Vision is based around four pillars:

- human development: the development of Qatari people to sustain a prosperous society;
- social development: the development of a just and caring society based on high moral standards;
- economic development: the development of a competitive and diversified economy capable of meeting the needs of, and securing high standards of living for, the Qatari nation and future generations; and
- environmental development: the management of the environment to ensure harmony between economic growth, social development and environmental protection.

The Bank believes that the need for financial products and services to support the development of the National Vision has arisen and will continue to arise. For example, infrastructure and sporting facility development opportunities have arisen as Qatar prepares for the FIFA World Cup in 2022 and further opportunities have arisen as the relevant projects extend towards targeted construction objectives as the World Cup date draws closer.

Further, the Government has introduced measures which support the small to medium enterprise (SME) sector through the Al-Dhameen programme, which is managed by the Qatar Development Bank (the **QDB**) in partnership with all local banks that elect to participate in the programme (the **Al-Dhameen Programme**). The Al-Dhameen Programme provides financing for SMEs, which are normally limited in their ability to obtain traditional financing from banks, by guaranteeing certain financings granted to SMEs by partner banks. The Bank became a member of the Al-Dhameen Programme in March 2011, integrating this programme into the Corporate Banking business segment financing product and service offerings. The Bank's success in achieving financing targets under this programme led to the Bank being recognised as the 2017 Best Partner Bank for the Al Dhameen Programme by



the QDB, resulting also in an expanded Al Dhameen Programme portfolio for the Bank, supporting the Bank in its continued pursuit of its strategy to grow the SME sub-segment within its Corporate Banking business segment.

### ***Regional and international markets***

Social and economic developments within the region provide opportunities for the Bank to leverage off the growth expected in the Qatari market in order to establish its presence in selected markets across the wider MENA region.

Notwithstanding the recent Qatar Political Developments, other surrounding political and economic events in the wider MENA region such as the Arab Spring are bringing about significant long-term changes to the affected countries. The Bank believes that changes brought about by both these major events present opportunities to develop Islamic banking activities within certain jurisdictions.

Although the Qatar Political Developments are expected to give rise to some challenges in realising such opportunities, the challenges themselves give rise to further opportunities as solutions to these challenges are likely to be found via alternative markets that are being developed by the Bank to replace existing MENA markets affected by the Qatar Political Developments.

Internationally, the growth of Islamic financing is expected to increase. The Bank believes that the South-East Asian region is fast establishing itself as an Islamic financial centre with its natural Islamic population bases, and therefore presents opportunities for Islamic banks. Qatar, through the QCB, is a member of the Islamic Financial Services Board, which promulgates international standards on Islamic financing activities. Additionally, since the time of its formation in 2001, the Bank has been a member of the General Council for Islamic Banks and Financial Institutions (CIBAFI), an international organisation established and headquartered in the Kingdom of Bahrain. CIBAFI is affiliated with the Organization of Islamic Cooperation and represents the Islamic financial services industry globally, defending and promoting its role, consolidating co-operation among its members, and with other institutions with similar interests and objectives. See "*– Strategy – Business Segment Strategies – Investment and Treasury Strategy*".

The Bank plans to establish and develop its presence in regional and international markets by seeking strategic alliances and/or partnerships within targeted markets (either directly or through equity investments). The Bank has already developed some regional opportunities by investing in and establishing associations. For example, the Bank has established the Pak-Qatar Family Takaful and Pak-Qatar General Takaful companies, which are Sharia compliant insurance companies operating in Pakistan. As at the date of this Base Prospectus, the Bank has equity investments in these companies of approximately 10 per cent. and 14.5 per cent., respectively, of these entities' overall shareholdings. More recently, the introduction of Islamic banking, known as participative banking, in Morocco has provided the Bank with an opportunity to expand in the MENA region. The Bank has entered into a joint-venture partnership with CIH Bank of Morocco to establish a new participative bank, UB. See "*– Associates and other investments*" for further details on the Bank's investments in and establishment of associations.

### ***Being a recognised social and community development contributor***

Pursuant to the Bank's adherence to Sharia principles, the Bank contributes to social schemes within the communities in which it operates or intends to operate.

The Bank is developing a community-focused programme to engage with local communities in Qatar to support development through sponsorship and other social activities. Such sponsorship is arranged by the Bank continually monitoring and evaluating sponsorship opportunities and/or social activities for its involvement in the local communities. In 2016, the Bank entered into a five-year sponsorship arrangement with Kidzmondo, an international edutainment concept which provides a learning solution for children through a unique indoor park environment, whereby knowledge and understanding is imparted to children through learning through age-appropriate activities in a safe and dynamic environment.

The Bank also continues to support Government initiatives, for example Qatarisation (see "*– Management and Employees – Qatarisation*") and development of the SME market (see "*– Maintaining a highly visible and expanding presence in the local Qatari and regional markets through organic and expansion growth*").

### ***Focusing on improving productivity through automation and staff development***

The pursuit of best value pricing and a superior customer service experience necessitates greater productivity and efficiency from the Bank's operational processes. The Bank has undertaken a review of its information technology (IT) capabilities and the requirements imposed by the pursuit of the Bank's strategic goals. The Bank develops and integrates its IT capabilities in line with its strategic themes and goals, as opposed to simply having "standard banking industry" IT capabilities and this is a key differentiating factor of the Bank, compared to its competitors. For example, the Bank's straight-through processing (STP) capabilities have been internationally recognised by

winning a number of STP related excellence awards including the World Union of Arab Bankers' 2017 Banking Excellence Award.

The Bank continually upgrades its core IT systems to the latest available platforms and continues to build in additional enhancements to improve the Bank's data capture capabilities. These upgrades and enhancements will significantly improve the Bank's ability to track costs and develop accurate pricing models for the benefit of its customers. For example, in 2016, the Bank migrated to a new card management and ATM switch platform which provides the Bank greater in-house capabilities in the management and provision of card and ATM related services as part of its digital strategy to support excellent customer service.

The Bank is currently in the process of implementing a business intelligence solution to support internal and external intelligence development to support the development of its customer service experience and affluent banking services (see "*Business Segment Strategies – Personal Banking Strategy*" below).

As processes automate, staff capabilities will be enhanced to work around the new automation. IT automation will allow the reallocation of resources, with additional staff training required. The Bank is focused on developing staff to meet the strategic requirements of the Bank. Further to the refinement of the Bank's operating segments into its three business segments, the Bank continually updates its organisation structure to better align its resources with the Bank's strategies (see "*Business Activities – Overview*") as and when automation allows it to rationalise resources.

### ***Business Segment Strategies***

As mentioned in the "*History*" section above, the Bank updated its strategy in early 2011 and refined its business organisation into three business segments. The segmentation into discrete business segments serves to enhance the Bank's market focus to better connect with its existing and prospective customers.

#### *Personal Banking Strategy*

The Bank aims to take advantage of Personal Banking growth opportunities by:

- developing a superior retail customer service and banking experience. A critical part of developing this experience is the use of enhanced electronic channels for the distribution of the Bank's products and services. The Bank has introduced additional electronic channels to support its distribution network and customer service experience;
- developing a "one-stop shop" banking experience providing a full suite of retail products and services. The "one-stop shop" concept is intended to provide the Bank's existing and potential customers from the Personal Banking and Corporate Banking segments with full access to the Bank's services at each branch location and via each service distribution channel. Branch staff have been undertaking training on the provision of the Bank's relevant products and services;
- expanding its distribution capabilities by opening additional branches in high traffic areas, particularly shopping malls, and operating additional ATMs. The Bank opened its first such branch in Ezdan Mall, Qatar, in 2015, and its second shopping mall branch in the first quarter of 2017 in the Mall of Qatar, Qatar. Additional branches were opened during the second half of 2017 and 2018 in City Centre mall, Doha Festival city mall and the Mall in Qatar. In the first quarter of 2019 the Bank plans to open additional mall branches in Wakra Mall, Qatar. The Bank's ATM network was increased by six in 2016, having decreased by one in the first quarter of 2017, bringing the total number of ATMs in service in the Bank's network to 98 as at 30 September 2018; and
- defining and identifying market segments (such as the affluent Personal Banking sub-segment) to develop Personal Banking sub-segment specific products and services with competitive pricing and targeted marketing. As part of its strategy, the Bank established a full dedicated product development and marketing team in 2011, which has since introduced the Bank's high-affluent Personal Banking sub-segment called Wajaha banking in 2014 and the Bank's mid-level affluent Personal Banking sub-segment called Deyafa banking in 2017.

#### *Corporate Banking Strategy*

The Bank aims to take advantage of the potential corporate financing opportunities that will arise from the Government's infrastructure development plans by:

- extending customer service capabilities, including the "one-stop shop" concept being developed by the Personal Banking business segment to cater for its Corporate Banking clientele. Due to the specialised nature of corporate banking, branches will still refer clients to the corporate relationship management

team. In addition, corporate branches servicing only corporate clientele will be established at key locations to enhance Corporate Banking client service. As part of a total-service concept corporate customers will be able to commence at least the initial interaction with the Bank at a single "shop" to enhance the banking experience. The Bank has also introduced additional corporate e-Banking capabilities, enabling corporate customers to transact electronically and remotely;

- expanding the relationship management team. The nature of corporate banking in the Middle East is highly relationship sensitive. As part of the Bank-wide segment re-organisation initiated in 2011, the Bank has refined its Corporate Banking business segment to further focus resources on improving relationship management capabilities. As such, internally, the Corporate Banking business segment has been further sub-segmented into Government and Government-related entities (**Type A**), Private Large Corporate entities (**Type B**) and SME (**Type C**) Corporate Banking sub-segments. The relationship managers focus on these specific Corporate Banking sub-segments (see "*Business Activities – Corporate Banking*" below);
- maximising opportunities arising from economic developments and growth in Qatar by targeting Government and Government-related financial transactions. The Bank will place a particular emphasis on projects in the oil and gas, utilities and telecom, aviation, health, education and rail sectors and continue to move away from pure real estate financing. The Bank intends to identify potential customers and business opportunities in the Type A, B and C Corporate Banking sub-segments (as detailed above) and to provide close relationship support and refined risk-based pricing for its products. The risk-based pricing offerings to Corporate Banking clients will be both customer and sector specific; and
- maximising the Bank's partnership with the QDB for the Al Dhameen Programme to grow the SME (Type C) Corporate Banking sub-segment. Already having been recognised as the Best Partner Bank for this programme by the QDB, the Bank has been allocated additional portfolio volume for financing under the programme.

#### *Investment and Treasury Strategy*

The Bank aims to expand its regional and international presence by taking advantage of the opportunities developing in these markets by:

- diversifying the Bank's investment portfolio by identifying alternative international investments and, where possible, participating as a "cornerstone" investor (being an investor who provides seed capital and/or holds the majority of an investment);
- developing investment products and opportunities for the Bank's own investment book as well as the Bank's clients. Such products and opportunities include investment funds, as well as direct investments in equities, sector or investment-strategy specific funds and other alternative investments;
- expanding the Bank's international banking network and developing the Bank's trade financing business. With increases in the volumes of cross-border trading with Qatar in recent years, the Bank intends to utilise the greater trade flows in Qatar to provide trade finance services to both new and existing customers; and
- diversifying the Bank's operating markets by identifying regional and international markets in which to establish the Bank's presence. In this regard, the Bank continues to develop certain existing investments in Pakistan and Morocco and is evaluating a number of regional and international locations to establish a presence, either on its own or in partnership with another entity. Markets being evaluated are, amongst others, Europe and South-East Asia (in particular Singapore, Malaysia and Indonesia).

## **COMPETITION AND COMPETITIVE STRENGTHS**

### **Competition**

The Bank is subject to competition in Qatar from both locally incorporated and foreign banks. The following factors highlight some of the competitive challenges faced by the Bank:

#### *Increased competition from Qatar local and international banks*

According to the QCB, as at 30 September 2018, there were a total of 18 banks licensed by the QCB, consisting of six domestic conventional banks, one state-owned development bank, four Islamic banks and seven foreign banks (*source: the QCB Website, Directory of Licensed Banks in State of Qatar, as at the date of this Base Prospectus*). As at 30 September 2018, Qatar National Bank P.J.S.C. was the largest bank in Qatar and accounted for approximately 46.8 per cent. of the market share in terms of total assets. Within the Islamic banking sector,

as at 30 September 2018, the Bank had a market share of approximately 16.3 per cent. with respect to total assets of QSE-listed Islamic banks and its main competitors include Qatar Islamic Bank (Q.P.S.C.) (**QIB**) (which accounted for an estimated 50.6 per cent. of the total assets of listed Islamic banks), Masraf Al Rayan (Q.P.S.C.) (**Masraf**) (with an estimated 33.1 per cent. of total assets of listed Islamic banks) and Barwa Bank (Q.S.C.) (**Barwa Bank**), which is presently not listed on the QSE. Although locally incorporated banks generally have stronger relationships with locally incorporated customers, foreign banks may have greater resources and access to cheaper funding than locally incorporated banks. Foreign banks may also be able to leverage their international expertise and therefore may prove more attractive to key domestic companies and governmental bodies as well as foreign companies operating in Qatar. To this extent, the Bank may be at a competitive disadvantage.

#### *Increasing competition from entities established in the QFC*

The QFC has attracted new banks and financial institutions given its low-tax environment, 100 per cent. foreign ownership and profit repatriation. The QFC is targeting international institutions which have expertise in banking, insurance, asset management, financial advisory services and securities and derivatives dealing, as well as Islamic finance. Current licensees of the QFC include investment banks and multinational banks. Institutions registered with the QFC undertake activities which are categorised as: (i) "regulated activities" (essentially financial services); or (ii) "non-regulated" activities (essentially activities in support of financial services). QFC registered banks are subject to restrictions on the local banking activities they are permitted to undertake; as a result, they cannot conduct transactions with retail customers in Qatar.

#### **Competitive strengths**

Notwithstanding the competition faced by the Bank as discussed above, the Bank believes that it has a number of principal strengths which may offer it a competitive advantage, including the following:

##### *Strong brand in Islamic banking*

The Bank was the second Islamic bank to be established and operational in Qatar as of 1991, and as at 30 September 2018 the Bank was the third largest listed Islamic bank operating in Qatar by total assets (*source: Financial Statements and Qatar Statistical Bulletin, September 2018, published by the QCB*). The third Islamic bank to be established in Qatar, Masraf Al Rayan, was incorporated in 2006. With its long history in Qatar, the Bank is a well-recognised brand in Islamic banking. Further, with the guidance of the Bank's SSC, which is composed of scholars who are globally renowned in the field of commercial and financial Islamic transactions (see "*Management and Employees – Sharia Supervisory Committee*"), the Bank maintains strict compliance with Sharia principles in all its financial transactions and has built a strong reputation for its strict Sharia compliance over the years since its operations began. Due to its strong brand and reputation, careful risk management and a focus on asset quality, the Bank has consistently maintained continued profitable growth since its inception as evidenced (with respect to the five most recent financial years) in the table below (except in 2015 and 2016, where there was a reduction in net profit in 2015, and profits remained level from 2015 to 2016. The lower levels of profit in 2015 and 2016 occurred primarily from a specific corporate credit provision booked over a period of two financial years):

	<b>Year ended 31 December</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<i>(QR millions)</i>				
Net profit for the year .....	832.2	784.8	784.2	825.8	750.3

The Bank believes that its continued involvement in local community social and sporting events helps to maintain its strong brand. For example, the Bank has entered into an agreement with Qatar Charity to provide a donation collection service to enable customers to donate sums to Qatar Charity via the Bank's online system and branches. The service was launched in the fourth quarter of 2012.

Further, as mentioned earlier in "*Strategy – Being a recognised social and community development contributor*", the Bank had, in 2016, entered into a five-year sponsorship arrangement with Kidzmondo as part of its community programme to support children's education in the local community.

##### *Strong governmental support of the Qatari banking sector*

Historically, the Government, through the QCB, has taken several steps to provide capital to support its domestic commercial banking sector and thereby ensure the general financial health of the country's banks. In November 2008, the Bank's shareholders approved the issuance of 25,228,120 additional shares to the Government (represented by the QIA), at a price of QR 73.5 per share. This represented 20 per cent. of the total shares issued by the Bank as at that date. In January 2009, the QIA subscribed for these shares. The Bank received consideration from QIA in advance of each of the three tranches of settlement. This capitalisation process enhanced the Bank's financial position and affirmed its ability to meet its goals and strategic plans.

In addition, the QIA waived its right to dividend payments with respect to its first tranche of capital participation.

In line with its support policy for the banking sector in Qatar, in March 2009, the Government proposed to purchase the domestic equity portfolios of seven of the nine domestic banks listed on the QSE. The Bank sold the significant majority of its portfolio of Qatar equity securities to the Government for QR 261.7 million.

In June 2009, the Government further increased its support by proposing to purchase loans, advances, real estate investments and other exposures of Qatari commercial banks listed on the QSE. The Bank participated in this programme by selling QR 347.9 million of real estate-based financing assets to the Government, further strengthening its balance sheet.

These Government actions served to further strengthen the Bank's already strong capital base. With its 30 September 2018 capital adequacy ratio of 16.47 per cent. (with Tier 1 ratio at 13.12 per cent.), the Bank believes it is well positioned to take advantage of its planned strategies for growth.

#### *Strong domestic growth track record*

Since its incorporation, the Bank's domestic branch network and related banking and investment services have significantly expanded, in terms of both geographical coverage and range of services. For example, over the last four years, the Bank has increased its domestic branches and offices network from 16 local branches at the beginning of 2013 to 19 as at the date of this Base Prospectus and the number of ATMs from 70 to 98 during the same period.

Although the returns generated on assets and equity have slowed as a consequence of the recent global financial crisis, the Bank has been able to maintain strong asset growth throughout the crisis, thereby offsetting the decline in average returns on assets and equity to sustain net profit growth. Net profit improved by 5.0 per cent. to QR 735.1 million for the nine months ended 30 September 2018, compared to QR 700.1 million for the nine months ended 30 September 2017. Net profit increased by 6.0 per cent. to QR 832.2 million during the year ended 31 December 2017 compared to QR 784.8 million during the year ended 31 December 2016 which, in turn, represented an increase of 0.1 per cent. from QR 784.2 million during the year ended 31 December 2015.

The following table sets out certain asset growth and profitability ratios:

	<b>As at / for the year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Return on Average Assets <sup>(1)</sup> (%).....	1.9	1.9	2.0
Return on Average Shareholders' Equity <sup>(2)</sup> (%).....	14.5	14.0	14.4
Cost/Income (%).....	27.3	25.3	25.4
Net profit (QR'000).....	832,209	784,771	784,152
Total Assets (QR'000).....	46,618,980	42,550,960	40,540,045

#### Notes

- (1) Net profit for the period divided by average assets for the period. The average assets are derived by summing the total assets' respective period-end balances for the current and comparative periods, and then dividing the resultant summation by two.
- (2) Net profit for the period divided by average shareholders' equity for the period. Average shareholders' equity represents the average of total shareholders' equity calculated on a yearly basis

#### *Experienced management team and commitment to corporate governance*

The Bank's Chairman, H.E. Sheikh Dr. Khalid Bin Thani Bin Abdullah Al-Thani has over 22 years' experience in the banking sector, including ten years serving as Chairman of the Bank. During his tenure, H.E. Sheikh Dr. Khalid Bin Thani Bin Abdullah Al-Thani has overseen unprecedented growth in the Bank's operations, both in Qatar and internationally, combined with year-on-year increases in net operating income and total assets. Day-to-day management of the Bank is entrusted to the Chief Executive Officer, Dr. Abdulbasit Ahmad Abdulrahman Al-Shaibei, who has over 30 years' experience in the banking sector, including 22 years serving as Chief Executive Officer (**CEO**) of the Bank. Dr. Al-Shaibei is assisted by an experienced management team including, amongst others, the Deputy Chief Executive Officer (**DCEO**), who oversees the business sectors of the Chief of Personal Banking, the Chief of Corporate Banking, and the Chief of Investment and Treasury; the Acting Chief Operating Officer, the Chief of Human Resources & General Services (**Chief HRGS**), the Chief Risk Officer (**CRO**) and the Chief Financial Officer. The Board and senior management team have extensive knowledge and experience of the banking sector in Qatar and the MENA region, and, more generally, in leading financial institutions with an international presence.

The Bank's Board and Risk Committee set standards for a robust and effective corporate governance framework. Management believes that corporate governance is a matter of vital importance and a fundamental part of the business practices of the Bank. The combination of an existing team of highly experienced professionals, coupled

with best practice corporate governance standards, positions the Bank well for future growth. As such, the Bank has taken the opportunity to recruit a new Chief Operation Officer with wide local and international experience to lead the Bank's Operations and Information Technology team to upgrade and improve the Bank's automation strategy.

*Commitment to staff training and development*

The Bank is committed to the training and development of its employees, having created and implemented a number of training and development programmes for its staff. For example, branch staff have been undergoing training in connection with the provision of the Bank products and services with a view to developing a "one-stop shop" banking experience for customers and also the introduction of the affluent banking packages of Wajaha and Deyafa. Further, the Bank has also implemented e-training methodologies to ensure consistent mandatory training across all levels of employees, as well as to encourage employee self-learning.

The Bank has also implemented a succession planning programme, which caters for the succession of senior personnel. The programme seeks to identify staff with the potential to succeed their seniors, and to develop this potential by providing tailored structured and on-the-job training, together with mentorship from their respective seniors and the management team.

*Full product offering to meet both retail and corporate client needs*

The Bank offers customers a comprehensive range of customised Islamic products and services that meet the needs of both its individual and corporate clients.

*Strong liquidity position with diverse funding sources*

The Bank has access to diverse sources of funding. The Bank's assets are managed with liquidity in mind, in order to maintain a healthy balance of cash, cash equivalents and readily marketable securities, and metals and commodities. In addition, the Bank maintains a mandatory deposit with the QCB and has contingent funding facilities in place with the QCB. The Bank also complies with the QCB's liquidity ratio, which requires the ratio of liquid assets to liabilities to be not less than 100 per cent. In addition to the QCB liquidity ratio, the Bank complies with the Basel III liquidity ratios (comprising the loan coverage ratio (**LCR**) and the net stable funding ratio (**NSFR**)), which have been incorporated by the QCB into its banking regulations since 2014.

The Bank's liquidity positions are monitored closely by the Treasurer of the Bank and both the Treasurer and the Asset and Liability Management Committee (**ALCO**) have joint responsibility for managing liquidity risk and ensuring compliance with the QCB's own and Basel III based liquidity ratios.

**CAPITAL STRUCTURE**

As at 30 September 2018, the Bank's authorised, issued and paid-up share capital comprised 151.4 million shares with a nominal value of QR 10 per share.

The Bank's major shareholder groups and their approximate shareholdings as at 30 September 2018 were as follows:

	<b>As at 30 September 2018</b>
	(%)
Qatar Holdings Company <sup>(1)</sup> .....	16.6
Other Qatari companies and individuals <sup>(2)</sup> .....	61.4
GCC nationals .....	12.0
Other foreign shareholders .....	10.0
<b>Total</b> .....	<b>100.0</b>

Notes

(1) Qatar Holdings Company is an indirect subsidiary of QIA.

(2) None of these shareholders individually holds more than 2.0 per cent. of the Bank's shares although the Ezdan Holdings Group held 10.0 per cent. of the Bank's shares as at 30 September 2018.

The aggregate ownership of the Government (through Qatar Holdings Company) and the Ezdan holding group is approximately 26.6 per cent.

Dividend levels are proposed by the Board based on the Bank's liquidity position, profits for the current year, future capital requirements and market trends. Dividends are subsequently approved by the QCB and the Bank's shareholders.

## BUSINESS ACTIVITIES

### Overview

Set out below is summary information by segment for the years ended 31 December 2015, 31 December 2016 and 31 December 2017:

#### Income from financing activities

	Year ended 31 December		
	2017	2016	2015
	(QR'000)		
Murabaha and musawama.....	1,012,068	920,732	828,819
Ijara muntahia bittamleek .....	355,620	297,251	275,059
Istisna .....	32,637	30,213	16,240
Mudaraba .....	18,670	13,736	15,186
Musharakat.....	-	-	333
	<b>1,418,995</b>	<b>1,261,932</b>	<b>1,135,637</b>

#### Net income from investing activities

	Year ended 31 December		
	2017	2016	2015
	(QR'000)		
Income from investment in debt-type instruments .....	194,315	206,995	193,581
Income from inter-bank placements with Islamic banks .....	81,854	52,691	24,627
Rental income from investment properties ....	26,777	26,432	25,170
Net gain from debt-type investments .....	2,502	21,249	12,375
Dividends income .....	2,543	2,991	2,936
Income from short term Murabaha with the QCB .....	1,962	946	2,026
Net gain on sale of investment in real estate..	-	-	67,811
Net loss from equity-type investments .....	(4,615)	(4,410)	(17,657)
	<b>305,338</b>	<b>306,894</b>	<b>310,869</b>

The Bank's three core business segments are Personal Banking, Corporate Banking and Investment and Treasury, which are managed from the Bank's headquarters in Doha and operated through the Bank's network of branches located across Qatar.

Set out below is a summary of certain additional segmental financial information for each of these segments for the nine months ended 30 September 2018 and the years ended 31 December 2017, 31 December 2016 and 31 December 2015.

#### Nine months ended 30 September 2018

	Personal Banking	Corporate Banking	Treasury & Investments	Total
Total segment income (QR'000) .....	424,757	873,765	285,043	1,583,565
Percentage contribution to Total (%)...	26.8	55.2	18.0	100.0
Reportable segment net profit before allocation of expenses (QR'000) .....	168,588	667,322	138,101	974,011
Percentage contribution to Total (%)...	17.3	68.5	14.2	100.0
Reportable segment assets (QR'000) ..	7,490,917	20,635,273	17,663,618	45,789,808
Percentage contribution to Total (%)...	16.4	45.1	38.6	100.0
Reportable segment liabilities and equity of investment account holders (QR'000) .....	20,140,213	11,447,847	9,917,453	41,505,513
Percentage contribution to Total (%)...	48.5	27.6	23.9	100.0

Year ended 31 December 2017

	<b>Personal Banking</b>	<b>Corporate Banking</b>	<b>Treasury &amp; Investments</b>	<b>Total</b>
Total segment income (QR'000) .....	497,916	1,040,560	327,948	1,866,424
Percentage contribution to Total (%)...	26.7	55.8	17.6	100.0
Reportable segment net profit before allocation of expenses (QR'000) .....	464,253	1,046,223	292,451	1,802,927
Percentage contribution to Total (%)...	25.8	58.0	16.2	100.0
Reportable segment assets (QR'000) ..	7,149,651	25,350,376	10,561,734	43,061,761
Percentage contribution to Total (%)...	16.6	58.9	24.5	100.0
Reportable segment liabilities and equity of investment account holders (QR'000) .....	19,039,350	13,439,297	6,605,746	39,084,393
Percentage contribution to Total (%)...	48.7	34.4	16.9	100.0

Year ended 31 December 2016

	<b>Personal Banking</b>	<b>Corporate Banking</b>	<b>Treasury &amp; Investments</b>	<b>Total</b>
Total segment income (QR'000) .....	475,374	904,205	335,912	1,715,491
Percentage contribution to Total (%)...	27.7	52.7	19.6	100.0
Reportable segment net profit before allocation of expenses (QR'000) .....	470,619	792,140	335,912	1,598,671
Percentage contribution to Total (%)...	29.4	49.5	21.0	100.0
Reportable segment assets (QR'000) ..	6,795,413	20,437,913	12,279,196	39,512,522
Percentage contribution to Total (%)...	17.2	51.7	31.1	100.0
Reportable segment liabilities and equity of investment account holders (QR'000) .....	19,351,004	7,289,034	8,586,897	35,226,935
Percentage contribution to Total (%)...	54.9	20.7	24.4	100.0

Year ended 31 December 2015

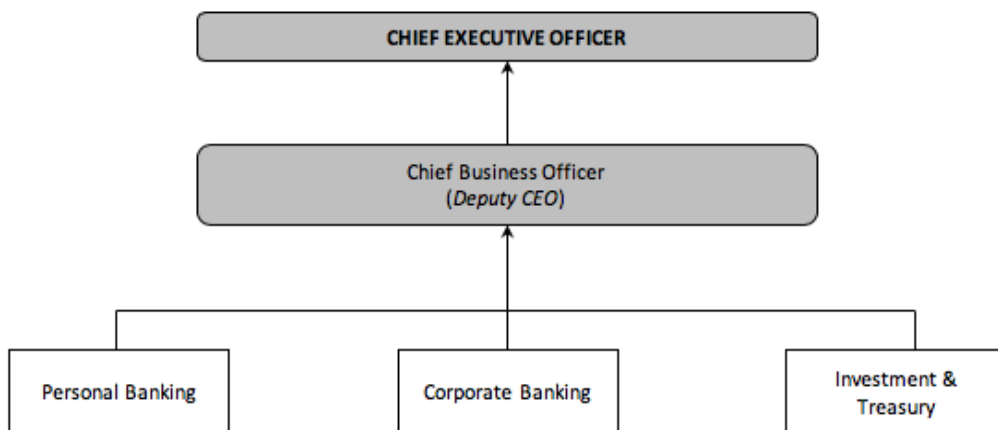
	<b>Personal Banking</b>	<b>Corporate Banking</b>	<b>Treasury &amp; Investments</b>	<b>Total</b>
Total segment income (QR'000) .....	441,626	820,836	327,650	1,590,112
Percentage contribution to Total (%)...	27.8	51.6	20.6	100.0
Reportable segment net profit before allocation of expenses (QR'000) .....	432,946	728,698	309,161	1,470,805
Percentage contribution to Total (%)...	29.4	49.5	21.0	100.0
Reportable segment assets (QR'000) ..	6,253,202	18,724,297	12,720,501	37,698,000
Percentage contribution to Total (%)...	16.6	49.7	33.7	100.0
Reportable segment liabilities and equity of investment account holders (QR'000) .....	18,104,471	8,559,440	7,532,312	34,196,223
Percentage contribution to Total (%)...	52.9	25.0	22.0	100.0

Note: Finance / Investment account holders' share of profit was reported in the segmental financial information starting from the beginning of 2018.

The Personal Banking, Corporate Banking and Investment and Treasury segments report to the Chief Business Officer, which position is held by the DCEO. The Chief Business Officer reports to the CEO.

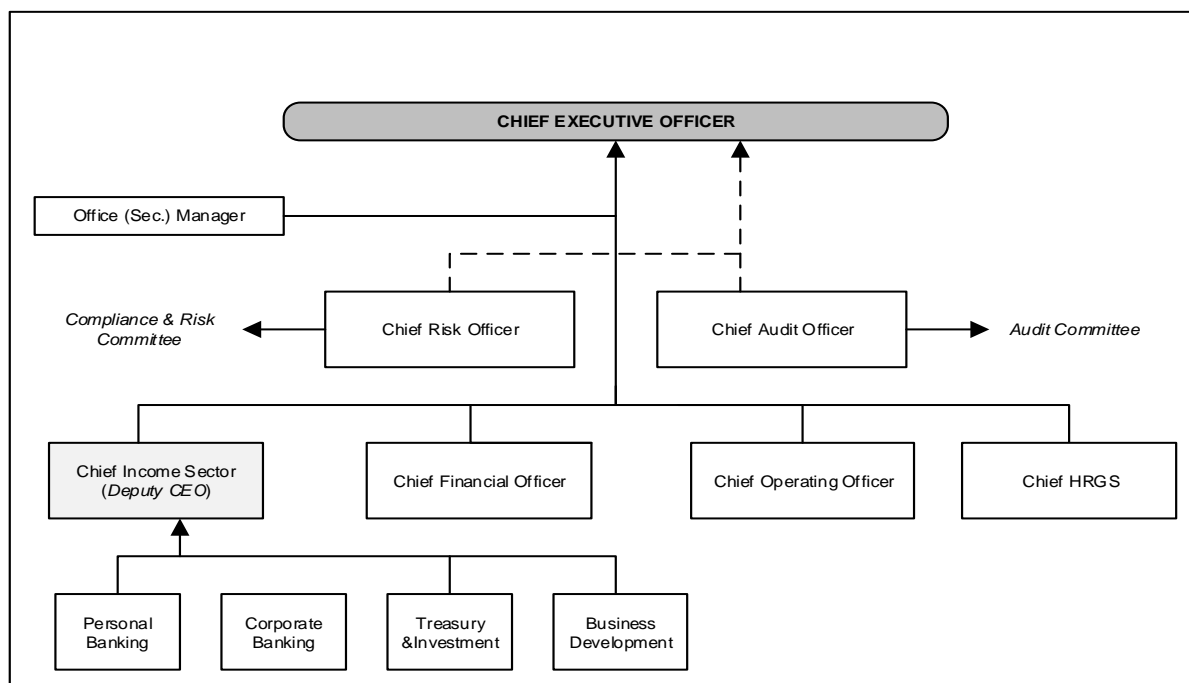
The applicable reporting structure as at the date of this Base Prospectus is set out below:





The operational and back-office support units report to the Chief Operating Officer (COO). In turn, the COO reports to the CEO.

The Bank's consolidated reporting structure as at the date of this Base Prospectus is set out below:



The Bank's Sharia audit operating unit, internal audit and compliance operating units, and risk management operating unit report directly to the SSC, the Audit Committee (the AC), and the Compliance and Risk Committee (CRC), respectively, independently of the CEO and/or DCEO.

### Personal Banking

The Personal Banking business segment provides retail customers with Islamic banking products and services which are distributed through the Bank's network of 19 branches and 98 ATMs, as well as electronic banking channels (see "– Branch Network and Product Distribution"). For the nine months ended 30 September 2018, the Personal Banking total segment income accounted for 26.8 per cent. of the Bank's total segment income and as at 30 September 2018 its reportable segment assets amounted to QR 7.5 billion.

As at 30 September 2018, the Personal Banking business segment had a total of 159,000 retail customers. Total reportable segment liabilities and equity of investment account holders from the Personal Banking business segment as at 30 September 2018 amounted to QR 20.1 billion, representing 48.5 per cent. of the Bank's total reportable segment liabilities and equity of investment account holders. Within total deposits, 33.1 per cent. (or QR 13.7 billion) are savings and current account type deposits.

Although the Personal Banking business segment products and services are targeted at both Qatar nationals and expatriates, historically the Bank had focused primarily on positioning itself as the bank of choice for Qataris. More recently the retail focus has expanded to include expatriates of all nationalities based in Qatar (see "*Strategy – Retail Financing Strategy*" for further details) with the introduction of its Wajaha and Deyafa affluent segment banking packages. The Bank has opened five new branches within major shopping malls in Qatar (with one more branch expected to be opened in the first quarter of 2019) to enhance the reach of the Personal Banking business segment and to provide its retail customers with a "one-stop shop" experience to meet all of their Islamic banking needs through best value product pricing with a superior customer service. The principal services and products offered to the Personal Banking customers include:

- non-profit-earning demand deposits accounts (or "current accounts");
- profit-paying demand deposit accounts (or "savings accounts");
- profit-paying term deposit accounts (with a minimum term of one month to a maximum term of 24 months);
- consumer financing services including, amongst others, the provision of financing for automobiles, household goods, residential property and building material through *Murabaha*, *Musawama*, *Istisna*, *Ijara* and *Musharaka* methods of financing;
- electronic credit and debit cards (including Visa and Mastercard banking cards, "Platinum", "Signature" or "Infinite" credit cards and the Bank's "Smart Debit Cards"); and
- the provision of safe deposit lockers.

The *Musawama* sale is the most popular form of Personal Banking, representing 93.6 per cent. of total gross Personal Banking as at 30 September 2018. These financing products are used to finance the purchase of cars, homes and consumer household items. Vehicle financing makes up 11.8 per cent. of the retail financing portfolio as at 30 September 2018. *Musawama* and *Murabaha* financing is provided to Personal Banking customers for the purchase of consumer goods and investments including, amongst others, automobiles, other vehicles, white goods, furnishings and shares.

### **Corporate Banking**

The Corporate Banking business segment developed from the Bank's early retail customer base, where a number of the Bank's customers were involved in business ventures. For the nine months ended 30 September 2018, the Commercial Banking total segment income, comprising all sub-segments, accounted for 55.2 per cent. of the Bank's total segment income and, as at 30 September 2018, reportable segment assets amounted to QR 20.6 billion.

The Corporate Banking business segment now provides a full range of Sharia compliant financial products and services to its corporate customers, both large corporates and SMEs. To better serve its customers, the Corporate Banking business segment is divided into three sub-segments:

- Government and Semi-Government Entities (referred to internally as the "Type A" Corporate Banking sub-segment);
- Private Non-Government Large Corporate Entities (referred to internally as the "Type B" Corporate Banking sub-segment); and
- SMEs (referred to internally as the "Type C" Corporate Banking sub-segment).

For the "Type A" and "Type B" sub-segments referred to above, the primary activity is to lend to Government and Semi-Government entities and large private corporate entities by way of *Ijara*, *Murabaha*, *Musawama*, *Mudaraba*, *Istisna* (see below for further details of these product classes) and provide foreign trade finance products. The primary focuses for these two sub-segments are financing real estate, contracting and infrastructure development with the real estate industry representing 28.8 per cent. of the total Corporate Banking business segment's financing portfolio as at 30 September 2018.

For the "Type C" sub-segment referred to above, the primary activity comprises SME banking and providing Islamic financing to SMEs for commercial purposes where repayment sources are related to business activities. For the Bank's purposes, SMEs are businesses that have annual sales turnover of less than QR 100.0 million and total employees below 250 persons and with the maximum financing facilities granted to the same threshold (or its equivalent in any other currency).

The Commercial Banking business segment's products and services are distributed by its dedicated relationship management teams within each sub-segment through direct client contact and, to a limited extent, through its branch network (such network is developing as part of the "one-stop shop" strategy (see "– Strategy – Corporate Banking Strategy")).

The Bank introduced e-Banking facilities for its corporate customers in 2013. In March 2015, the Bank enhanced the Commercial Banking business segment's reach and access to its customers with the opening of its first corporate client only branch, with a second such branch expected to be opened in 2019.

The Commercial Banking business segment's principal products and services include the following financing arrangements:

#### ***Ijara***

The form of *Ijara* offered by the Bank is a finance or capital lease which enables the Bank's corporate customers to acquire an asset through a leasing arrangement. Customers contract with the Bank to make lease payments for the use of an asset which the Bank purchases. At the end of the lease period, the ownership of the asset transfers to the customer. *Ijara* financing is provided predominantly to corporate customers for the purchase or lease of properties.

#### ***Murabaha***

*Murabaha* offers customers the ability to acquire assets over a period of time consistent with their sources of income and their financial position. Under a *Murabaha* transaction, the Bank provides the customer with the funds needed to purchase an asset for business use. The customer, in conjunction with the Bank, negotiates the purchase price of the asset with the third party. The Bank purchases the asset from the seller then sells it to the customer after adding an agreed profit amount and allows the customer to pay the full amount over a period of time in instalments. *Murabaha* contracts are provided to corporate customers for the financing of, among other things, working capital and the purchase of plant and equipment.

#### ***Musawama***

*Musawama* offers the customer the ability to acquire assets when needed and to pay the purchase price plus profit in instalments over a period of time. In a *Musawama* transaction the customer requests the Bank to purchase a certain asset or commodity from a third party. The price of the commodity is usually unknown to the customer. Upon acquiring the commodity, the Bank adds its profit amount and offers to sell it to the customer, who has the right to accept, refuse, or negotiate the price. If accepted, the customer repays the total amount to the Bank in agreed instalments. *Musawama* is usually provided to finance local purchases including vehicles, real estate, machinery and equipment. *Musawama* contracts are provided to corporate customers for the financing of, among other things, working capital and the purchase of plant and equipment.

#### ***Mudaraba***

The Bank provides *Mudaraba* financing to customers in construction and project development industries in Qatar. The Bank may finance projects awarded to the contractor provided the project owner is a Government, quasi-Government entity, or other creditworthy public company. Projects financed under *Mudaraba* contracts are usually state infrastructure projects.

#### ***Istisna***

In an *Istisna* financing, the Bank enters into a contract with the customer requesting the financing in order to execute a specific construction project (such as a residential compound, office building, private residence, or an apartment building). Unless the customer requests appointing a specific contractor to execute the work at his or her own risk, the Bank will usually appoint a contractor under a formal tender process, after which the contract will be assigned to the most qualified bidder as determined by the Bank.

The table below sets out the financing methods for the Bank's Corporate Banking customers as at 30 September 2018:

<b>Product</b>	<b>Proportion of</b>	
	<b>Outstanding</b> (QR'000)	<b>Portfolio</b> (%)
Ijara .....	6,482,664	30.2
Musawama .....	12,957,277	60.4
Murabaha .....	336,079	1.6
Others .....	1,688,983	7.9
<b>Total Corporate.....</b>	<b>21,465,003</b>	<b>100.0</b>

As at 30 September 2018, the most popular financing methods for the Bank's corporate customers were *Ijara* and *Musawama*, which together represented 90.6 per cent. of the total gross Corporate Banking portfolio as at that date.

### ***Foreign trade finance***

The Bank offers a variety of products to facilitate customers' requirements in foreign trade services. Customers in the import and export business can utilise the Bank's Sharia compliant services to facilitate purchases of goods, materials, equipment, vehicles and other assets from abroad. The Bank's foreign trade finance services include:

- letters of credit;
- documents against collection;
- documents against payment;
- letters of guarantee; and
- financing foreign purchases from abroad.

### **Treasury and Investment business segment**

The Bank's Treasury and Investment (**T&I**) business segment provides internal and external treasury services such as funding liquidity, correspondent banking, currency exchange, offers investment options to the Bank's customers and manages the Bank's own investment portfolio. The T&I business segment also manages larger financing transactions. The T&I business segment comprises two distinct sub-segments:

- Treasury; and
- Local and International Investments Department.

For the nine months ended 30 September 2018, the T&I business segment accounted for 18.0 per cent. of the Bank's total segment income and, as at 30 September 2018, reportable segment assets amounted to QR 17.7 billion.

### ***Treasury***

The Treasury Department manages all of the Bank's currency positions, invests surplus funds and manages the Bank's balance sheet to ensure the availability of adequate liquidity to meet its day-to-day operating requirements. The Treasury Department also generally performs other related functions such as managing the Bank's reserve and risk capital requirements and funding the Bank's balance sheet. Specifically, the Treasury Department is focused on:

- liquidity management: it manages short-term assets and liabilities in order to ensure that the Bank has adequate funds and liquidity using the inter-bank market. This includes managing the funding requirements of the Bank's banking activities;
- foreign exchange: it provides exchange rate and foreign exchange services to branches and customers;
- supports the management and pricing of profit rates: it provides the ALCO with rate forecasts for the QR and major currencies to support the pricing of profit rates for customer deposits and, subsequently, developing the internal cost of funds for transfer pricing; and
- limited opportunistic sukuk sales/trading: in conjunction with the Local and International Investment Department (**LIID**), the Treasury Department monitors the market price of sukuk holdings for potential sales opportunities to realise profits for the Bank.

### ***Local and International Investments Department***

The LIID offers investment options to the Bank's customers and manages the Bank's own investment portfolio. This department also manages larger financing transactions usually involving foreign trade, infrastructure projects, sovereign project financing, or foreign banks' financing participations. The LIID functions include:

- developing investment opportunities for equity participations and investment opportunities in local quoted shares;
- private equity (investing on the Bank's and customers' behalf);
- investment funds (investing on the Bank's behalf and generating investment opportunities for customers);

- sukuk investments; and
- international finance and syndications.

The LIID is also responsible for the maintenance and development of correspondent banking relationships. As at 30 September 2018, the LIID managed approximately 107 correspondent banking relationships, whereby correspondent banks acted on the Bank's behalf in foreign countries. Such relationships are necessary in jurisdictions where the Bank does not have a banking presence. The Bank is also able to act on behalf of these correspondent banks in Qatar, where the relevant correspondent bank does not have a banking presence within Qatar.

The LIID also works closely with senior management to develop the Bank's international presence through strategic alliances and partnerships or acquisitions into targeted regions.

See "*Financial Review – Financial Condition as at 31 December 2015, 2016 and 2017 and as at 30 September 2018 – Financial investments*" for a breakdown of the Bank's direct financial investments.

## **BRANCH NETWORK AND PRODUCT DISTRIBUTION**

As at 30 September 2018, the Bank had a network of 19 branches throughout Qatar. The Bank's branches are classified based upon the size of the relevant branch as:

- Type A branches, which typically accommodate more than eight members of staff (including a Branch Manager, Head Teller, Head of Customer Service, three Customer Service Representatives and two tellers);
- Type B branches, which typically accommodate between four and seven members of staff;
- offices with approximately three members of staff and are usually a sub-office of either a Type A or Type B branch. For example, a Type B branch next to an airport may have an office within the airport terminal;
- corporate-only branches (serving the Corporate Banking business segment customers only); and
- Wajaha segment branches (serving retail customers with salaries over QR 50,000 or other income greater than QR 100,000 per month or an aggregate deposit balance greater than QR 1,000,000.00).

As at the date of this Base Prospectus, the Bank had a network of 98 ATMs. The Bank is also a part of the Qatari National ATM and POS Switch network of shared ATMs, thereby broadening access to ATM banking for its customers through shared ATMs and other banks' ATMs. Internationally, the Bank's customers have access to ATMs through GCCNet (an ATM network available throughout GCC countries) and Visa Electron ATMs.

The Bank also has a range of additional distribution channels available to customers, some examples of which are set out below.

As part of the "one-stop shop" concept, the Bank is working to ensure that all distribution channels are available to customers in all of the Bank's operating segments (see "*Strategy – Business Segments Strategies*" above for further details), with additional specific services being tailored according to the segment, e.g. concierge-type services for the Wajaha high-affluent segment.

### *E-Banking platform*

The Bank's e-Banking service allows retail customers to access their accounts securely and reliably to perform a full range of transactions, including transferring funds between accounts locally and internationally, setting up standing orders, paying utility bills, and obtaining currency exchange rates. This e-Banking service has also been made available to corporate customers since 2013, and is currently being enhanced in phases to increase corporate e-Banking transaction capabilities.

### *Telephone banking services*

The Bank's telephone banking service provides retail customers with 24-hour access to account information. Customers are able to make account balance enquiries, request transfer of funds and request statements.

The Bank has also launched the Bank's mobile application, which enables retail customers to conduct their day-to-day retail banking activities using a mobile banking application with their mobile phones instead of having to use a computer to access internet-based e-Banking. The Bank's mobile application tailors the user interface to the screen dimensions of different mobile handsets and can be used by the Bank's retail customers to view their accounts, credit card balances and perform a myriad of other payment-related transactions.

## FINANCIAL INVESTMENTS

The Bank's financial investments are all currently classified as either "debt type" or "equity type" instruments in accordance with the new AAOIFI accounting standard, FAS 25 "Investment in Sukuk, Shares and Similar Instruments" (see "Summary of Significant Differences Between the Financial Accounting Standards Issued by AAOIFI and International Financial Reporting Standards"). Within each classification type, financial investments are valued at either amortised cost or fair value, depending on the intention of the Bank with respect to the investment at the inception of the transaction.

For "debt type" instruments managed on a contractual profit yield return basis, investments are measured at amortised cost less any provisions for impairment. For all other bases of managing "debt type" instruments, including held-for-trading, such investments are measured on a fair value basis, with gains and losses arising from fair value changes being booked through the income statement.

For "equity type" instruments, investments are measured on a fair value basis with the gains and losses arising from changes in fair value being recognised through the equity account. For "equity type" investments held for trading or managed and performance-evaluated internally by management on a fair value basis, such investments are measured on a fair value basis with the gains and losses arising from changes in fair value being recognised through the profit and loss account.

For investments traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the relevant reporting date. For investments where there is no quoted market price, an estimate of the fair value is determined by using one of the following methods:

- at cost;
- comparison with the current market value of a similar financial instrument;
- the expected cash flows from the investment; or
- internal pricing models.

The measurement of investments, be it at book or fair value, was impacted by the requirements of FAS 30. FAS 30 was implemented in Qatar effective 1 January 2018 and resulted in additional provisioning for all investments based on credit-risk modelling vis-à-vis current and forecasted economic conditions. See "Financial Review – Financial Condition as at 31 December 2015, 2016 and 2017 and as at 30 September 2018 – Financial investments" for a breakdown of the Bank's "equity" and "debt" type instruments in relation to the Bank's financial investments as at 31 December of the relevant years.

## INVESTMENT PROPERTIES

The Bank's investment properties can be classified and valued as one of the following categories:

The net book value of the Bank's investment properties as at 31 December 2015, 2016 and 2017, stated at cost including cash equivalent amounts paid or fair value of other consideration given to acquire an asset at the time of its acquisition or construction, is set out as below:

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
		<i>(QR'000)</i>	
Balance as at 1 January .....	430,590	434,640	486,374
Disposals during the year .....	–	–	(47,686)
Depreciation during the year .....	(4,050)	(4,050)	(4,048)
<b>Net book value as at 31 December .....</b>	<b>426,540</b>	<b>430,590</b>	<b>434,640</b>

Investment property held for rental or capital appreciation is measured at cost including cash equivalent amount paid or fair value of other consideration given to acquire an asset at the time of its acquisition or construction. Depreciation is systematically allocated for the cost of the investment property over its useful life.

Major expenditure incurred by the entity related to additions to and improvement subsequent to its acquisition will be added to the carrying amount of investment property in the consolidated statement of financial position, provided that the Bank expects that such expenditure will increase the future economic benefits to the Bank from the investment property with such expenses capitalised as part of the investment property and amortised accordingly. However, if such economic benefits are not expected to take place, the entity will recognise this expenditure in the consolidated statement of income in the financial period in which it is incurred, taking into consideration the split between the portion related to owners' equity and the portion related to equity of investment account holders.

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement will be determined as the difference between the net disposal proceeds and the carrying amount of the asset, and will be recognised in consolidated statement of income in the period of the retirement or disposal, taking into consideration the split between the portion related to owner's equity and the portion related to equity of investment account holders.

The decrease in the net book value of the Bank's investment properties from 2015 to 2017 was due only to the ongoing depreciation of such assets on the Bank's balance sheet.

## **RISK MANAGEMENT**

The Bank is exposed to different types of risks in its normal course of business, including credit risk, liquidity risk, market risk (trading and non-trading) and operational risk. The Bank's risk management philosophy can be summarised as follows:

- to ensure that the Bank is not subject at any time to undue or excessive risks beyond the levels approved by the Board;
- to achieve a balance between current and future risks incurred by the Bank and its targeted returns on equity for its shareholders; and
- to protect the reputation, solvency and liquidity of the Bank.

Risks are managed through a process of ongoing identification, measurement and monitoring subject to established risk limits and other controls. The Bank has adopted a decentralised approach and each operational segment of the Bank is responsible for managing risks within that segment. Each operational unit undertakes four risk management processes:

- Risk identification: Identify and analyse risks surrounding the processes and understand how to respond to these risks.
- Risk assessment and measurement: Quantify and assess risk impact.
- Risk controlling: Implement systems and recommend measures to control and mitigate risks.
- Risk monitoring and compliance: Monitor the effectiveness of risk management controls and report progress.

The decentralised approach and processes are consolidated within the RMD, which aggregates the risks captured through the relevant operational segments and monitors them against Bank-wide policies, standards and established limits.

### **Policies and standards**

The Bank's lending principles are laid out in a series of corporate policies, standards, guidelines, directives and procedures, all of which are reviewed on a regular basis to maintain their relevance to the Bank's current risk limits. The structure, limits, collateral requirements, ongoing management, monitoring and reporting of the Bank's credit exposures are all governed by these lending principles.

In summary, the principles provide that:

- all credit facilities and investments must meet in principle the Sharia guidelines and the QCB regulations, and should be in line with the Bank's internal policies;
- all credit facilities and investments should be risk-rated based on the Bank's internal risk rating guidelines;
- all credits, as well as investments, must be approved by an officer or an appropriate committee that is authorised to provide such approval pursuant to the internal approval thresholds of the Bank's operations. The relevant committees are the Finance Committee (which approves credits up to QR 17.0 million), the Chairman; the Managing Director and CEO collectively (who can approve credits up to QR 25.0 million), the Executive Committee (EC) (which approve credits up to QR 150.0 million) and, finally, the Board (which approves credits in excess of QR 150.0 million);
- the Bank must avoid speculative business. Any focus on a sector or industry should be based on stable outlooks; and

- as directed by the Board and management, all credit facilities and investments made must be targeted to ensure the Bank is able to limit concentrations of credit risk (whether by geography or industry), reduce volatilities in the portfolio, achieve optimum earnings and manage liquidity.

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. Credit risk arises principally from the Bank's financing activities. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Bank has developed an internal credit rating framework which is used to classify all counterparties. This framework provides guidance parameters for, among other things, the establishment of credit limits and granting facilities to customers. Credit exposures are then monitored through a regular credit review. The frequency of the credit review is based on the credit risk rating of the particular counterparty (with a minimum frequency of at least once a year).

The Bank seeks to manage its credit exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Bank also obtains collateral, when appropriate, depending on the perceived credit risk of the counterparty. Guidelines are implemented across all operating segments regarding the acceptability of types of collateral and valuation parameters. The Bank's Guarantees Department monitors the market value of collateral obtained in connection with the Bank's lending activities.

The main types of collateral obtained are as follows:

- for securities lending – cash or securities;
- for commercial and corporate financing – mortgages over real estate properties, inventory, cash and securities; and
- for retail financing – mortgages over residential property and securities.

As part of the Bank's credit policy for retail customers, online credit checks are made through the Government's Central Credit Bureau. The bureau shows the full credit history and liability position of any potential application in order to ascertain if such applicants are on a blacklist maintained by the QCB. The Bank extends financing on the basis of such checks, ensuring compliance with the QCB guidelines on consumer credit and salary assignments by any employer of the applicants.

Retail financing credit risk is further mitigated by securing the source of repayments from retail customers through an assignment of those customers' salaries to the Bank. The salaries of these customers are deposited by their respective employers directly into their accounts with the Bank. The Bank then has a right of lien over salaries in the customers' account pending the collection of regular repayments of their liabilities with the Bank.

Where salary assignments are not made in favour of the Bank, financing is only provided against cash collateral deposited with the Bank and pledged against the facility. As at 30 September 2018, approximately 99 per cent. of the Bank's Personal Banking customers have their salaries assigned to the Bank.

The Bank also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

It is also the Bank's policy to maintain accurate and consistent risk ratings across its credit portfolio. This focus on the applicable risks facilitates the comparison of credit exposures across all lines of business, geographic regions and products. The Bank's rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are derived in accordance with the Bank's rating policy and mapped to an external credit assessment institution's (ECAI) ratings scale, and are assessed and updated regularly.

For risk management purposes, credit risk on the Bank's own investments is managed independently through a quarterly review for impairment of the investment and reported as a component of market risk exposure.

For non-retail financings, credit proposals prepared by the relationship management team are first reviewed by the Credit Risk section of the RMD before being passed on to the Finance Committee (the **FC**) (whose membership includes the CRO (or his or her delegate)) for approval. Proposals which fall outside the authority of the FC are escalated to (i) the Chairman of the Board, the Managing Director and the CEO (meeting collectively), (ii) the EC and (iii) the Board. The Board is the ultimate decision-maker in connection with credit proposals.



For retail financings, credit applications are completed at branches and submitted to the senior branch managers, who have the authority to approve applications which are within standard policy parameters. Policy exceptions are passed to the RMD for review and approval.

### ***Credit risk provisioning***

The Bank's provisioning policies and procedures are established in accordance with the QCB's current specific requirements. Individual financing facilities are categorised on a sliding scale pursuant to the QCB's latest instructions into: (i) performing; (ii) special mention; (iii) substandard; (iv) doubtful; and (v) bad. The latter three categories are non-performing classifications and require a provision against the outstanding facility (after taking into account collateral secured against the facility). Outstanding facilities are reviewed on an individual basis and classified accordingly as:

- *Substandard*: facilities with a due payment outstanding for 90 days or more (but less than 180 days), requiring a 20 per cent. provision against the unsecured portion of such facility;
- *Doubtful*: facilities with a due payment outstanding for 180 days or more (but less than 270 days), requiring a 50 per cent. provision against the unsecured portion of such facility; and
- *Bad*: facilities with a due payment outstanding for 270 days or more, requiring a 100 per cent. provision against the unsecured portion of such facility.

The QCB has issued "expected credit loss" (**ECL**) regulations (**ECL Regulations**) via its circular 26 of 2018 which became effective from 1 January 2018 for all banks operating in Qatar. As required by the QCB, the Bank has adopted the ECL Regulations, which is similar to FAS 30.

FAS 30 introduces the credit losses approach with a forward-looking ECL model. The credit losses approach for receivables and off-balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss. The new impairment model will apply to financial assets which are subject to credit risk, and a number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

As permitted by those ECL Regulations, the Bank elected not to restate comparative figures. For further details, see note 3 to the 2017 Financial Statements.

The Bank's internal credit rating framework has additional classifications within each of the QCB's "substandard", "doubtful" and "bad" classifications. These additional classifications are consistent with the QCB's classifications. When facilities are aggregated according to the QCB's classifications, they are consistent with the intention and requirements of the QCB's regulations. The Bank's internal ratings scale has also been mapped to an ECAI's rating scale in accordance with the QCB's ECL Regulation requirements.

The Bank prepares a draft provisioning requirement annually based on the QCB's categories above, which is submitted to the QCB in November of each year. The QCB has the authority to vary the draft provisioning in consultation with the Bank. The QCB's process of variation and consultation is applied in a consistent manner for all Qatari banks.

### ***Collections***

The Bank has established a loan collections department to engage with retail customers that are experiencing difficulties in meeting their payment obligations. The aim of this collection engagement is to work with the customers in resolving payment difficulties. Enforcing the Bank's legal rights is typically considered as a last resort measure.

Due to the sensitive nature of corporate and SME relationships, such collection matters are referred to the relevant relationship managers. The relationship managers directly engage with the corporate or SME customer with a view to resolving outstanding payment obligations.

### *Impairment Provisioning*

Financial investments are reviewed for impairments on a quarterly basis and other investments are reviewed at least annually. An investment is considered impaired when, in the opinion of the Bank's management, there is a reasonable doubt regarding the collectability of the carrying value of the investment and/or there is a substantial and prolonged fall in the fair value of the investment compared to its carrying value.

When such impairments are identified, an assessment of the required impairment provision is made on each individual investment and processed accordingly.

### *Risk (General) Reserve*

In addition to undertaking specific credit risk and impairment provisioning, the Bank maintains a risk reserve in accordance with the QCB requirements. The QCB requires such a reserve to be established at 2.5 per cent. of a bank's outstanding financing portfolio. Facilities granted to or secured by the Government or secured by cash collateral are excluded from the financing portfolio for the purposes of assessing the required risk reserve amount. The use of the risk reserve is subject to the prior approval of the QCB. The table below sets out the receivables and balances from financing activities and risk reserves as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(QR'000)</i>	<i>(QR'000)</i>	<i>(QR'000)</i>
Net receivables and balances from financing activities excluding Government financing and securities and cash collateral facilities .....	24,898,156	22,886,096	21,430,236
Risk Reserve .....	622,454	572,152	548,401

### *Excessive Risk Concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

### *Liquidity Risk*

Liquidity risk is the risk that the Bank will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades resulting in certain sources of funding being immediately unavailable. To mitigate this risk, the Bank has diversified its funding sources (see "*Financial Review – Funding*" for further details). Assets are managed with liquidity in mind, maintaining a balance of cash, cash equivalents and readily marketable securities, and metals and commodities.

In addition, the Bank maintains a mandatory deposit with the QCB and has contingent funding facilities in place with the QCB. The Bank also complies with the QCB's liquidity ratio, which requires the ratio of liquid assets to liabilities to be not less than 100 per cent.

Liquidity positions are monitored closely by the Treasurer of the Bank and both the Treasurer and the ALCO have joint responsibility for managing liquidity risk and ensuring compliance with the QCB's liquidity ratio.

### *Market Risk*

Market risk is the risk that the Bank's earnings or capital and its ability to meet business objectives will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, equity prices and foreign exchange rates. The Bank manages its market risks within the framework defined by the QCB. Setting the internal framework for management of market risks and ensuring compliance with this framework is the responsibility of the Risk Committee of the Bank.

Assets and liabilities profit rate gaps are reviewed by the ALCO on a regular basis to ensure that the gaps are within the limits established by the Bank. The ALCO also formulates feedback to the Bank's Management in connection with areas it considers will require development in the future.

The Board has set limits on the amount and type of investments that may be accepted by the Bank to mitigate equity price risk. This is monitored on an ongoing basis by the Bank's Investments and Limits Committee. See "*Risk Management Structure – Investments and Limits Committee*".

The Bank manages its exposure to currency exchange rate fluctuations within the levels defined by the Board, which sets limits on currency position exposures. Positions are monitored daily on an ongoing basis.

#### *Operating and Other Risks*

Operating risks are the direct or indirect risks arising from functions which impact on the Bank's operations, for example failure of IT systems, databases and the actions and inactions of individuals. The Bank mitigates these risks through the appointment of professional IT personnel and the establishment of independent operating departments for internal control and risk management, such as, *inter alia*, the Operations Risk department, Internal Audit and the appointment of a Compliance Officer. These independent operating departments ensure the availability of measurement, control and reporting systems relating to all elements of operating risks.

The Bank is exposed to a number of other risks including organisation, regulatory and goodwill (reputational) risks. Organisation risk represents the aggregation of factors that may affect an organisation's human resources and cause negative effects (such as human error, attrition and employee family issues) which impact on the Bank's ability to operate. These are managed through the establishment of policies and procedures which serve to provide a proper and professional working environment. Regulatory risks are managed by the appointment of proficient in-house and external legal advisers. Goodwill risks are managed by the continuous review of the matters affecting the standing of the Bank and issue of instructions and policies, when necessary.

### **Risk management structure**

#### *Board Supervision*

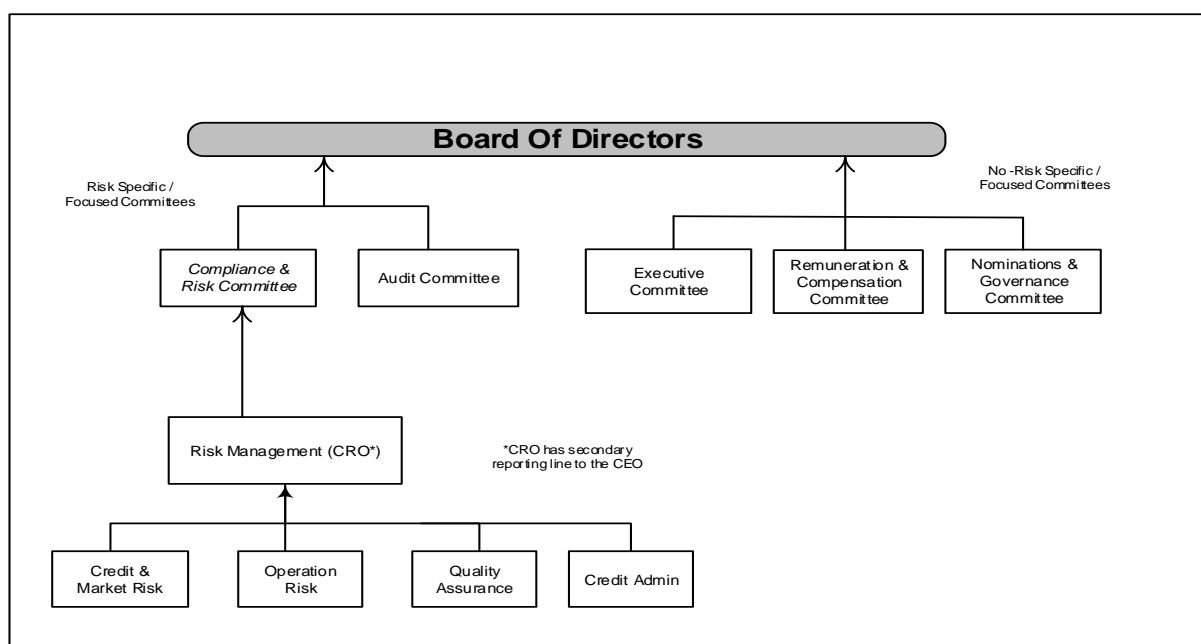
The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board is responsible for formulating the Bank's risk management methodology and approving the strategic plans and risk management policies in accordance with industry advances and international best practice standards.

#### *Risk management function*

The risk management function is administered by the CRO and the RMD. The CRO and RMD responsibilities are explained in detail in the "*RMD*" section. The RMD is responsible for implementing and maintaining risk-related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits across the Bank. Each business group has a decentralised department which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This function also ensures the complete capture of the risks in risk measurement and reporting systems.

The risk management function is further augmented by a number of Board and CEO mandated committees.

The Board oversees the risk management functions in order to ensure effective risk mitigation, as described in the chart below:



Each of the CRC, AC, NGC, Remunerations and Compensations Committee (**RCC**) and EC is established by Board resolutions and reports directly to the Board. Some of these committees, whilst not specifically focused on a risk management function, augment the risk-focused committees through the decentralised approach to risk management adopted by the Bank, where risks arising in their areas of responsibility are identified, reviewed and monitored by the Bank's risk function.

#### *CRC*

The CRC comprises two members of the Board and the CEO. The CRC meets as often as it determines is appropriate, and at least once every quarter. Under authority delegated to it by the Board, the CRC plays a key role in the fulfilment of corporate governance standards and overall risk management by assisting the Board:

- in the formulation of strategy for enterprise-wide risk management;
- in the evaluation of overall risks faced by the Bank and the alignment of risk policies with business strategies;
- in the determination of the level of risks which will be in the best interests of the Bank;
- by thorough risk-based capital planning;
- in ensuring the Bank's compliance with the QCB regulations and other applicable regulatory instructions and guidance on bank governance and local and international anti-money laundering and counter-terrorist financing (**AML & CTF**);
- in considering the major findings of each compliance, AML & CTF and internal audit conveyed through audit and review reports; and
- in considering major findings in each business segment or function identified by the Bank's compliance monitoring and testing (**CMAT**) review reports in respect of AML & CTF and escalating findings, where applicable.

#### *Compliance Department*

The Compliance Department reports to the CRC and ensures that it develops and implements a comprehensive compliance culture in the Bank to protect, guide and support business by achieving operational excellence by adopting the best global standards in line with the QCB's guidelines. It is an independent department with overall responsibility for co-ordinating the identification and management of the Bank's compliance risk. The Compliance Department assumes the responsibilities of determining, evaluating and recommending remediation phases to achieve compliance with applicable laws and regulations in line with the Bank's risk appetite. Further,

the Compliance Department conducts various CMAT tests as mandated by the Bank's internal compliance plan and all exceptions and deviations to the practical risk framework are reported to the CRC through a quarterly report collated and presented to the AC as and when required and at least on a quarterly basis.

#### *AML & CTF Department*

The AML & CTF Department reports to the AC. Its role is, but not limited, to:

- establish a comprehensive framework of policies, procedures and systems to detect, deter, and protect the Bank from money laundering, terrorist financing and sanctions risk;
- ensure a compliance culture within the Bank in order to detect and report any suspicious activities;
- ensure that the Bank is compliant with all local and international regulations and best practices relating to AML and CTF; and
- report the suspicious activities detected or escalated to the competent authority along with the relevant investigation report and evidences, where applicable.

#### *AC*

The AC is principally responsible for:

- reviewing and approving the Bank's internal audit annual plan;
- overseeing external auditors;
- reviewing and ensuring the efficiency and effectiveness of the Bank's internal control systems; and
- reviewing and approving the interim and annual financial statements of the Bank.

The AC comprises three Board members (two such Board members are independent) with the Head of Internal Audit as secretary. The Committee meets bi-monthly or at least six times a year.

#### *Internal Audit Department*

The Internal Audit Department (**IAD**) reports to the AC and the Managing Director and its role is to evaluate and report to the Board (through the AC) that the risk management, governance and control systems are functioning as intended in order to ensure that the organisation's resources are operating in accordance with the policies and procedures of the Bank. The IAD is obliged to report instances of operational failure of these systems and/or control deficiencies identified during its audit reviews to the AC. Such audit findings are also communicated to the relevant auditees so that the operational failures or weaknesses identified may be addressed or mitigated. The IAD meets with the AC on a quarterly basis.

#### *Non-risk specific/focused Board Committees*

The primary functions of these committees do not focus on risk management; however, by virtue of their specific functions, such committees are involved in supporting the risk management function through the identification, quantification, assessment, control and monitoring of risks relating to their specific functions.

- **EC:** Comprises the Chairman of the Board, Vice-Chairman of the Board, another Board member and the CEO. The EC reviews all activities of the Bank including, *inter alia*, performance of the Bank through key performance indicators, including selected compliance and risk ratios. The EC meets bi-monthly.

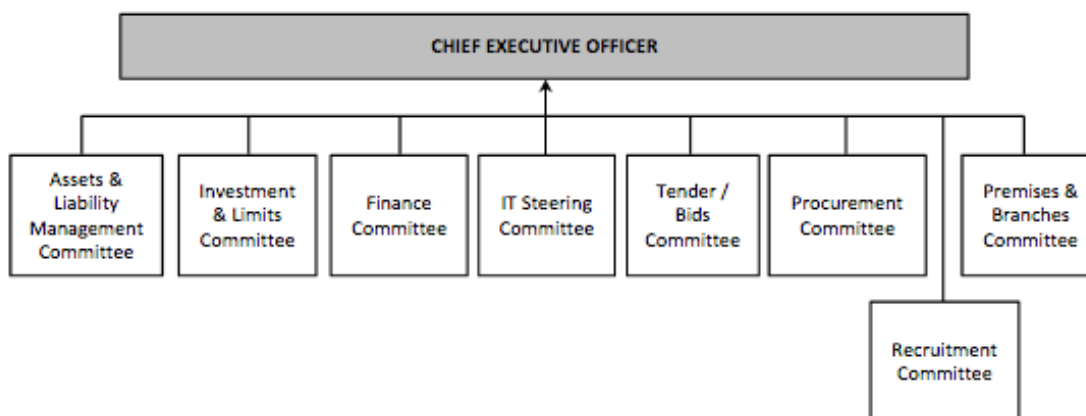
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- **NGC:** Comprises three board members. The NGC reviews the nominations for members of the Board, the hiring of the senior executive management team and is also responsible for ensuring the development of governance principles at the Bank in line with governance guidelines of relevant Qatari authorities. An annual governance report is submitted to the QFMA in accordance with the QFMA's disclosure requirements. The NGC meets as and when required.

- **RCC:** Comprises the Vice-Chairman of the Board and two Board members. The RCC reviews remuneration and compensation for the Board and staff. The RCC meets as and when required.

#### CEO Committees

In addition to the Board committees, certain executive committees reporting to the CEO (**CEO Committees**) serve to augment the Bank's risk management function.



The key CEO Committees are:

#### *Asset and Liability Management Committee*

The ALCO is established by resolution of the Board, reporting to the CEO, to assist the Board, through the CEO and the management team, in fulfilling their responsibility to oversee the Bank's asset and liability and market risk management functions. The primary goal of the Bank's asset and liability management strategy is to achieve optimal return while ensuring adequate levels of liquidity and capital within an effective risk control framework. The ALCO is responsible for establishing these policy directives. The ALCO comprises the CEO, Deputy CEO, CFO, CRO and Chief of Treasury & Investments and meets on a monthly basis.

#### *Investments and Limits Committee*

The Investments and Limits Committee (the **ILC**) comprises the CEO, Deputy CEO, CRO (or his or her delegate) and Chief of Treasury & Investments. The ILC meets as and when required to assess investment opportunities and/or requests to amend investment limits, which includes an assessment of the risks of such new investments and requested limit amendments.

The ILC also monitors the status and development of equity price risk on an ongoing basis.

#### **Risk Measurement and Reporting Systems**

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. The models make use of probabilities derived from historical experience, adjusted to reflect the current economic environment. The Bank also runs analysis based on worst case scenarios that would arise in the event that extreme events, which are unlikely to occur, do in fact occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business departments is examined and processed in order to analyse, control and identify risks early. This information is presented and explained to the Board and the head of each business division.

The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.



For compliance with liquidity ratios required under Basel III, the QCB issued circular AR71 / 2012 in August 2012 implementing the LCR and NSFR liquidity ratios in a phased approach, with the minimum threshold being 60 per cent. as at the end of 2014, and increasing by 10 per cent. thereafter to reach 100 per cent. by 2018.

#### *Internal Capital Adequacy Assessment Programme (ICAAP)*

In 2013, the QCB issued Circular AR60/2013, establishing the ICAAP reporting framework mandating the submission of ICAAP reports by each Qatari bank on an annual basis following the publication of its annual results. These instructions were further refined by Circular AR19/2016 issued in 2016, which brought forward the submission of the annual ICAAP report to be prior to the publication of annual results. The QCB requires that Qatari banks' ICAAP reports are audited by each such bank's external auditors prior to the submission of such to the QCB.

In compliance with the QCB's circulars, the Bank has developed and implemented its ICAAP policy and programme, which the Bank uses to monitor and manage its capital adequacy requirements.

#### **INFORMATION TECHNOLOGY**

The Bank's IT Department is responsible for the Bank's IT strategy and the delivery of all IT services throughout the Bank. The Bank's IT strategy is focused on providing reliable information systems to the Bank's customers and employees in a secure environment whilst supporting the development of the Bank's business and operations.

For the Bank's customers, the IT Department focuses on providing a convenient and efficient banking service. For its internal businesses, the IT Department focuses on providing effective methods and solutions and processes for promoting and delivering services to its customers.

The Bank has state-of-the-art hardware, network and storage infrastructure. Given the sensitivity of securing its banking data, the Bank has implemented a number of security initiatives including a strong multi-tiered firewall system, an intrusion prevention system and a data leakage prevention system, in addition to having sophisticated end-point protection. Data and systems are also replicated to be made available in the event of an unforeseen emergency.

The data replication capability is part of the Bank's wider business continuity plan, which encapsulates the disaster recovery plan. Both are tested and updated regularly to ensure that the Bank is always ready to meet its customers' needs notwithstanding a failure of its primary IT system.

#### **TAKAFUL (ISLAMIC INSURANCE)**

The Bank maintains insurance policies and coverage that it deems appropriate. This includes a financial institution's blanket bond covering standard risk including electronic equipment and professional indemnity cover. The Bank maintains standard property insurance for all premises and maintains terrorism insurance. Electronic equipment is insured separately.

The Bank reviews insurance coverage on an ongoing basis, and engages specialist insurance consultants as and when necessary to advise on the adequacy of the Bank's insurance coverage across its operations and business activities. In 2016, the Bank engaged a consultant to conduct an in-depth review of the Bank's insurance coverage, and believes the insurance coverage currently in place for the Bank's operations and business activities to be in accordance with industry practice in Qatar.

#### **LITIGATION**

In the ordinary course of business, the Bank may be subject to governmental, legal and arbitration proceedings. No material provision has been made as at the date of this Base Prospectus regarding any outstanding legal proceedings against the Bank. Procedurally, an annual review is conducted by the Legal Department to ascertain if provisioning is required for pending litigation and, if required, the estimated amount is communicated to the Finance division for the raising of the necessary provisions.

#### **SHARIA SUPERVISORY COMMITTEE**

The SSC is appointed at the Bank's General Assembly and must consist of at least three members who are experts in Islamic jurisprudence. The SSC may include an expert in the field of Islamic financial institutions who also has knowledge of Islamic jurisprudence. Members must at all times be independent and should not hold positions of responsibility in the Bank other than as part of the SSC.



The current members of the SSC are as follows:

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<b>Head of the Sharia Supervisory Committee</b>	Sh. Dr. Waleed Bin Hadi
<i>Qualifications:</i>	Masters and PhD in Islamic Law (Sudan and Kingdom of Saudi Arabia)
<i>Current principal Sharia representations:</i>	Chairman of SSC for Damaan Islamic Insurance Company (Beema) and Masraf Al-Rayan. SSC member for Qatar Islamic Bank, Syrian International Islamic Bank, Solidarity Family Islamic Insurance, European Finance House, Asian Finance Bank and Arab Finance House.
<b>Member</b>	Sh. Dr. Abdul Sattar Abu Guddah
<i>Qualifications:</i>	PhD in Sharia and Islamic Law (Egypt)
<i>Current principal Sharia representations:</i>	SSC Chairman for Emirates Islamic Bank. Head of Sharia Supervisory Board of National Bonds Corporation. Sharia Board member for Dow Jones Islamic Market Indices, UBS, Guidance Financial Group and Saudi American Bank. Sharia Supervisory Board member for First Islamic Bank.
<b>Member</b>	Sh. Dr. Mohammed Amin
<i>Qualifications:</i>	PhD in Islamic Law (Morocco)
<i>Current principal Sharia representations:</i>	SSC member for Qatar Islamic Bank and Masraf Al Rayan.

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The SSC is the ultimate authority on Sharia compliance for the Bank. The primary function of the SSC is to review the Bank's proposed transactions and activities and issue resolutions and fatwas that approve or reject such proposed transactions or activities for compliance with Islamic Sharia principles. The SSC provides advice to all of the Bank's departments with regards to all of its business activities. In addition, the SSC deals with enquiries received from third parties regarding the Bank's business, whether such third parties are local or international and whether they are involved in the Sharia compliant investment sector or not.

The Bank is bound by the resolutions and fatwas of the SSC. The SSC may reject or suspend any activity or procedure of the Bank that is not compliant with Islamic Sharia principles. If an investment is deemed to be non-Sharia compliant, the Bank may be required to sell or otherwise dispose of its interest in such investment, with proceeds from such disposal to be donated to a designated charity acceptable to the Bank and the SSC.

The SSC, through the Sharia Audit Department (see below), continuously reviews the Bank's transactional procedures and policies to ensure adherence to Sharia principles and the broader framework established by the fatwas of the SSC to ensure that the Bank's activities and investments do not:

- constitute involvement in unlawful entertainment, such as casinos, gambling, cinema, music and pornographic materials;
- constitute involvement in hotels and leisure companies that provide any of the above products or services;
- exceed the Bank's debts and receivables beyond the Bank's assets as set out in its most recent balance sheet; or
- constitute any other activity deemed by the SSC to be in contradiction of the Sharia rules and principles.

The SSC meets at least on a quarterly basis each year.

#### *Sharia Audit Department*

The Sharia Audit Department (the **SAD**) reports directly to the SSC and is responsible for monitoring the day-to-day operations of the Bank, ensuring that all activities, products and services are conducted with and offered to customers on a Sharia compliant basis.

To mitigate breaches of Sharia principles, the Bank has implemented procedures that raise awareness and understanding of Sharia principles amongst its employees. Further, new products and services are subjected to vetting and approval of the SSC for compliance with Sharia principles before being released to the market. Should breaches of Sharia principles occur, these are documented and policies and procedures are amended, if necessary, to ensure that breaches identified do not recur. The SAD supports this process through its regular audits of the various activities of the Bank.

## MANAGEMENT AND EMPLOYEES

The Bank is domiciled and registered in Qatar as an Islamic bank under the regulatory oversight of the QCB. This section sets out the Bank's organisational structure as at the date of this Base Prospectus.

### The Board

The Board is responsible for the overall direction, supervision and control of the Bank. The day-to-day management of the Bank is conducted by the EC, the Managing Director and the CEO.

The principal role of the Board is to oversee the implementation of the Bank's strategic initiatives and its functions within the agreed framework in accordance with relevant statutory and regulatory structures. The Board meets at least six times a year. The Board (which is required to have between three and 15 members) currently comprises nine members, three of whom are independent board members. Each Director holds his position for three years, which may then be renewed for a further three-year term.

Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting. The Board and the Bank's senior management have delegated certain powers to committees, as described below.

The members of the Board are:

<b>Chairman and Managing Director</b> <b>(Executive Director)</b>	H.E. Shk. Dr. Khalid Bin Thani A. Al. Thani	
	<i>Date of Appointment:</i>	April 1996
	<i>Educational Qualifications:</i>	BA, MBA (USA), PhD (UK)
	<i>Current Principal Directorships:</i>	Ezdan Holdings Group (Chairman)
<b>Vice-Chairman</b> <b>(Non-Executive Director)</b>	H.E. Shk. Abdulla Bin Thani Bin Abdullah Al Thani	
	<i>Date of Appointment:</i>	April 2002
	<i>Educational Qualifications:</i>	B. Commerce (Qatar)
	<i>Current Principal Directorships:</i>	Medical Care Group (Chairman) Ezdan Holdings Group Qatar Islamic Insurance Company
<b>Board Member</b> <b>(Non-Executive Director)</b>	Sheikh Turki Bin Khalid Bin Thani Al Thani	
	<i>Date of Appointment:</i>	March 2014
	<i>Educational Qualifications:</i>	Bachelor of Business Administration
	<i>Current Principal Directorships:</i>	Medical Care Group Qatar Islamic Insurance Company

<b>Board Member</b> <b>(Non-Executive Director)</b>	Mr. Ali Abdul Rahman Al Hashmi	
	<i>Date of Appointment:</i>	Feb 2007
	<i>Educational Qualifications:</i>	MBA (UK)
	<i>Current Principal Directorships:</i>	Islamic Holding Group Mackeen Company
<b>Board Member</b> <b>(Non-Executive Director)</b>	Mr. Hisham Mustafa Mohammad Sahtari	
	<i>Date of Appointment:</i>	April 2008
	<i>Educational Qualifications:</i>	Bachelor of Architecture (Egypt)
	<i>Current Principal Directorships:</i>	Ezdan Holdings Group Qatar Islamic Insurance Company
<b>Board Member</b> <b>(Non-Executive Director)</b>	Mr. Walid Alsaadi	
	<i>Date of Appointment:</i>	April 2017
	<i>Educational Qualifications:</i>	BSC. Accounting and Finance
	<i>Current Principal Directorships:</i>	Ezdan Holdings Group Medical Care Group
<b>Board Member</b> <b>(Independent Non-Executive Director)</b>	Mr. Hassan Abdulla Hassan Al Thawadi	
	<i>Date of Appointment:</i>	April 2015
	<i>Educational Qualifications:</i>	Bachelor of Law (UK)
	<i>Current Principal Directorships:</i>	Supreme Committee for Delivery and Legacy (Secretary-General)
<b>Board Member</b> <b>(Independent Non-Executive Director)</b>	Mr. Rashid Nasser Al-Kaabi	
	<i>Date of Appointment:</i>	April 2017
	<i>Educational Qualifications:</i>	Bachelor of Law
	<i>Current Principal Directorships:</i>	Islamic Holding Group Qatar Islamic Insurance Company Audi Bank
<b>Board Member</b> <b>(Independent Non-Executive Director)</b>	Dr. Yahya Hamad Al-Nuaimi	
	<i>Date of Appointment:</i>	April 2017
	<i>Educational Qualifications:</i>	PhD in Islamic Banking & Economics (Jordan)
	<i>Current Principal Directorships:</i>	-

The Bank's code of conduct (the **Code**) covers the conduct of members of the Bank's Board. The Code binds signatories to the highest standards of professionalism and due diligence in the performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of inside information. Members of the Board are also bound by specific regulations relating to insider trading and are required to disclose details of their shareholdings in the Bank.

Certain members of the Board, their families and companies of which they are principal owners are customers of the Bank in the ordinary course of business. The transactions with these parties were made on the same terms, including profit rates, as those prevailing at the same time for comparable transactions with unrelated parties and

did not involve more than a normal amount of risk, see "*Selected Financial Information — Related Party Transactions*".

### **Senior Management**

The senior management of the Bank is as follows:

<b>Chief Executive Officer</b>	Mr. Abdulbasit Ahmad Abdulrahman Al-Shaibei <i>Date of Appointment:</i> January 1994 <i>Educational Qualifications:</i> Bachelor of Commerce and Economics, Fayetteville State University (USA)
<b>Deputy CEO, Chief Business Officer</b>	Mr. Jamal Al-Jamal <i>Date of Appointment:</i> May 1997 <i>Educational Qualifications:</i> Bachelor of Commerce, Qatar University (Qatar)
<b>Chief of Treasury &amp; Investments</b>	Mohammed Ali Abdullah Al Thani <i>Date of Appointment:</i> October 2009 <i>Educational Qualifications:</i> Masters of Business Administration, University of Liverpool, Liverpool - UK
<b>Chief Operating Officer</b>	Georges Hobeika <i>Date of Appointment:</i> 7 August 2018 <i>Educational Qualifications:</i> Masters in Information Technology
<b>Chief Risk Officer</b>	Dr. Jamal Al Asmar <i>Date of Appointment:</i> January 1995 <i>Educational Qualifications:</i> B. Accounting, Beirut Arab University (Lebanon)
<b>Chief Financial Officer</b>	Mr. Hossam Khattab <i>Date of Appointment:</i> September 2008 <i>Educational Qualifications:</i> Bachelor of Commerce (Accounting), Cairo University (Egypt), CPA, California Board of Accountancy (USA)

The business address of each member of the Board and senior management is PO Box 664, Doha, Qatar. No member of either the Board or the senior management has any actual or potential conflict of interest between his duties to the Bank and his private interests and/or other duties.

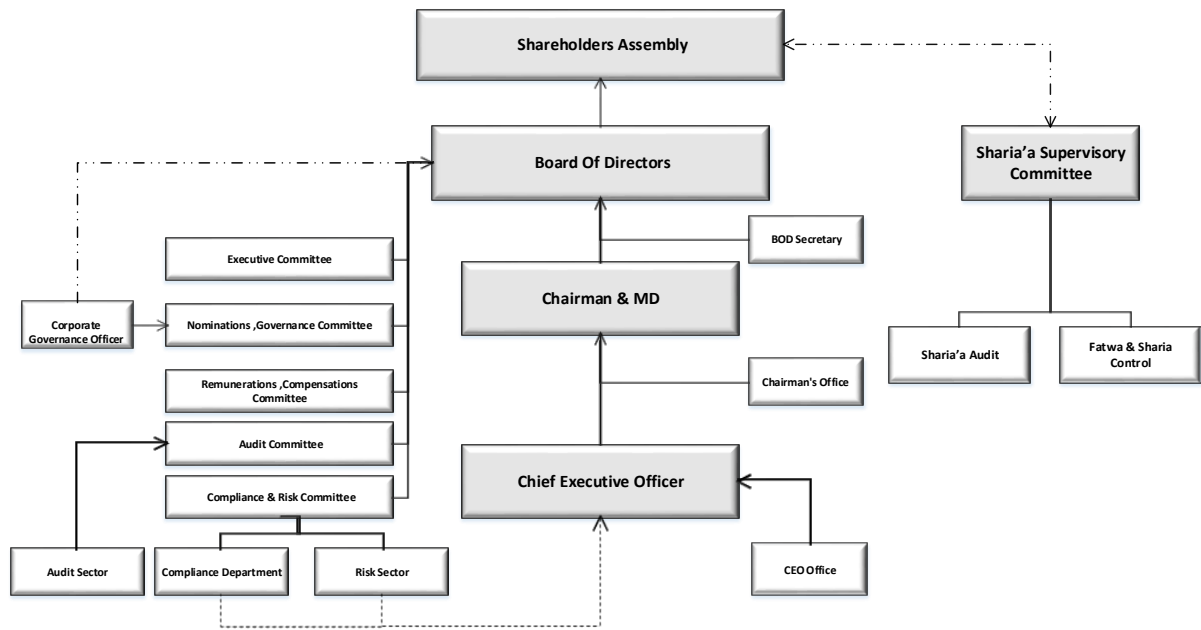
### **Board Committees**

The Bank has the following Board Committees:

<b>EC</b>	H.E. Sheikh Dr. Khalid Bin Thani Abdullah Al-Thani ( <i>Chairman</i> ) H.E. Shk. Abdulla Bin Thani Bin Abdullah Al Thani ( <i>Vice-Chairman</i> ) Mr. Ali Abdulrahman Al-Hashemi ( <i>Member</i> ) Dr. Abdulbasit Ahmad Abdulrahman Al-Shaibei ( <i>Member</i> )
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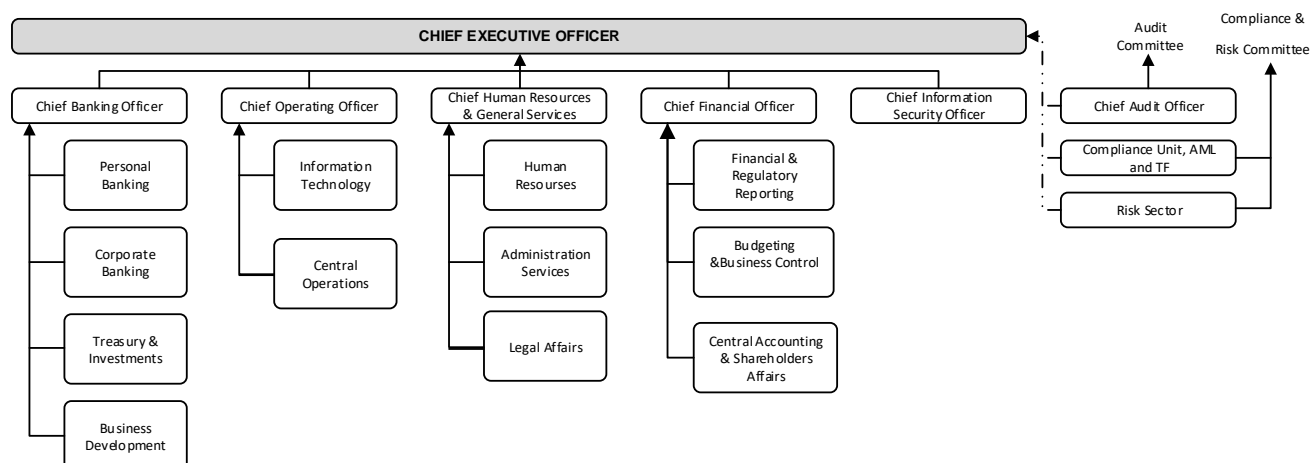
<b>NGC</b>	H.E. Sheikh Turki Bin Khalid Bin Thani Al Thani ( <i>Chairman</i> ) Mr. Yahya Hamad Al Nuaimi ( <i>Member</i> ) Mr. Ali Abdulrahman Al-Hashemi ( <i>Member</i> )
<b>CRC</b>	H.E. Sheikh Abdulla Bin Thani Bin Abdulla Al Thani ( <i>Chairman</i> ) Mr. Hisham Mustafa Mohammad Sahtari ( <i>Member</i> ) Dr. Abdulbasit Ahmad Abdulrahman Al-Shaibei ( <i>Member</i> )
<b>AC</b>	Mr. Rashid Nasser Al-Kaabi ( <i>Chairman</i> ) Mr. Hassan Abdulla Hassan Al Thawadi ( <i>Member</i> ) Mr. Walid Ahmad AlSaadi ( <i>Member</i> )
<b>RCC</b>	H.E. Shk. Abdulla Bin Thani Bin Abdullah Al Thani ( <i>Chairman</i> ) H.E. Sheikh Turki Khalid Thani Al-Thani ( <i>Member</i> ) Mr. Yahya Hamad Al Nuaimi ( <i>Member</i> )

The following chart sets out the organisational structure of the Bank as at the date of this Base Prospectus:



\* Please see page 111 of this Base Prospectus for a full list of the key CEO Committees.

The following chart sets out the CEO level management team organisational structure as at the date of this Base Prospectus:



The CRO and CAO both have independent functional reporting lines to the CRC and the AC, respectively, with a secondary, administrative, reporting line to the CEO.

### *Employees*

#### *Overview*

As at 30 September 2018, the Bank employed 455 members of staff as compared to 471 as at 31 December 2017, 481 as at 31 December 2016 and 531 as at 31 December 2015.

The Bank's human resources policies aim to ensure that the Bank's staffing requirements are met through the recruitment and development of talented individuals and the implementation of tailored training and development programmes, performance appraisal and reward systems.

#### *End of Service Benefits and Pension Fund*

The Bank provides end of service benefits and pension funds to employees in accordance with the relevant labour laws of Qatar. For Qatari employees, the Bank provides its contribution to the pension fund in accordance with the Retirement and Pension Law No. 24 of 2002. Such payments are included as "staff costs" for the purposes of the Financial Statements.

For non-Qatari employees, the Bank provides end of service benefits in accordance with the regulations of the Bank and Labour Law of Qatar. The provision is calculated based on the period of service (in years) for each member of staff at the end of the relevant financial year. This provision is charged against the Bank's statement of income as "general and administrative expenses" and recorded in "other liabilities" on the Bank's statement of financial position until it is utilised.

#### *Qatarisation*

In common with all Qatari banks, the Bank is required by the QCB to achieve a target of 20 per cent. of its employees being Qatari nationals, known as Qatarisation targets. Qatari nationals accounted for 16.5 per cent. of the Bank's employees as at 30 September 2018, compared to 16.6 per cent. as at 31 December 2017, 18.9 per cent. as at 31 December 2016 and 21.2 per cent. as at 31 December 2015.

### **ZAKAT AND SOCIAL COMMITMENTS**

The Bank does not have any zakat obligations as profits earned are paid out to its shareholders and investment account holders accordingly. Individual shareholders and customers are responsible for complying with their respective zakat obligations.

Under Law No.13 of 2008, the Bank is required to provide annual contributions to support social and sports activities in an amount equal to 2.5 per cent. of the Bank's annual net profit. Contributions made to the social and sports fund in 2017 were QR 20.8 million, QR 19.6 million in 2016 and QR 19.6 million in 2015.

## SELECTED FINANCIAL INFORMATION

The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and in each case the notes thereto, which are incorporated by reference into this Base Prospectus.

The following tables set out selected consolidated financial information of the Bank, as extracted from the Financial Statements. The ratios included herein have been prepared based on management information and information in the Financial Statements.

### Selected balance sheet data

	30 September		31 December	
	2018	2017	2016	2015
	(QR'000)			
Cash and balances with Qatar Central Bank .....	2,307,514	2,432,223	2,037,951	1,919,039
Due from banks .....	10,717,997	3,274,025	3,771,169	4,612,256
Financing assets .....	28,126,190	32,500,027	27,233,326	24,978,073
Investment securities .....	5,421,531	6,179,784	7,374,908	7,043,423
Investment in associates .....	396,443	364,965	336,544	348,758
Investment properties .....	887,129	426,540	430,590	434,640
Fixed assets .....	279,550	756,501	680,618	673,175
Intangible assets .....	26,384	18,177	18,283	16,589
Other assets .....	766,162	666,738	667,571	514,092
<b>Total assets .....</b>	<b>48,928,900</b>	<b>46,618,980</b>	<b>42,550,960</b>	<b>40,540,045</b>
Due to bank and financial institutions .....	9,917,453	6,605,745	6,039,310	4,986,561
Customers' current accounts .....	6,959,644	6,894,433	6,219,923	6,585,877
Sukuk financing .....	-	-	2,547,587	2,545,751
Other liabilities .....	717,554	718,022	646,995	814,710
<b>Total liabilities .....</b>	<b>17,594,651</b>	<b>14,218,200</b>	<b>15,453,815</b>	<b>14,932,899</b>
<b>Equity of investment account holders .....</b>	<b>24,628,416</b>	<b>25,584,215</b>	<b>20,420,115</b>	<b>20,078,034</b>
Share capital .....	1,513,687	1,513,687	1,513,687	1,513,687
Legal reserve .....	2,452,360	2,452,360	2,452,360	2,452,360
Risk reserve .....	622,454	622,454	572,152	548,401
Fair value reserve .....	719	1,643	13,036	1,877
Other reserves .....	79,098	82,352	84,796	84,477
Proposed cash dividends .....	-	605,476	605,476	605,476
Retained earnings .....	1,037,515	538,593	435,523	322,834
<b>Total equity attributable to shareholders of the Bank .....</b>	<b>5,705,833</b>	<b>5,816,565</b>	<b>5,677,030</b>	<b>5,529,112</b>
Sukuk eligible as additional capital .....	1,000,000	1,000,000	1,000,000	-
<b>Total equity .....</b>	<b>6,705,833</b>	<b>6,816,565</b>	<b>6,677,030</b>	<b>5,529,112</b>
<b>Total liabilities, equity of investment account holders and equity .....</b>	<b>48,928,900</b>	<b>46,618,980</b>	<b>42,550,960</b>	<b>40,540,045</b>

## Selected income statement data

	30 September		31 December	
	2018	2017	2016	2015
	(QR'000)			
Income from financing activities .....	1,183,583	1,418,995	1,261,932	1,135,637
Net income from investing activities .....	275,285	305,338	306,894	310,869
<b>Total income from financing and investing activities .....</b>	<b>1,458,868</b>	<b>1,724,333</b>	<b>1,568,826</b>	<b>1,446,506</b>
<b>Net commission and fees income .....</b>	<b>114,939</b>	<b>119,481</b>	<b>117,647</b>	<b>126,825</b>
Net foreign exchange gains .....	20,866	40,821	41,232	15,537
Share of results of associates .....	(11,108)	(18,211)	(12,214)	1,244
<b>Total income .....</b>	<b>1,583,565</b>	<b>1,866,424</b>	<b>1,715,491</b>	<b>1,590,112</b>
<b>Net profit for the year .....</b>	<b>735,131</b>	<b>832,209</b>	<b>784,771</b>	<b>784,152</b>

## Selected ratios

	30 September		31 December	
	2018 <sup>(9)</sup>	2017	2016	2015
Earnings per share.....	4.86	5.50	5.18	5.18
	(%)	(%)	(%)	(%)
Return on average shareholders' equity <sup>(1)</sup> .....	16.1	14.5	14.0	14.4
Return on average assets <sup>(2)</sup> .....	2.1	1.9	1.9	2.0
Capital adequacy ratio <sup>(3)</sup> .....	16.47	17.87	19.47	16.71
Financing assets to deposit ratio <sup>(4)</sup> .....	89.0	100.1	102.2	93.7
Cost to income ratio <sup>(5)</sup> .....	23.3	27.3	25.3	25.4
Net profit margin <sup>(6)</sup> .....	46.4	44.6	45.7	49.3
Financing assets to total assets ratio <sup>(7)</sup> .....	57.5	69.7	64.0	61.6
Non-performing financing assets ratio <sup>(8)</sup> .....	2.2	1.3	1.7	1.7

### Notes

For the following calculations in notes (1) – (8) below where averages are used, the averages are derived by summing the relevant items' respective period-end balances for the current and comparative periods, and then dividing the resultant summation by two.

- (1) Net profit for the period divided by average shareholders' equity for the period. Average shareholders' equity represents the average of total shareholders' equity calculated on a yearly basis
- (2) Net profit for the period divided by average assets for the period
- (3) Tier 1 capital and sukuk eligible as additional capital as at period end plus tier two capital as at period end divided by total risk weighted assets as at period end
- (4) Net financing assets as at period end divided by customers current accounts plus equity of investment account holders as at period end
- (5) Total expenses (excluding finance expenses) for the period divided by total income (after netting off investment account holders' share of profit and finance expenses) for the period
- (6) Net profit for the period divided by total income for the period
- (7) Financing assets as at period end divided by total assets as at period end
- (8) Non-performing financing assets as at period end divided by gross financing assets as at period end
- (9) The calculations as at 30 September 2018 relating to return on average shareholders' equity and return on average assets have been annualised for the nine months ended 30 September 2018.

## Related party transactions

Certain related parties (principally the major shareholders, board members, key personnel of the Bank and companies where they hold a significant interest and any other parties having significant influence on the financial or operational decisions of the Bank) are customers of the Bank in the ordinary course of business. The transactions with these parties were made on substantially the same terms, including profit and commission rates and the requirements for collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve an amount of risk which was more than the amount of risk relating to such comparable transactions.



The following table demonstrates the Bank's related parties' transactions:

	31 December								
	2017			2016			2015		
	Associate companies	Board of Directors	Shareholders and others	Associate companies	Board of Directors	Shareholders and others	Associate companies	Board of Directors	Shareholders and others
	<i>QR'000</i>			<i>QR'000</i>			<i>QR'000</i>		
<b>Assets:</b>									
Financing assets	13,568	615,487	3,249,739	7,458	662,231	3,097,261	18,316	700,376	2,796,260
<b>Equity of investment account holders</b>	<b>13,822</b>	<b>188,973</b>	<b>178,340</b>	<b>14,453</b>	<b>84,133</b>	<b>149,024</b>	<b>31,125</b>	<b>109,858</b>	<b>336,332</b>
<b>Off-balance sheet items:</b>									
Contingent liabilities, guarantees and other commitments	1,161	3,896	38,436	3,046	200	24,382	4,668	200	81,134
<b>Consolidated statement of income items:</b>									
Income from financing assets	644	26,738	126,771	753	28,810	108,936	1,007	38,521	153,794
Profit paid on deposits	386	1,660	3,568	217	1,262	2,235	467	1,648	5,045
Board remunerations	-	12,260	-	-	13,704	-	-	13,774	-

#### Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Bank during the year as follows:

	31 December		
	2017	2016	2015
	<i>QR'000</i>		
Mortgage and other secured financings .....	3,549	2,747	2,241
Credit card .....	57	88	44
	<b>3,606</b>	<b>2,835</b>	<b>2,285</b>
<b>Key management personnel compensation for the year comprised:</b>			
Short-term benefits .....	12,162	12,152	12,662
Long-term benefits .....	785	755	801
	<b>12,947</b>	<b>12,907</b>	<b>13,463</b>

## FINANCIAL REVIEW

*The following discussion should be read in conjunction with the Financial Statements. Unless otherwise specified, the financial data discussed below has been extracted without material adjustment from the Financial Statements.*

*References in this financial review to 2015, 2016 and 2017 are to the 12-month periods ended 31 December. References to average balances in relation to a year and period of nine months are (except where otherwise stated) references to averages based on balances at the end of each period (being the sum of the relevant items' respective period-end balances for the current and comparative periods, and then dividing the resultant summation by two). As a result of rounding, the totals stated in the tables below may not be an exact arithmetical sum of the numbers in respect of which they are expressed to be a total.*

### Overview

The Bank was incorporated under Amiri Decree No. 52 of 1990 and began operations on 1 January 1991 with a focus on providing retail Islamic financing products and services. The Bank has since developed into a fully-fledged Islamic financial institution providing both retail and wholesale Islamic banking products and services to its customers who are predominantly based in Qatar.

The Bank operates through its head office located on Grand Hamad Street, Doha, Qatar and 19 branches in Qatar, augmented by 98 ATMs and other e-Banking service channels. The Bank is listed and its shares are traded on the QSE.

The principal revenue earning activities of the Bank comprise Islamic financing (including the provision of guarantees and commitments) which generates profit yield, fee and commission income, and investment activities which generate investment income and other services (including, among other things, the provision of electronic cards) which principally generate fee and commission income.

As at 30 September 2018, the Bank had total assets of QR 48.9 billion compared with QR 46.6 billion as at 31 December 2017, financing assets of QR 28.1 billion compared with QR 32.5 billion as at 31 December 2017 and an aggregate amount of total liabilities and equity of investment account holders of QR 48.9 billion compared with QR 46.6 billion as at 31 December 2017. For the nine months ended 30 September 2018, the Bank recorded total income of QR 1,583.6 million, net profit before return to holders of investment accounts of QR 1,150.4 million and net profit attributable to shareholders of QR 735.1 million.

The Bank's annualised return on average shareholders' equity for the nine months ended 30 September 2018 was 16.1 per cent. and its annualised return on average assets was 2.1 per cent. for the same period. For each of 2015, 2016 and 2017, the Bank's return on average shareholders' equity was 14.4 per cent., 14.0 per cent. and 14.5 per cent., respectively, and its return on average assets was 2.0 per cent., 1.9 per cent. and 1.9 per cent., respectively.

### Critical Accounting Policies

#### *Significant accounting judgements and estimates*

In the process of applying the Bank's accounting policies, management has used its judgement and made estimates in determining certain amounts recognised in the Financial Statements. The most significant judgements and estimates made are as follows.

#### *Valuation of financial investments*

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements (Level 1 inputs are the most significant and Level 3 inputs are the least significant):

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, sukuk and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

#### *Impairment losses*

The Bank assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing assets or advance by the Bank on terms that the Bank would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparty or issuers, or economic conditions that correlate with defaults. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

#### *Equity-type investments classified as fair value through equity*

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20 per cent.) or prolonged (where market value has declined for nine months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

#### *Financial assets carried at amortised cost (including investment in Sukuk instruments classified as amortised cost)*

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated statement of income and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognised impairment losses. The Bank considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

#### *Investment in associates*

The Bank determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Bank calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the consolidated statement of income.

#### *New standards, amendments and interpretations issued but not yet effective*

AAOIFI issued FAS 30 Impairment, Credit Losses and Onerous Commitments (FAS 30) in 2017. The objective of this standard is to establish the principles of accounting and financial reporting for the impairment and credit losses on various Islamic financing, investment and certain other assets of Islamic financial institutions, and provisions against onerous commitments enabling in particular the users of financial statements to fairly assess the amounts, timing and uncertainties with regard to the future cash flows associated with such assets and transactions. FAS 30 will replace FAS 11 Provisions and Reserves and parts of FAS 25 Investment in Sukuk, shares and similar instruments that deal with impairment.

FAS 30 classifies assets and exposures into three categories based on the nature of risks involved (i.e. credit risk and other risks) and prescribes three approaches for assessing losses for each of these categories of assets: 1) credit losses approach, 2) net realisable value approach and 3) impairment approach.

FAS 30 introduces the credit losses approach with a forward-looking expect credit loss (ECL) model. The credit losses approach for receivables and off-balance sheet exposures uses a dual measurement approach, under which the loss allowance is measured as either a 12-month expected credit loss or a lifetime expected credit loss. The new impairment model will apply to financial assets which are subject to credit risk, and a number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

The standard is effective from financial periods beginning on or after 1 January 2020 with early adoption permitted.

The ECL Regulations issued by the QCB became effective from 1 January 2018 for all banks operating in Qatar. As required by the QCB, the Bank has adopted the ECL Regulations as mentioned in note 3 of the 2018 Interim Financial Statements, which is similar to FAS 30 and as permitted by those ECL Regulations, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings of the current period.

### **Results of Operations for nine months ended 30 September 2018 compared to nine months ended 30 September 2017**

#### ***Income from Financing Activities and Investing Activities***

The following table sets out the Bank's income from financing activities and income from investing activities for each period indicated:

	<b>Nine months ended 30 September</b>		<b>Percentage change</b>
	<b>2018</b>	<b>2017</b>	<b>2017/2018</b>
	<i>(QR'000)</i>		<i>(%)</i>
Income from financing activities .....	1,183,583	1,034,178	14.4
Net income from investing activities .....	275,285	228,176	20.6
<b>Total income from financing and investing activities .....</b>	<b>1,458,868</b>	<b>1,262,354</b>	<b>15.6</b>

The Bank principally derives income from the Islamic financing facilities it grants to its corporate and retail customers. Income from investment activities is generated through:

- deposits and commodity Murabahas with banks and financial institutions;
- investments in equities and debt securities;
- income derived from other investments such as investments in associates;
- investments in properties held for leasing and trading; and
- gains or losses of sales of such investments.

The Bank's total income from financing and investing activities for the nine months ended 30 September 2018 amounted to QR 1,458.9 million, compared to QR 1,262.4 million for the nine months ended 30 September 2017.

The Bank's income from financing activities amounted to QR 1,183.6 million for the nine months ended 30 September 2018, an increase of 14.4 per cent. compared to income from financing activities of QR 1,034.2 million for the nine months ended 30 September 2017.

The Bank's corporate financing assets decreased by 18.6 per cent. from 31 December 2017 to 30 September 2018 mainly due to a decrease in the Government overdraft facility. Overall, the Bank's financing assets decreased by 6.0 per cent. between 30 September 2017 and 31 December 2017.

Net income from investing activities amounted to QR 275.3 million for the nine months ended 30 September 2018, a 20.6 per cent. increase compared to income from investing activities of QR 228.2 million for the nine months ended 30 September 2017. This increase is mainly due to an increase in deposits with Islamic bank income by QR 54.4 million or 125 per cent. between the nine months ended 30 September 2017 and the nine months ended 30 September 2018.

### ***Profit yield spread and margin***

Profit yield spread (which is defined as the difference between the gross profit rate earned on average financing and other profit yielding receivables and the gross profit rate paid on average profit sharing and other financing deposit liabilities, in principle, being the Islamic equivalent of conventional banks' interest spread) was 3.44 per cent. annualised for the nine months ended 30 September 2018 compared with 3.33 per cent. annualised for the nine months ended 30 September 2017.

Profit yield margin (which is defined as the difference between the gross profit earned on average financing and other profit yielding receivables and the gross profit paid on average profit sharing and other financing liabilities divided by average financing and other profit yielding receivables, in principle, the Islamic equivalent of conventional banks' net interest margin) was 3.34 per cent. annualised for the nine months ended 30 September 2018 compared to 3.27 per cent. annualised for the nine months ended 30 September 2017.

### ***Other Operating Income***

The following table sets out the Bank's other operating income for each of the periods indicated:

	<b>30 September</b>		<b>Percentage</b>
	<b>2018</b>	<b>2017</b>	<b>change</b>
	<i>(QR'000)</i>		<i>(%)</i>
Commission and fee income .....	164,925	127,877	29.0
Commission and fee expense .....	(49,986)	(30,150)	65.8
<b>Net commission and fee income .....</b>	<b>114,939</b>	<b>97,727</b>	<b>17.6</b>
Net foreign exchange gains .....	20,866	32,424	(35.6)

The Bank's commission and fee income for the nine months ended 30 September 2018 amounted to QR 164.9 million compared to QR 127.9 million for the nine months ended 30 September 2017. Commission and fee income during these periods was predominantly generated by corporate financing transactions undertaken by the Bank's Corporate Banking business segment.

Net commission and fee income increased to QR 114.9 million for the nine months ended 30 September 2018 from QR 97.7 million for the nine months ended 30 September 2017. This increase was due to a rise in financing transactions for the nine months ended 30 September 2018 compared to the nine months ended 30 September 2017. Commission income increased by QR 20.2 million or 57.3 per cent. to QR 55.5 million for the nine months ended 30 September 2018 compared to QR 34.8 million for the nine months ended 30 September 2017. In addition, trade finance commission increased by QR 3.6 million or 25.7 per cent. to QR 17.7 million for the nine months ended 30 September 2018 from QR 14.1 million for the nine months ended 30 September 2017.

During the nine months ended 30 September 2018, the Bank's foreign exchange income amounted to QR 20.9 million compared to QR 32.4 million for the nine months ended 30 September 2017. This decrease was principally as a result of a QR 6.3 million decrease in foreign exchange waad income as certain foreign exchange waad deals matured in May 2018.

### **Total Income and Net Profit**

The following table sets out the Bank's net operating income and net profit for the period due to shareholders for each of the periods indicated:

	30 September		Percentage change
	2018	2017	2017/2018
	(QR'000)	(QR'000)	(%)
<b>Total income</b> .....	<b>1,583,565</b>	<b>1,385,247</b>	14.3
<b>Net profit for the nine months before return to investment account holders</b> .....	<b>1,150,360</b>	<b>1,026,394</b>	12.1
Less: Share of equity of investment account holders .....	(415,229)	(326,270)	27.3
<b>Net profit for the nine months</b> .....	<b>735,131</b>	<b>700,124</b>	5.0

The Bank's total income for the nine months ended 30 September 2018 amounted to QR 1,583.6 million compared to QR 1,385.2 million for the nine months ended 30 September 2017. This 14.3 per cent. increase in net operating income arose primarily from an increase in income from financing activities of QR 149.4 million.

Net profit for the nine months ended 30 September 2018 before return to investment account holders amounted to QR 1,150.4 million, representing a 12.1 per cent. increase from the net profit of QR 1,026.4 million for the nine months ended 30 September 2017. This increase in net profit in the 2017 period principally arose from the increase in net operating income from financing activities.

As required by the QCB, the Bank has adopted the ECL Regulations which is similar to FAS 30 for financial periods beginning on or after 1 January 2018. For the nine months ended 30 September 2018, net impairment on investment securities of QR 1.4 million, net impairment on due from banks of QR 2.4 million, net impairment on losses on off-balance sheet exposures subject to credit risk of QR 7.6 million and the net impairment on financing assets of QR 39.8 million were recorded. For the nine months ended 30 September 2017, net impairment loss on investment securities of QR 1.5 million and an impairment loss provided on financing assets of QR 3.0 million were recorded to enhance the coverage ratio of non-performing loans.

### **Results of Operations for the years ended 2015, 2016 and 2017**

#### **Income from Financing Activities and Investing Activities**

The following table sets out the Bank's income from financing activities and investing activities and the Bank's total income from financing activities and investing activities for each of the years indicated:

	31 December			Percentage change	
	2017	2016	2015	2016/2017	2015/2016
	(QR'000)	(QR'000)	(QR'000)	(%)	(%)
Income from financing activities ...	1,418,995	1,261,932	1,135,637	12.4	11.1
Net income from investing activities .....	305,338	306,894	310,869	(0.5)	(1.3)
<b>Total income from financing and investing activities</b> .....	<b>1,724,333</b>	<b>1,568,826</b>	<b>1,446,506</b>	9.9	8.5

The Bank's income from financing activities amounted to QR 1,135.6 million for the year ended 31 December 2015, increasing by 11.1 per cent. to QR 1,261.9 million for the year ended 31 December 2016 and increasing by 12.4 per cent. to QR 1,419.0 million for the year ended 31 December 2017.

The pricing of financing assets in 2015, 2016 and 2017 remained stable in the Qatari market. The year-on-year growth in income from financing activities reflected primarily growth in financing assets in the Corporate Banking business segment as the Bank continued to pursue its strategy of targeted Corporate Banking business segment financing with a focus (i) on Government and Government-related infrastructure projects for the World Cup 2022 and Qatar's National Vision; and (ii) the SMEs where the growth was primarily through the Bank's involvement in the Al Dhameen Programme (See "*Description of Qatar International Islamic Bank (Q.P.S.C) – Strategy – Maintaining a highly visible and expanding presence in the local Qatari and regional markets through organic and expansion growth*").

The Bank's income from investing activities amounted to QR 310.9 million for the year ended December 2015, decreasing by 1.3 per cent. to QR 306.9 million for the year ended 31 December 2016 and decreasing by 0.5 per cent. to QR 305.3 million for the year ended 31 December 2017. The reduction in net income from investing activities in 2016 compared to 2015 was primarily because no gains were realised from sale of investments in real estate (compared to 2015 where QR 67.8 million of gains were realised from sales of investments in real

estate). The reduction in net income from investing activities in 2017 as compared to 2016 was primarily due to a QR 18.7 million reduction in the net gain from debt type investments which was partially offset by a QR 29.2 million increase in income from inter-bank placements with Islamic banks.

#### *Income from financing activities*

The following table sets out the principal components of the Bank's income from financing activities for each of the years indicated:

	31 December			Percentage change	
	2017	2016	2015	2016/2017	2015/2016
	(QR'000)			(% )	
Murabaha and Musawama .....	1,012,068	920,732	828,819	9.9	11.1
Ijarah Muntahia Bittamleek .....	355,620	297,251	275,059	19.6	8.1
Istisna .....	32,637	30,213	16,240	8.0	86.0
Mudaraba .....	18,670	13,736	15,186	35.9	(9.5)
Musharaka.....	–	–	333	–	–
<b>Total income from financing activities .....</b>	<b>1,418,995</b>	<b>1,261,932</b>	<b>1,135,637</b>	12.4	11.1

Income from *Murabaha*, *Musawama*, *Istisna*, *Mudaraba* and *Musharaka* transactions principally reflected the Bank's profit on such transactions entered into by it. Income from *Ijarah Muntahia Bittamleek* transactions represented rental revenue (net of the costs of leasing the assets concerned) received by the Bank from its customers. Financing income was primarily earned through *Murabaha*, *Musawama* and *Ijarah Muntahia Bittamleek* contracts. Together, these sources of financing represented 96.4 per cent. of total income from financing activities in 2017, 96.5 per cent. in 2016 and 97.2 per cent. in 2015.

Income generated by the *Murabaha* and *Musawama* product group alone represented 71.3 per cent. of total income from financing activities in 2017, 73.0 per cent. in 2016 and 73.0 per cent. in 2015. This was reflective of the Bank's financing portfolio structure, where the Personal Banking business segment financing book comprised *Musawama* financing, and the majority of the Corporate Banking business segment financing book comprised the *Murabaha* and *Musawama* product group, in each case due to customer preferences.

The year-on-year growth in income derived from the *Murabaha* and *Musawama* product group of 11.1 per cent. from 2015 to 2016 and 9.9 per cent. from 2016 to 2017 was reflective of the growth in the financing assets of the Corporate Banking business segment.

#### *Income from investing activities*

The following table sets out breakdowns of the Bank's income from investing activities for each of the years indicated:

	Year ended 31 December			Percentage change	
	2017	2016	2015	2016/2017	2015/2016
	(QR'000)	(QR'000)	(QR'000)	(%)	(%)
Income from investment in debt-type instruments .....	194,315	206,995	193,581	(6.1)	6.9
Income from inter-bank placements with Islamic banks .....	81,854	52,691	24,627	55.3	114.0
Rental income from investment properties.....	26,777	26,432	25,170	1.3	5.0
Net gain from debt-type investments ...	2,502	21,249	12,375	(88.2)	71.7
Dividends income .....	2,543	2,991	2,936	(15.0)	1.9
Income from short-term Murabaha with the QCB .....	1,962	946	2,026	107.4	(53.3)
Net gain on sale of investment in real estate .....	–	–	67,811	–	(100)
Net loss from equity-type investments .....	(4,615)	(4,410)	(17,657)	4.6	(75.0)
<b>Total income from investing activities .....</b>	<b>305,338</b>	<b>306,894</b>	<b>310,869</b>	(0.5)	(1.3)

Income from investments in debt-type securities decreased by 6.1 per cent. from 2016 to 2017 as a result a lower sukuk portfolio. Income from investments in debt-type securities increased by 6.9 per cent. from 2015 to 2016 as a result of a higher sukuk portfolio.

The Bank's principal source of income from investing activities was earned from its investments in debt-type instruments and inter-bank placements with Islamic banks. The aggregate of income from such investing activities accounted for 70.2 per cent. in 2015, 84.6 per cent. in 2016 and 90.4 per cent. in 2017.

Income from inter-bank placements with Islamic banks increased by 114.0 per cent. from 2015 to 2016. This increase was due to higher average profit rates for such deposits from around 0.6 per cent. in 2015 to 1.2 per cent. in 2016 and additionally average investment deposits with banks and financial institutions increasing by 17.1 per cent. in 2016 as compared to 2015.

Income from inter-bank placements with Islamic banks increased by 55.3 per cent. from 2016 to 2017. This increase was due to higher average profit rates for such deposits from around 1.2 per cent. in 2016 to 1.7 per cent. in 2017 and additionally average investment deposits with banks and financial institutions increasing by more than QR 400 million in 2017 as compared to 2016.

### **Commission and fees income**

The following table sets out the Bank's commission and fees income and expenses for each of the years indicated:

	<b>Year ended 31 December</b>			<b>Percentage change</b>	
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2016/2017</b>	<b>2015/2016</b>
	<i>(QR'000)</i>			<i>(%)</i>	
<b>Commission and fees income</b>					
Bank charges .....	91,172	82,064	70,674	11.1	16.1
Commission on local financing .....	58,813	60,945	68,848	(3.5)	(11.5)
Commission on letters of credit and guarantees .....	19,506	17,577	20,311	11.0	(13.5)
<b>Commission and fees expenses.....</b>	<b>(50,010)</b>	<b>(42,939)</b>	<b>(33,008)</b>	<b>16.5</b>	<b>30.1</b>
<b>Net commission and fees income ...</b>	<b>119,481</b>	<b>117,647</b>	<b>126,825</b>	<b>1.6</b>	<b>(7.2)</b>

Commission and fees income was earned primarily from commissions on local financing activities and bank charges. Commissions on local financing comprised commissions earned upon the Bank granting local Qatar based financing. Bank charges comprised commissions and fees for the issuance of bank drafts, bank services, and electronic card usage. Together, these sources of commission and fees income represented 87.3 per cent. of the Bank's total gross commission and fees income in 2015 compared to 89.1 per cent. in 2016 and 88.5 per cent. in 2017.

Bank charges earned amounted to QR 70.7 million for the year ended 2015 and increased by 16.1 per cent. to QR 82.1 million for the year ended 31 December 2016 and increased by 11.1 per cent. to QR 91.2 million for the year ended 31 December 2017. Bank charges were a reflection of the increasing level of overall retail banking activity during each such period.

The Bank's commission on local financing amounted to QR 68.9 million for the year ended 31 December 2015, decreasing by 11.5 per cent. to QR 60.9 million for the year ended 31 December 2016 and decreasing by 3.5 per cent. for the year ended 31 December 2017. This reduction of commission on local financing in 2016 as compared to 2015 was due to the volume of the new financing transactions being higher in 2015 as compared to 2016, as well as lower rates of commissions being charged to the Bank's financing customers during 2016 as compared to during 2015. The decrease in 2017 as compared to 2016 was due to no significant commission being received in 2017 from government financing.

The Bank's commission on letters of credit and guarantees was QR 20.3 million for the year ended 31 December 2015, decreasing by 13.5 per cent. to QR 17.6 million for the year ended 31 December 2016 and increasing by 11.0 per cent. to QR 19.5 million for the year ended 31 December 2017. The decrease in commissions on letters of credit and guarantees in 2016 from 2015 was a result of a decrease in the volume of letters of credit and guarantee issuance transactions in addition to the reduction of fees for such products in order to be more competitive with other local banks. The increase in commissions on letters of credit and guarantees in 2017 from 2016 was a result of the increased volume of letters of credit and guarantee issuance transactions.

Commission and fees expenses primarily represent payments made by the Bank to card service and brokerage providers. Commission and fees expenses were QR 33.0 million for the year ended 31 December 2015, increasing by 30.1 per cent. to QR 42.9 million for the year ended 31 December 2016 and increasing by 16.5 per cent. to QR 50.0 million for the year ended 31 December 2017. The increase in 2016 was due to an increase in the general usage of cards by customers and the launch of credit card loyalty programmes that commenced from the third quarter in 2015 which resulted in additional commission and fees expenses being paid by the Bank to card usage and interchange service providers. The increase in 2017 was due to an increase in the general usage of cards by



customers as well as higher redemptions under credit card loyalty programmes. In addition, National ATM and POS Switch fees increased by approximately QR 1.3 million.

### **Expenses, depreciation and impairments**

#### *Operating expenses*

The following table sets out the principal components of the Bank's operating expenses (before impairment charges) for each of the years indicated:

	31 December			Percentage change	
	2017	2016	2015	2016/ 2017	2015/ 2016
	<i>(QR'000)</i>			<i>(%)</i>	
Staff costs.....	(161,448)	(157,492)	(165,838)	2.5	(5.0)
Depreciation of investment properties ....	(4,050)	(4,050)	-	-	-
Depreciation and amortisation .....	(24,932)	(14,056)	(15,495)	77.4	(9.3)
Finance expenses .....	(161,978)	(145,586)	(110,405)	11.3	31.9
Other expenses .....	(145,702)	(129,556)	(125,852)	12.5	2.9
<b>Total operating expenses (before impairment charges) .....</b>	<b>(498,110)</b>	<b>(450,740)</b>	<b>(417,590)</b>	<b>10.5</b>	<b>7.9</b>

Total operating expenses were QR 417.6 million for the year ended 31 December 2015, increasing by 7.9 per cent. to QR 450.7 million for the year ended 31 December 2016 and increasing by 10.5 per cent. to QR 498.1 million for the year ended 31 December 2017. The increase in total operating expenses in 2016 was primarily due to an increase in finance expenses. The increase in total operating expenses in 2017 was primarily due to an increase in finance expenses and depreciation and amortisation.

#### *Staff Costs*

Staff costs were QR 161.4 million in 2017, representing 32.4 per cent. of total operating expenses for the year. Staff costs were QR 157.5 million in 2016, representing 34.9 per cent. of total operating expenses for the year. Staff costs were QR 165.8 million in 2015, representing 39.7 per cent. of total operating expenses for the year. Staff costs decreased by QR 8.3 million, or 5.0 per cent., from 2015 to 2016 and increased by QR 4.0 million, or 2.5 per cent., from 2016 to 2017.

The increased staff costs incurred in 2017 was due to adjustments in staff remuneration. In 2016, the Bank implemented new strategies relating to the automation of banking processes which increased operational efficiency leading to a reduction in the number of employees by almost 12.0 per cent. in 2016 as compared to 2015 and resulting in lower staff costs in 2016 compared to 2015.

#### *Depreciation and amortisation*

In 2016, the Bank's depreciation and amortisation was QR 18.1 million, representing a 16.9 per cent. increase on the 2015 amount for depreciation and amortisation. In 2017, the Bank's depreciation and amortisation was QR 29.0 million, representing a 60.1 per cent. increase on the 2016 amount for depreciation and amortisation. The increase in depreciation and amortisation costs in both 2016 and 2017 arose as a result of new branches, new automatic teller machines and new systems capitalised during each such period.

#### *Financing expenses*

Financing expenses were QR 110.4 million in 2015, representing 26.4 per cent. of total operating expenses for the year. Financing expenses were QR 145.6 million in 2016, representing 32.3 per cent. of total operating expenses for the year. Financing expenses were QR 162.0 million in 2017, representing 32.5 per cent. of total operating expenses for the year.

The increase of financing expenses in 2016 from 2015 arose as a result of the increase of amounts due by the Bank from banks from QR 4,987 million at the end of 2015 to QR 6,039 million at the end of year 2016 representing an increase of 21.1 per cent. Additionally, higher funding costs over such periods contributed to an increase in financing expenses. The increase of financing expenses from 2016 to 2017 arose as a result of sukuks which matured in October 2017. In addition, average due to banks balances increased by QR 397 million during the year ended 31 December 2016 and the profit rate on this product type increased around 0.4 per cent.

#### *Other Expenses*

Other expenses were QR 125.9 million in 2015, representing 30.1 per cent. of total operating expenses for the year. Other expenses were QR 129.6 million in 2016, representing 28.7 per cent. of total operating expenses for the year. Other expenses were QR 145.7 million in 2017, representing 29.3 per cent. of total operating expenses for the year.

Other expenses increased by QR 3.7 million, or 2.9 per cent., from 2015 to 2016 and QR 16.1 million, or 12.5 per cent., from 2016 to 2017. The increase in other expenses in 2016 from 2015 arose due to an increase in information technology systems and applications' expenses due to upgrades made to the systems infrastructure and introduction of new IT systems. The increase in other expenses in 2017 from 2016 arose due to the introduction of new IT systems as well as higher outsourcing expenses and fees for projects requested by the QCB.

### **Impairment Charges**

The following table sets out the principal components of the Bank's impairment charges for each of the years indicated:

	Year ended 31 December			Percentage change	
	2017	2016	2015	2016/2017	2015/2016
	(QR'000)			(%)	
Impairment losses on investment securities .....	(35,497)	–	(13,919)	100.00	(100.0)
Net impairment losses on financing assets .....	(28,000)	(116,820)	(100,818)	(76.0)	15.9
Impairment losses on investment in associate .....	-	–	(3,717)	-	(100.0)
<b>Total impairment charges ...</b>	<b>(63,497)</b>	<b>(116,820)</b>	<b>(118,454)</b>	<b>(45.7)</b>	<b>(1.4)</b>

The Bank's total impairment charge was QR 118.5 million in 2015, QR 116.8 million in 2016 and QR 63.5 million in 2017.

Impairment charges decreased in 2016 from 2015 as a result of no impairments being booked for investments securities and investments in associates, offset by an increase in net impairment losses on financing assets resulting from an increase in non-performing loans with the non-performing financing ratio increasing from 1.70 per cent. in 2015 to 1.74 per cent. in 2016. Impairment charges decreased in 2017 from 2016 as a result of lower impairment losses on financing assets, partially offset by higher impairments on investment securities.

### **Non-Performing Financing Assets**

The Bank's non-performing financing assets at 31 December 2015 amounted to QR 456 million as at 31 December 2015, representing 1.70 per cent. of the gross financing assets, and QR 510 million as at 31 December 2016, representing 1.74 per cent. of the gross financing assets and QR 453 million as at 31 December 2017, representing 1.32 per cent. of gross financing assets.

The slight increase in non-performing financing assets in 2016 as compared to 2015 was due to the delay of payments by some SME corporate customers booked under the Al Dhameen Programme conducted in partnership with the Qatar Development Bank (see "*Description of Qatar International Islamic Bank (Q.P.S.C) – Strategy – Maintaining a highly visible and expanding presence in the local Qatari and regional markets through organic and expansion growth*").

The decrease in non-performing financing assets in 2017 as compared to 2016 was due to write-off of a significant default in 2016.

### **Financial Condition as at 31 December 2015, 2016 and 2017 and as at 30 September 2018**

#### **Total Assets**

As at 30 September 2018, the Bank had total assets of QR 48.9 billion (representing a 5.0 per cent. increase from 31 December 2017) as compared to QR 46.6 billion as at 31 December 2017 (representing a 9.6 per cent. increase from 31 December 2016), QR 42.6 billion as at 31 December 2016 (representing a 5.0 per cent. increase from 31 December 2015) and QR 40.5 billion as at 31 December 2015. These increases principally reflect commensurate increases in receivables and balances from financing activities, financial investments and balances and investments with banks and other financial institutions.

The following table sets out the relevant balances and investments and their percentage contributions to total assets for each of the periods indicated:

	30 September				31 December			
	2018		2017		2016		2015	
	(QR'000)	(%)	(QR'000)	(%)	(QR'000)	(%)	(QR'000)	(%)
Cash and balances with Qatar Central Bank .....	2,307,514	4.7	2,432,223	5.2	2,037,951	4.8	1,919,039	4.7
Due from banks .....	10,717,997	21.9	3,274,025	7.0	3,771,169	8.9	4,612,256	11.4
Financing assets .....	28,126,190	57.5	32,500,027	69.7	27,233,326	64.0	24,978,073	61.6
Investment securities.....	5,421,531	11.1	6,179,784	13.3	7,374,908	17.3	7,043,423	17.4
Investment in associates.....	396,443	0.8	364,965	0.8	336,544	0.8	348,758	0.9
Investment properties.....	887,129	1.8	426,540	0.9	430,590	1.0	434,640	1.1
Fixed assets .....	279,550	0.6	756,501	1.6	680,618	1.6	673,175	1.7
Intangible assets .....	26,384	0.1	18,177	0.0	18,283	0.0	16,589	0.0
Other assets .....	766,162	1.6	666,738	1.4	667,571	1.6	514,092	1.3
<b>Total.....</b>	<b>48,928,900</b>	<b>100.0</b>	<b>46,618,980</b>	<b>100.0</b>	<b>42,550,960</b>	<b>100.0</b>	<b>40,540,045</b>	<b>100.0</b>

#### Balances and investments with banks and other financial institutions

As at 30 September 2018, the Bank had balances and investments with banks and other financial institutions of QR 13.0 billion (representing a 128.1 per cent. increase from 31 December 2017) as compared to QR 5.7 billion as at 31 December 2017 (representing a 1.8 per cent. decrease from 31 December 2016), QR 5.8 billion as at 31 December 2016 (representing a 11.1 per cent. decrease from 31 December 2015) and QR 6.5 billion as at 31 December 2015. The decrease in balances and investments with banks and other financial institutions in 2017 and 2016 as compared to 2015 was due to a redeployment by the Bank of such balances and investments into other investment activities to enhance return on such assets.

#### Financing assets – by sector

As at 30 September 2018, the Bank had had financing assets of QR 28.1 billion (representing a 13.5 per cent. decrease from 31 December 2017) as compared to QR 32.5 billion as at 31 December 2017 (representing a 19.3 per cent. increase from 31 December 2016), QR 27.2 billion as at 31 December 2016 (representing a 9.0 per cent. increase from 31 December 2015) and QR 25.0 billion as at 31 December 2015. The increase in financing assets in 2016 was due to the Bank's continued sustainable and organic growth in financing activities. The increase in financing assets in 2017 was due to the increase of the Government overdraft facility.

The Bank's financing portfolio comprises financing assets arising from financing activities to retail and corporate customers in its Personal Banking and Corporate Banking business segments across various economic sectors.

The following table sets out the composition of financing assets by sector for each of the periods indicated and its contribution to total financing assets.

	2017		2016		2015	
	(QR'000)	(%)	(QR'000)	(%)	(QR'000)	(%)
Government and related entities ..	7,493,642	21.8	3,241,791	11.1	3,381,950	12.6
Industry .....	555,980	1.6	227,494	0.8	343,962	1.3
Commercial.....	2,061,588	6.0	1,905,920	6.5	1,417,949	5.3
Services .....	2,376,901	6.9	2,632,741	9.0	2,237,525	8.3
Contracting.....	969,148	2.8	1,296,058	4.4	1,537,160	5.7
Real Estate .....	9,984,996	29.1	9,077,898	31.1	8,451,844	31.5
Personal.....	10,926,205	31.8	10,372,267	35.5	9,352,999	34.9
Others.....	2,112	0.0	473,820	1.6	88,058	0.3
<b>Total financing assets.....</b>	<b>34,370,572</b>	<b>100.0</b>	<b>29,227,989</b>	<b>100.0</b>	<b>26,811,447</b>	<b>100.0</b>

The real estate sector and the personal sector financing assets contributed the most in percentage terms to total financing assets. The real estate sector financing contributed 31.5 per cent. of total financing assets in 2015, 31.1 per cent. of total financing assets in 2016 and 29.1 per cent. of total financing assets in 2017, whilst the personal sector financing contributed 34.9 per cent. of total financing assets in 2015, 35.5 per cent. of total financing assets in 2016 and 31.8 per cent. of total financing assets in 2017, with the reduction in the proportion of real estate sector financing reflecting the reclassification of the real estate assets financed under an individual's name to the personal sector. The increase in the proportion of personal sector financing assets arose as a consequence of the

reclassification of financing assets from all other sectors, not solely real estate sector financing assets, although the largest effect of the reclassification was due to the movement of real estate sector financing assets (see "Presentation of financial and other information – Presentation of Financial Information" for details of this reclassification).

*Financing assets – by type*

The following table sets out the composition of financing assets by type for each of the periods indicated:

	<b>31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(QR'000)</i>	<i>(QR'000)</i>	<i>(QR'000)</i>
Murabaha and Musawama .....	25,957,576	21,663,447	19,260,530
Ijarah Muntahia Bittamleek .....	7,161,886	6,379,816	5,147,794
Istisna .....	612,646	572,940	431,476
Mudaraba .....	483,235	220,526	263,908
Musharaka.....	764	1,389	5,126
Others .....	154,465	389,871	1,702,613
<b>Total financing assets .....</b>	<b>34,370,572</b>	<b>29,227,989</b>	<b>26,811,447</b>
Less:			
Deferred profit .....	(1,585,207)	(1,599,439)	(1,560,976)
Impairment allowance for financing assets.....	(264,044)	(364,848)	(249,404)
Suspended profit .....	(21,294)	(30,376)	(22,994)
<b>Net financing assets .....</b>	<b>32,500,027</b>	<b>27,233,326</b>	<b>24,978,073</b>

The majority of the Bank's financing assets between 31 December 2015 and 31 December 2017 have been focused on *Murabaha* and *Musawama* and *Ijarah Muntahia Bittamleek (Ijara)* financing. Together, these three sources of financing represented 91.0 per cent. as at 31 December 2015, 95.9 per cent. as at 31 December 2016 and 96.4 per cent. as at 31 December 2017 of the Bank's financing assets. *Murabaha* and *Musawama* financing by itself represented 71.8 per cent. as at 31 December 2015, 74.1 per cent. as at 31 December 2016 and 75.5 per cent. as at 31 December 2017 of the Bank's financing assets. *Ijarah* was the second most common type of financing asset after *Murabaha* and *Musawama* financing asset type and comprised 19.2 per cent. as at 31 December 2015, 21.8 per cent. as at 31 December 2016 and 20.8 per cent. as at 31 December 2017 of the Bank's financing assets.

*Murabaha* and *Musawama* financing transactions were available to all sectors with most transactions falling within the Real Estate, Services and Personal sectors whilst all *Ijarah* financing over such period was Real Estate sector related.

Growth in financing assets over the period was largely dependent on trends in the underlying financing sector. Financing asset growth in *Murabaha* and *Musawama* financing over such period was primarily from the Corporate Banking business segment with such business segment growing 9.2 per cent. from 2015 to 2016 and 24.0 per cent. from 2016 to 2017. Financing growth in *Ijarah* financing over such period was primarily from the personal (consumer) financing segment which was comparatively weaker at 8.7 per cent. as at 31 December 2015 and 31 December 2016 and increased by 5.2 per cent. as at 31 December 2016 and 31 December 2017. This was due to the human resource right-sizing exercise undertaken by operating entities in Qatar in 2015 through to 2016 which resulted in the release of a significant number of human resources nationally which in turn impacted the consumer financing sector and the *Ijarah* financing over such period. Certain maturing *Ijara* assets were replaced in 2016, leading to the growth of 23.9 per cent. in *Ijara* financing from QR 5.1 billion as at 31 December 2015 to QR 6.4 billion as at 31 December 2016.

## Financial investments

The following table sets out a breakdown of the Bank's financial investments for each of the periods indicated:

	As at 31 December		
	2017	2016	2015
	(QR'000)		
<i>Investments classified as fair value through income statement</i>			
Quoted equity-type investments .....	741	1,220	46,508
Debt-type investments (Fixed rate) .....	–	–	–
	<b>741</b>	<b>1,220</b>	<b>46,508</b>
<i>Debt-type investments classified at amortised cost</i>			
State of Qatar Sukuk .....	4,976,238	5,956,199	5,790,825
Fixed rate .....	1,055,021	1,240,520	1,069,628
Floating rate .....	–	–	1,878
	<b>6,031,259</b>	<b>7,196,719</b>	<b>6,862,331</b>
<i>Equity-type investments classified as fair value through equity .....</i>	147,784	176,969	134,584
<b>Total .....</b>	<b>6,179,784</b>	<b>7,374,908</b>	<b>7,043,423</b>

Financial investments comprised MENA region sovereign and corporate sukuk and local equities.

The majority of the Bank's financial investments were classified as debt-type investments and primarily represent investments in Government sukuk. In 2010 and 2011, the Government offered a sukuk to Qatari Islamic banks which was fully subscribed by all Qatari Islamic banks. The Bank opted to invest in order to utilise its available liquidity and to take advantage of the competitive profit rate being offered.

Investments classified as fair value through the income statement fell from QR 46.5 million in 2015 to QR 1.2 million in 2016 and QR 0.7 million in 2017. This was a result of a management decision in 2015 to progressively reduce and ultimately close the Bank's proprietary trading book to focus investment activity on managing its liquidity risk whilst minimising the cost of liquidity by maximising the return on its investment book.

### Total Liabilities and Equity of Investment Account Holders

The Bank's total liabilities and equity of investment account holders were QR 42.2 billion as at 30 September 2018, QR 39.8 billion as at 31 December 2017, QR 35.9 billion as at 31 December 2016 and QR 35.0 billion as at 31 December 2015.

The increasing liabilities over the periods principally reflected increases in total liabilities which increased by 3.5 per cent. from 31 December 2015 to 31 December 2016 and decreased by 8.0 per cent. from 31 December 2016 to 31 December 2017. As at 31 December 2015, the Bank's market share of total liabilities (including equity of investment account holders) was 3.5 per cent., as at 31 December 2016 was 3.2 per cent. and as at 31 December 2017 was 3.3 per cent. As at 30 September 2018, the Bank's market share of total liabilities (including equity of investment account holders) was 3.4 per cent.

During the periods under review, the Bank managed to maintain and improve its market share marginally to keep pace with the liabilities growth in the banking sector to support the Bank's asset growth.

### Equity of Investment Account Holders

Balances for equity of investment account holders represent funds received by an Islamic bank from account holders on the basis that the Islamic bank will have the right to use and invest these funds without restriction (unrestricted investment accounts) or with limited use based on agreed limitations with the account holders (restricted investment accounts). For the Bank, the equity of investment account holders solely comprises unrestricted investment accounts. The holders of investment accounts may invest these funds with the Bank with different maturity periods from one month to three years and receive a share of the profit earned by the Bank commensurate with the proportion of their funds invested with the Bank relative to the total pool of investment funds available to the Bank.

The amount held by the Bank as equity of investment account holders was QR 24.6 billion as at 30 September 2018, a decrease of 3.9 per cent., from QR 25.6 billion as at 31 December 2017 which represented an increase of 25.3 per cent. from QR 20.4 billion as at 31 December 2016. The decrease in the nine months ended 30 September

2018 was due to a QR 2.3 billion decrease in a significant corporate deposit. This corporate deposit and deposits from other governmental institutions were the primary reason for the increase in 2017.

The following table sets out the Bank's equity of investment account holders by sector for the relevant periods:

	30 September		2017		31 December		2015	
	2018	(%)	2017	(%)	2016	(%)	2015	(%)
Retail .....	15,886,070	64.5	14,964,211	58.5	14,690,351	72.0	12,253,249	61.0
Government.....	3,735,690	15.2	3,227,390	12.6	2,305,160	11.3	2,362,640	11.8
Corporate.....	1,799,524	7.3	4,330,075	16.9	2,677,504	13.1	4,067,314	20.3
Non-banking financial institutions .....	510,093	2.1	403,993	1.6	368,366	1.8	619,075	3.1
Semi government organisations .....	2,695,882	10.9	2,655,934	10.4	358,154	1.8	773,682	3.9
<b>Total.....</b>	<b>24,627,258</b>	<b>100.0</b>	<b>25,581,603</b>	<b>100.0</b>	<b>20,399,535</b>	<b>100.0</b>	<b>20,075,960</b>	<b>100.0</b>
Total equity of investment account holders balance after share of profit and before share of fair value reserve.....	24,627,258		25,581,603		20,399,535		20,075,960	
Share in fair value reserve .....	1,158		2,612		20,580		2,074	
<b>Total equity of investment account holders .....</b>	<b>24,628,416</b>		<b>25,584,215</b>		<b>20,420,115</b>		<b>20,078,034</b>	

Holders of investment accounts were principally from the retail, corporate and Government sectors, which together accounted for 87.0 per cent. as at 30 September 2018, 88.0 per cent. as at 31 December 2017, 96.4 per cent. as at 31 December 2016 and 93.1 per cent. as at 31 December 2015.

### Funding

The following table sets out the principal sources of the Bank's funding together with liabilities, equity of investment account holders and shareholders' equity for the Bank as at the specified dates:

	30 September		31 December	
	2018	2017	2016	2015
	(QR'000)			
Due to banks and other financial institutions.....	9,917,453	6,605,745	6,039,310	4,986,561
Customers' current accounts .....	6,959,644	6,894,433	6,219,923	6,585,877
Sukuk financing .....	-	-	2,547,587	2,545,751
Equity of investment account holders .....	24,628,416	25,584,215	20,420,115	20,078,034
Total equity .....	6,705,833	6,816,565	6,677,030	5,529,112
<b>Total Funding .....</b>	<b>48,211,346</b>	<b>45,900,958</b>	<b>41,903,965</b>	<b>39,725,335</b>
<b>Total liabilities, equity of investment account holders and equity .....</b>	<b>48,928,900</b>	<b>46,618,980</b>	<b>42,550,960</b>	<b>40,540,045</b>

The main sources of the Bank's funding besides shareholders' equity were:

- funds from holders of investment accounts which are discussed above and which accounted for 51.1 per cent. of total funding as at 30 September 2018, 55.7 per cent. as at 31 December 2017, 48.7 per cent. as at 31 December 2016 and 50.5 per cent. as at 31 December 2015; and
- customers' current accounts, which accounted for 14.4 per cent. of total funding as at 30 September 2018, 15.0 per cent. as at 31 December 2017, 14.8 per cent. as at 31 December 2016 and 16.6 per cent. as at 31 December 2015.

### Customers' current accounts

As at 30 September 2018, the Bank's total customer current account deposits amounted to QR 7.0 billion, a 1.5 per cent. increase from QR 6.9 billion as at 31 December 2017 compared to QR 6.2 billion as at 31 December 2016 and QR 6.6 billion as at 31 December 2015. As part of the Bank's strategy, the relative mix of customers'

current accounts is targeted to be between 15.0 and 20.0 per cent. of its total funding, in order to mitigate the overall cost of funds. Although these accounts are available to depositors on demand, in practice, these deposits have tended to be stable as shown by the relative percentage of the balances for the period under review being 14.4 per cent. at 30 September 2018, 15.0 per cent. as at 31 December 2017, 14.8 per cent. as at 31 December 2016 and 16.6 per cent. as at 31 December 2015.

### ***Total equity***

The Bank's total equity amounted to QR 6.7 billion as at 30 September 2018, QR 6.8 billion as at 31 December 2017, QR 6.7 billion as at 31 December 2016 and QR 5.5 billion as at 31 December 2015. In 2016, the Bank issued QR 1.0 billion of additional Tier 1 sukuk to a Qatari institutional investor, which was fully subscribed, being the primary source of the increase of the Bank's total equity from QR 5.5 billion as at 31 December 2015 to QR 6.7 billion as at 31 December 2016.

The Bank's total equity comprises shareholders' equity plus sukuk eligible as additional capital. Shareholders' equity comprises its reserves, proposed cash dividends, retained earnings and paid-up share capital. Paid-up share capital amounted to QR 1.5 billion as at 30 September 2018, 31 December 2017, 2016 and 2015. The Bank's reserves and retained earnings amounted to QR 4.2 billion as at 30 September 2018, QR 3.7 billion as at 31 December 2017, QR 3.6 billion as at 31 December 2016 and QR 3.4 billion as at 31 December 2015.

The Bank's most significant reserves were:

- the legal reserve into which, under the QCB's Law No. 11 of 2015, 10 per cent. of the net profit attributable to the owners of the Bank for the year is to be transferred to the reserve until the legal reserve equals 100 per cent. of the Bank's paid-up share capital. The legal reserve is not available for distribution except in the manner specified in the Qatar Commercial Companies' Law No. 11 of 2015 and subject to the approval of the QCB. No amount was transferred from the Bank's profits to the legal reserve in the period under review as the balance of the legal reserve exceeded 100 per cent. of the paid-up capital; and
- the risk reserve which was created in accordance with the QCB's regulations to cover contingencies in private sector financing activities. In accordance with QCB regulations, the minimum requirement for risk reserve is 2.5 per cent. of the total private sector exposure granted by the Bank inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The assessment of the risk reserve balance does not include financing facilities provided to, or secured by, the Ministry of Finance – Qatar or finance against cash guarantees. The maintenance and use of the risk reserve is governed by the QCB.

### ***Contingency Funding***

The Bank maintains access to QR 6.4 billion of contingency funding as part of its funding strategy and liquidity management. The contingency funding comprises of:

- a QR 1.0 billion term facility with the QCB;
- a QR 0.5 billion QMR (a monetary instrument through which local member banks are allowed to deposit with and borrow from the QCB);
- a QR 0.5 billion repurchase facility with the QCB; and
- a QR 4.4 billion Qatar government sukuk with remaining maturities starting from six months and other various maturities up to nine years and which can be pledged (for example, as collateral for repurchase agreements) or sold in the secondary sukuk market. Of the QR 4.4 billion Qatar government sukuk, a total of QR 134 million will mature in 2018; however, it is expected that the Qatar government will replace some of these maturities.

## **Risk Management**

### ***Overview***

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit, liquidity, market, including trading and non-trading, and operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through the Bank's strategic planning process.

Further details of the Bank's risk management structure and reporting systems are set out under "Description of Qatar International Islamic Bank (Q.P.S.C.) – Risk Management".

### Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset instrument will fail to meet its contractual obligations and/or a financial obligation and cause the Bank to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Further details of the Bank's approach to credit risk are set out under "Description of Qatar International Islamic Bank (Q.P.S.C.) – Risk Management – Credit Risk".

### Credit quality per category of financial assets

The table below sets out the Bank's credit quality by category of financial assets, based on the Bank's credit rating system.

	Neither past due nor impaired	Past due but not impaired	Impaired	Amortised Cost	Total
	(QR'000)				
<b>At 31 December 2017</b>					
Due from banks .....	3,274,025	-	-	-	3,274,025
Financing assets .....	31,560,989	771,520	167,518	-	32,500,027
Investments in securities .....	-	-	-	6,031,259	6,031,259
<b>Total .....</b>	<b>34,835,014</b>	<b>771,520</b>	<b>167,518</b>	<b>6,031,259</b>	<b>41,805,331</b>
<b>At 31 December 2016</b>					
Due from banks .....	3,771,169	-	-	-	3,771,169
Financing assets .....	26,771,580	347,052	114,694	-	27,233,326
Investments in securities .....	-	-	-	7,196,719	7,196,719
<b>Total .....</b>	<b>30,542,749</b>	<b>347,052</b>	<b>114,694</b>	<b>7,196,719</b>	<b>38,201,214</b>
<b>At 31 December 2015</b>					
Due from banks .....	4,612,256	-	-	-	4,612,256
Financing assets .....	24,405,816	388,120	184,137	-	24,978,073
Investments in securities .....	-	-	-	6,862,331	6,862,331
<b>Total .....</b>	<b>29,018,072</b>	<b>388,120</b>	<b>184,137</b>	<b>6,862,331</b>	<b>36,452,660</b>

### Age analysis of past due but not impaired financing assets

The following tables set out an analysis of financing assets which are past due but not yet impaired for the relevant period:

	As at 31 December		
	Up to 30 days (QR'000)	31 to 89 days (QR'000)	Total Gross (QR'000)
2017 .....	302,128	469,393	771,521
2016 .....	241,590	105,462	347,052
2015 .....	274,827	113,293	388,120

As at 31 December 2017, the aggregate collateral for past due up to 30 days was QR 852.3 million, QR 2,599.8 million for past due from 31 to 89 days and QR 522.8 million for past due more than 90 days.

The following table sets out the movements in impairment of financing assets and suspended profit for the relevant periods:

	2017 (QR'000)	2016 (QR'000)	2015 (QR'000)
Balance at 1 January .....	395,224	272,398	165,419
Charged during the year .....	145,879	176,731	116,176
Recoveries during the year .....	(106,835)	(52,507)	(7,862)
Written off during the year .....	(148,930)	(1,398)	(1,335)
<b>Balance at 31 December .....</b>	<b>285,338</b>	<b>395,224</b>	<b>272,398</b>



Non-performing financing assets at the end of 2017 amounted to QR 453 million, which represented 1.32 per cent. of the gross financing assets. Non-performing financing assets at the end of 2016 amounted to QR 510 million, which represented 1.74 per cent. of the gross financing assets. Non-performing financing assets as at the end of 2015 amounted to QR 456 million, which represented 1.70 per cent. of the gross financing assets. (See "–Expenses, Depreciation, and Impairment – Impairment of Receivables from Financing Activities" and "Non-Performing Receivables from Financing Activities").

The market price or indexes of similar assets of collateral held by the Bank relating to financing assets which are considered as past due more than 90 days as at 31 December 2017 amounted to QR 523 million. The market price or indexes of similar assets of collateral held by the Bank relating to financing assets which are considered as past due more than 90 days as at 31 December 2016 amounted to QR 688 million. The market price or indexes of similar assets of collateral held by the Bank relating to financing assets which are considered as past due more than 90 days as at 31 December 2015 amounted to QR 630 million.

### Concentration analysis

The following tables set out the Bank's distribution of assets and liabilities by geographic region as at 31 December 2017, 2016 and 2015:

31 December 2017:

	Assets		Total liabilities and equity of investment account holders	
	(QR'000)	%	(QR'000)	%
<b>By geographic region:</b>				
Qatar.....	45,446,547	97.5	37,434,283	94.1
Other GCC countries.....	543,873	1.2	1,949,848	4.9
Europe.....	333,679	0.7	2,716	0.0
North America .....	45,070	0.1	3,384	0.0
Others.....	249,811	0.5	412,184	1.0
<b>Total .....</b>	<b>46,618,980</b>	<b>100</b>	<b>39,802,415</b>	<b>100</b>

31 December 2016:

	Assets		Total liabilities and equity of investment account holders	
	(QR'000)	%	(QR'000)	%
<b>By geographic region:</b>				
Qatar.....	40,329,940	94.8	29,971,016	83.5
Other GCC countries.....	803,428	1.9	5,086,997	14.2
Europe.....	1,016,461	2.4	36	0.0
North America .....	89,752	0.2	-	0.0
Others.....	311,379	0.7	815,881	2.3
<b>Total .....</b>	<b>42,550,960</b>	<b>100.0</b>	<b>35,873,930</b>	<b>100.0</b>

31 December 2015:

	Assets		Total liabilities and equity of investment account holders	
	(QR'000)	%	(QR'000)	%
<b>By geographic region:</b>				
Qatar.....	38,627,314	95.3	29,769,177	85.0
Other GCC countries.....	546,804	1.3	5,014,046	14.3
Europe.....	1,065,200	2.6	5,504	0.0
North America .....	41,488	0.1	9,267	0.0
Others.....	259,239	0.6	212,939	0.6
<b>Total .....</b>	<b>40,540,045</b>	<b>100.0</b>	<b>35,010,933</b>	<b>100.0</b>

As of 31 December 2017, 97.5 per cent. of the Bank's total assets and 94.1 per cent. of the Bank's total liabilities and equity of investment account holders were based in Qatar. As of 31 December 2016, 94.8 per cent. of the Bank's total assets and 83.5 per cent. of the Bank's total liabilities and equity of investment account holders were

based in Qatar. As of 31 December 2015, 95.3 per cent. of the Bank's total assets and 85.0 per cent. of the Bank's total liabilities and equity of investment account holders were based in Qatar.

Details of the Bank's approach to excessive risk concentration are set out under "*Description of Qatar International Islamic Bank (Q.P.S.C.) – Risk Management – Excessive Risk Concentration*".

### **Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates might affect the value of financial instruments or the future profitability of the Bank. The Board and the Policies Development Committee measure and manage profit rate risk by establishing the level of risk and setting limits on the profit rate gaps for stipulated periods.

The following table sets out the Bank's sensitivity of net profit to a reasonable possible change in profit rates as at 31 December 2017, 31 December 2016 and 31 December 2015. The sensitivity measures the effect of the assumed changes in profit rates on the Bank's net profit for a particular financial year, based on the floating rate of financial assets and liabilities held as at 31 December in that year, and assumes that all other variables remain constant.

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 1.0 per cent. parallel fall or rise in all yield curves worldwide and a 0.05 per cent. rise or fall in the greater than 12 month portion of all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

	<b>Sensitivity of net profit</b>		
	<b>100 bp parallel</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<i>(QR'000)</i>		
Increase .....	118,717	95,687	5
Decrease .....	(118,717)	(95,687)	(5)

### **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effect of fluctuations in prevailing foreign currency exchange rates on its financial position. The Board has set maximum limits on the level of currency exposure, which are monitored daily.

The table below indicates the effect of a reasonably possible movement of certain currencies against the riyal on the income statement for the year ended 31 December 2017, 31 December 2016 and 31 December 2015, assuming all other variables held constant.

	<b>Changes in currency rate equity price</b>	<b>Effect on consolidated statement of income 2017<sup>1</sup></b>	<b>Effect on consolidated statement of income 2016<sup>1</sup></b>	<b>Effect on consolidated statement of income 2015<sup>1</sup></b>
	<i>(%)</i>	<i>(QR'000)</i>		
Euro .....	+/- 10	404	148	315
Pound Sterling .....	+/- 10	465	177	279
Others <sup>2</sup> .....	+/- 10	23,732	69,361	164,717

### **Notes**

- (1) Effect on statement of income refers to the effect on the ultimate net profit.
- (2) This includes U.S.\$ exposures. However, any movement in U.S.\$ exchange rates will have no effect, as the riyal is pegged to the U.S. dollar.

The Bank manages its currency exposures within limits laid down by the Board. Limits are laid down for each currency individually and in total at the beginning of each year. The riyal is pegged to the U.S. dollar. Although the Bank is not exposed to any currency risk due to the peg, limits are set for U.S. dollar exposures. The Bank is not subject to significant exposures in connection with any other currency.

### Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. The Board has set limits on amounts and types of investments. This is monitored on an ongoing basis by the Bank's Investment Committee.

The effect on equity due to change in equity indices, assuming all other variables remain constant, is as follows:

Market Indices	Change in equity price (%)	Effect on equity			Effect on profit and loss		
		2017	2016	2015	2017	2016	2015
		(QR'000)					
Qatar Stock Exchange.....	+/- 10	4,916	1,320	-	74	122	4,651
Damascus Securities Exchange.....	+/- 10	-	5,778	2,747	-	-	-
Bahrain Stock Exchange ...	+/- 10	882	-	-	-	-	-

### Liquidity risk

Further details of the Bank's approach to managing liquidity risk is set out under "Description of Qatar International Islamic Bank (Q.P.S.C.) – Risk Management – Liquidity Risk".

The maturity profile of the Bank's assets and liabilities as at 31 December 2017 was as follows:

	Less than 1 month	1-3 months	3 months - one year	1-5 years	More than 5 years	Total
	(QR'000)					
Cash and balances with Qatar Central Bank .....	863,570	-	-	-	1,568,653	2,432,223
Due from banks..	2,539,553	106,742	627,730	-	-	3,274,025
Financing assets .	10,181,237	2,241,543	6,472,862	11,180,601	2,423,784	32,500,027
Investment securities .....	148,526	-	-	1,060,382	4,970,876	6,179,784
Investment in associates.....	-	-	-	-	364,965	364,965
Investment properties	-	-	-	-	426,540	426,540
Fixed assets .....	-	-	-	44,907	711,594	756,501
Intangible assets .	-	-	-	18,177	-	18,177
Other assets .....	-	583,331	83,407	-	-	666,738
<b>Total assets .....</b>	<b>13,732,886</b>	<b>2,931,616</b>	<b>7,183,999</b>	<b>12,304,067</b>	<b>10,466,412</b>	<b>46,618,980</b>
<b>Liabilities</b>						
Due to banks and financial institutions.....	2,696,865	2,274,117	481,388	1,153,375	-	6,605,745
Customers' current accounts.....	6,894,433	-	-	-	-	6,894,433
Sukuk financing	-	-	-	-	-	-
Other liabilities...	42,806	504,733	124,524	-	45,959	718,022
Equity of investment account holders ..	11,141,315	2,691,172	5,699,545	6,052,183	-	25,584,215
<b>Total liabilities and equity of investment account holders ..</b>	<b>20,775,419</b>	<b>5,470,022</b>	<b>6,305,457</b>	<b>7,205,558</b>	<b>45,959</b>	<b>39,802,415</b>
<b>Maturity gap .....</b>	<b>(7,042,533)</b>	<b>(2,538,406)</b>	<b>878,542</b>	<b>5,098,509</b>	<b>10,420,453</b>	<b>6,816,565</b>

The maturity profile of the Bank's assets and liabilities as at 31 December 2016 was as follows:

	Less than 1 month	1-3 months	3 months - one year	1-5 years	More than 5 years	Total
	(QR'000)					
Cash and balances with Qatar Central Bank.....	660,611	-	-	-	1,377,340	2,037,951
Due from banks ...	1,147,377	739,225	1,726,162	158,405	-	3,771,169
Financing assets... Investment securities .....	3,390,723	1,703,811	8,774,537	10,450,087	2,914,168	27,233,326
Investment in associates .....	178,190	--	199,300	1,615,505	5,381,913	7,374,908
Investment properties	-	-	-	-	336,544	336,544
Fixed assets .....	-	-	-	26,020	430,590	430,590
Intangible assets ..	-	-	-	18,283	654,598	680,618
Other assets .....	--	586,291	81,280	-	--	18,283
<b>Total assets .....</b>	<b>5,376,901</b>	<b>3,029,327</b>	<b>10,781,279</b>	<b>12,268,300</b>	<b>11,095,153</b>	<b>42,550,960</b>
<b>Liabilities</b>						
Due to banks and financial institutions.....	867,449	1,631,392	1,726,162	1,814,307	-	6,039,310
Customers' current accounts .....	6,219,923	-	-	-	-	6,219,923
Sukuk financing	-	-	-	2,547,587	-	2,547,587
Other liabilities....	26,695	431,449	142,034	-	46,817	646,995
Equity of investment account holders .....	6,571,774	3,386,617	5,642,032	4,819,692	-	20,420,115
<b>Total liabilities and equity of investment account holders .....</b>	<b>13,685,841</b>	<b>5,449,458</b>	<b>7,510,228</b>	<b>9,181,586</b>	<b>46,817</b>	<b>35,873,930</b>
<b>Maturity gap .....</b>	<b>(8,308,940)</b>	<b>(2,420,131)</b>	<b>3,271,051</b>	<b>3,086,714</b>	<b>11,048,336</b>	<b>6,677,030</b>

The maturity profile of the Bank's assets and liabilities as at 31 December 2015 was as follows:

	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months - one year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>(QR'000)</i>					
Cash and balances with Qatar Central Bank.....	533,408	-	-	-	1,385,631	1,919,039
Due from banks ...	2,453,756	-	2,158,500	-	-	4,612,256
Financing assets... Investment securities .....	3,517,384	2,502,335	6,771,686	9,962,757	2,223,911	24,978,073
Investment in associates .....	46,509	-	149,423	2,009,059	4,838,432	7,043,423
Investment in properties .....	-	-	-	-	348,758	348,758
Fixed assets .....	-	-	-	29,744	434,640	434,640
Intangible assets ..	-	-	-	16,589	-	673,175
Other assets .....	-	444,868	69,224	-	-	16,589
<b>Total assets .....</b>	<b>6,551,057</b>	<b>2,947,203</b>	<b>9,148,833</b>	<b>12,018,149</b>	<b>9,874,803</b>	<b>40,540,045</b>
<b>Liabilities</b>						
Due to banks and financial institutions.....	848,630	-	2,174,822	1,963,109	-	4,986,561
Customers' current accounts .....	6,585,877	-	-	-	-	6,585,877
Sukuk financing	-	-	-	2,545,751	-	2,545,751
Other liabilities....	24,859	262,117	483,502	-	44,232	814,710
Equity of investment account holders .....	6,661,497	3,541,228	6,962,380	2,912,929	-	20,078,034
<b>Total liabilities and equity of investment account holders .....</b>	<b>14,120,863</b>	<b>3,803,345</b>	<b>9,620,704</b>	<b>7,421,789</b>	<b>44,232</b>	<b>35,010,933</b>
<b>Net liquidity gap ..</b>	<b>(7,569,806)</b>	<b>(856,142)</b>	<b>(471,871)</b>	<b>4,596,360</b>	<b>9,830,571</b>	<b>5,529,112</b>

The maturity profile of the Bank's assets and liabilities as at 31 December 2017, 31 December 2016 and 31 December 2015 are prepared based on their contractual maturity.

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations for the relevant periods.

As at 31 December 2017:

	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months - one year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>(QR'000)</i>					
<b>Financial liabilities</b>						
Due to banks and financial institutions.....	2,696,865	2,274,117	481,388	1,153,375	-	6,605,745
Customers' current accounts.....	6,894,433	-	-	-	-	6,894,433
Sukuk financing	-	-	-	-	-	-
Other liabilities	42,806	504,733	124,524	-	45,959	718,022
Equity of investment account holders ..	11,141,315	2,691,172	5,699,545	6,052,183	-	25,584,215
<b>Total .....</b>	<b>20,775,419</b>	<b>5,470,022</b>	<b>6,305,457</b>	<b>7,205,558</b>	<b>45,959</b>	<b>39,802,415</b>

As at 31 December 2016:

	Less than one month	1-3 months	3 months - one year	1-5 years	More than 5 years	Total
	(QR'000)					
<b>Financial liabilities</b>						
Due to banks and financial institutions.....	867,449	1,631,392	1,726,162	1,814,307	–	6,039,310
Customers' current accounts .....	6,219,923	–	–	–	–	6,219,923
Sukuk financing	–	–	–	2,547,587	–	2,547,587
Other liabilities	26,695	431,449	142,034	–	46,817	646,995
Equity of investment account holders .....	6,571,774	3,386,617	5,642,032	4,819,692	–	20,420,115
<b>Total.....</b>	<b>13,685,841</b>	<b>5,449,458</b>	<b>7,510,228</b>	<b>9,181,586</b>	<b>46,817</b>	<b>35,873,930</b>

As at 31 December 2015:

	Less than one month	1-3 months	3 months - one year	1-5 years	More than 5 years	Total
	(QR'000)					
<b>Financial liabilities</b>						
Due to banks and financial institutions.....	848,630	–	2,174,822	1,963,109	–	4,986,561
Customers' current accounts .....	6,585,877	–	–	–	–	6,585,877
Sukuk financing	–	–	–	2,545,751	–	2,545,751
Other liabilities....	24,859	262,117	483,502	–	44,232	814,710
Equity of investment account holders .....	6,661,497	3,541,228	6,962,380	2,912,929	–	20,078,034
<b>Total.....</b>	<b>14,120,863</b>	<b>3,803,345</b>	<b>9,620,704</b>	<b>7,421,789</b>	<b>44,232</b>	<b>35,010,933</b>

The above contractual maturities of assets and liabilities have been determined by the Bank's management on the basis of the remaining period between the reporting date and the contractual maturity date. Such contractual maturity figures do not take account of the effective maturities indicated by the Bank's deposit retention history and the availability of liquid funds.

Further details of the Bank's approaches to managing market risks, as well as operating and other risks are set out under "Description of Qatar International Islamic Bank (Q.P.S.C.) – Risk Management – Market Risk and – Operating and Other Risks".

### Capital adequacy

The following table sets out details of the Bank's capital adequacy figures for the relevant periods:

	2015	2016	2017
	(QR'000)		
Tier 1 capital .....	4,747,972	5,916,512	6,041,567
Tier 2 capital .....	–	–	–
<b>Total regulatory capital.....</b>	<b>4,747,972</b>	<b>5,916,512</b>	<b>6,041,567</b>
Total risk weighted assets .....	28,411,057	30,393,992	33,807,133
<b>Total capital adequacy ratio (%).....</b>	<b>16.71</b>	<b>19.47</b>	<b>17.87</b>

The capital adequacy ratio has been calculated as per Basel III guidelines with effect from 1 January 2014 in accordance with QCB regulations. The minimum capital adequacy requirements are as follows:

- minimum limit without capital conservation buffer is 10 per cent.;
- minimum limit including capital conservation buffer is 12.5 per cent.; and
- minimum limit including the capital conservation buffer and 1.0 per cent. as minimum for ICAAP (Internal Capital Adequacy Assessment Process) is 13.5 per cent.

### Off-Balance Sheet Items

To meet the financial needs of customers, the Bank issues various irrevocable commitments and incurs certain contingent liabilities. Although these obligations may not be recognised on the Statement of Financial Position in the Financial Statements, they do incur credit risk and are therefore part of the overall risk of the Bank. In some instances, the amounts recognised on the Statement of Financial Position in the Financial Statements in connection with incurred obligations do not represent the full loss potential of the arrangement.

The following table sets out an analysis of the Bank's off-balance sheet items for the relevant periods:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>(QR'000)</i>	
Acceptances .....	35,703	-	-
Unused financing facilities.....	5,313,398	4,989,753	3,583,902
Guarantees.....	3,410,784	3,552,993	3,673,166
Letters of credit .....	626,337	344,008	472,461
Others .....	7,215	9,075	7,765
	<b>9,393,437</b>	<b>8,895,829</b>	<b>7,737,294</b>

### Segmental analysis

An analysis of the Bank's operating and geographical segments is contained in Note 6 to the 2017 Financial Statements.

## OVERVIEW OF QATAR

*Unless indicated otherwise, information in this section has been derived from Government publications.*

### Country Profile

Qatar is an independent state in the Arabian Peninsula. Qatar shares a land border and maritime boundaries with Saudi Arabia and maritime boundaries with Bahrain, the UAE and Iran. Qatar covers an area of approximately 11,493 square kilometres. Doha is the capital city of Qatar, the seat of government and Qatar's cultural, commercial and financial centre. It includes the country's main seaport and international airport and has an advanced road system linking it with the international road network through Saudi Arabia.

Based on Qatar's 2015 census, Qatar had a total population of 2,404,776 as at April 2015 indicating a 41.5 per cent. growth since the last census carried out in 2010 when, as at April 2010, Qatar had a total population of 1,699,435, a 128.4 per cent. increase from the 2004 census population figure of 744,029. A large portion of Qatar's population comprises non-Qatari nationals. According to the Ministry of Development Planning and Statistics (**MDPS**), as at 30 June 2018, Qatar's population stood at 2,580,734. In terms of foreign relations and membership of international organisations, Qatar, along with Bahrain, Kuwait, Oman, Saudi Arabia and the UAE, is a member of the GCC. Furthermore, Qatar is a member of the Gas Exporting Countries Forum (which was established in 2008 and has its headquarters in Doha) and the United Nations. Qatar is also a member of numerous international and multilateral organisations, including the International Monetary Fund, the International Bank for Reconstruction and Development, the World Trade Organisation, the League of Arab States, The Organisation of Islamic Cooperation, the Multinational Investment Guarantee Agency and United Nations Educational, Scientific and Cultural Organisation (**UNESCO**). In December 2018, Qatar announced that it would withdraw from membership of the Organization of Petroleum Exporting Countries from 1 January 2019.

### Legal System

Over the last decade, Qatar's legal system has been significantly reformed by the enactment of various pieces of legislation intended to bring Qatari laws in line with international laws, standards and practices. Qatar's civil code sets forth civil law principles, including with respect to conflict of laws, contracts, rights and obligations, security, ownership and torts. Qatar's commercial code addresses commercial affairs and entities, competition, commercial obligations and contracts and commercial paper. The commercial code also provides comprehensive provisions addressing bankruptcy matters, permitting creditors to file claims against any corporate entity, except for certain professional companies and other companies that are at least majority owned by the Government. Finally, the Commercial Companies Law addresses matters with respect to the ownership of shares, limited liability, capital contributions, payment of dividends, shareholder rights and obligations and general principles of corporate governance. The Government has passed other significant legislation in recent years, including the Foreign Investment Law, the Central Bank Law, the Money Laundering Law, the Doha Securities Market Law (now the Qatar Stock Exchange Law) and the QFC Law, as well as competition, intellectual property, labour, property and environmental laws. Following the establishment of the QFC in 2005, the QFC Law established a legal and regulatory regime to govern the QFC that is generally parallel to and separate from Qatari laws and the Qatari legal system, except for Qatari criminal law. The QFC has established its own rules and regulations applicable to, among others, financial services companies, and which cover such topics as employment, companies, anti-money laundering, contracts and insolvency. In accordance with the rules and regulations of the QFC, the QFMA regulates, authorises and supervises banking, financial and insurance related businesses carried on, in or from the QFC in accordance with legislative principles of an international standard, modelled closely on those used in London and other major financial centres. In addition, the Qatar International Court and Dispute Resolution Centre comprises the QFC Civil and Commercial Court, the Regulatory Tribunal and a Dispute Resolution Centre. The QFC Civil and Commercial Court deals with matters arising under the QFC Law, the QFC Regulatory Tribunal hears appeals against the decisions of the QFC Authority and other QFC institutions and the Dispute Resolution Centre offers international arbitration and mediation services. Under the QCB Law, the Governor of the QCB replaced the Qatar Minister of Finance under the QFC Law, in effect becoming the head of the QFMA.

### Economic Overview

Qatar's primary economic objective has been to create an investment climate that both encourages domestic investment and identifies positive opportunities for outward investment. Qatar has increased its liquefied natural gas (**LNG**) production capacity to 77 million tonnes per year, making investments across the LNG value chain. It has also worked to diversify its economy, resulting in strong growth in the non-oil and gas sectors.

Historically, Qatar's economy has been dependent on crude oil production. In the early 1990s, however, Qatar developed a multi-directional and fast-track strategy to accelerate the commercialisation of its substantial natural gas reserves as a means to diversify and ultimately modernise the economy. This strategy was implemented pursuant to



a three-pronged approach, namely by developing LNG and gas-to-liquids (**GTL**) for global export, pipeline gas for regional export markets, and by utilising gas for domestic petrochemical production and industrial consumption. In line with this strategy, Qatar has made large-scale investments across the entire value chain of LNG trains, tankers, and storage and receiving facilities, becoming the leading LNG producing and exporting country in the world, according to the US Energy Information Administration.

Although Qatar is focused on ensuring optimal and sustainable development and commercialisation of the oil and gas sector, which continues to be the backbone of the economy, one of the cornerstones of Qatar's current economic policy is a commitment to diversify the overall economy so that Government revenues from the oil and gas sector are supplemented by an increased percentage of Government revenues from non-oil and gas-related activities. As set forth in the National Vision, Qatar's long-term economic objectives include developing its infrastructure and strengthening its private sector. In pursuit of these objectives, and consistent with increased revenues and surpluses, Qatar has increased total expenditure to QR 221.7 billion (U.S.\$60.9 billion) for the fiscal year ended 31 December 2017, funnelling much of this expenditure into major construction projects such as railway infrastructure, the Lusail real estate development (including Energy City), the New Doha International Airport, ports, roads, healthcare and education.

Qatar is also strengthening the private sector by undertaking regulatory reforms aimed at improving Qatar's business climate and creating an environment that will support enterprise creation, private competition and foreign direct investment, including through taking steps such as liberalising the telecommunications sector and creating special economic zones. In addition, Qatar has sought to increase the country's attractiveness to foreign direct investment by implementing laws that allow more foreign participation in the domestic economy. For example, the Government has established the QFC, which enables global financial firms to operate in Qatar, although there are restrictions on such financial institutions dealing with retail customers.

In addition, on 1 January 2010, Law No. (21) of 2009 on Income Tax (the **Income Tax Law**) came into effect. Under the Income Tax Law (which is applicable outside the QFC), taxable income in any taxable year is now taxed at a flat tax rate of 10.0 per cent., except for certain oil and gas companies that will continue to be taxed at the previous rate of 35.0 per cent. This is part of a broad plan to diversify the Qatari economy to reduce reliance on the oil and gas sector, which accounted for approximately 32.3 per cent. of total nominal GDP in 2017. However, Qatari companies that are 100 per cent. owned by Qataris do not pay income tax. In May 2017, the Cabinet of Qatar approved a draft law on income tax, although it is not clear when such law is likely to come into force. According to news reports, the new law is intended to replace the Income Tax Law and Law No. (17) of 2014 exempting from income tax profits due to non-Qatari investors arising from their shareholding in certain companies and investment funds. The new law is intended to facilitate examination, connection and collection procedures in order to promote tax compliance and enhance tax revenues.

In July 2014, a law was issued amending Law No. (13) of 2000 relating to foreign investment in Qatar, whereby the ceiling for non-Qatari ownership in companies listed on the QSE was increased from 25 per cent. to 49 per cent., subject to approval from the Ministry of Economy and Commerce. This replaced the requirement to obtain an exemption from the Council of Ministers in connection with any increase above the previous 25 per cent. ownership threshold. Citizens of the other GCC countries would be treated equally to Qatari citizens in connection with ownership of shares in companies listed on the QSE. In early 2018, the Cabinet of Qatar approved a draft law that regulates non-Qatari investments in the economy and seeks to replace Law No. (13) of 2000, referring it to Qatar's Advisory Council. The new law is expected to allow 100 per cent. foreign investment in all sectors of the national economy. However, the draft is not publicly available and as such the details are not known at the date of this Base Prospectus.

In June 2014, in its Annual Market Classification Review, MSCI Inc. upgraded Qatar from a "frontier market" to an "emerging market". This classification is among the criteria used by a large number of institutional investors and private equity funds to identify markets in which they can invest. This upgrade is expected to increase investment in Qatari securities with the entry of foreign institutional investors and passive or index-tracking investors.

### **Gross Domestic Product**

Qatar's nominal GDP declined by 6.2 per cent. in 2016, but increased by 10.0 per cent. in 2017, principally as a result of higher oil prices boosting income in the hydrocarbon sector. Previously, annual nominal GDP grew by 11.4 per cent. in 2012, 6.4 per cent. in 2013 and 3.8 per cent. in 2014, generally reflecting trends in commodity prices during these periods. Qatar's total nominal GDP for the first quarter of 2018 increased by 7.0 per cent. as compared to the first quarter of 2017, based on preliminary MDPS data.

The following table sets forth certain information about Qatar's nominal GDP by economic sector and by percentage contribution to total nominal GDP for each of the five years ended 31 December 2016.

	31 December									
	2013		2014		2015		2016		2017	
	Value	%	Value	%	Value	%	Value	%	Value	%
	<i>(QR in millions, except for percentages)</i>									
<b>Oil and gas sector .....</b>	<b>403,031</b>	<b>55.7</b>	<b>394,190</b>	<b>52.5</b>	<b>231,311</b>	<b>38.6</b>	<b>168,253</b>	<b>30.3</b>	<b>195,981</b>	<b>32.2</b>
<b>Non-oil and gas sector by activity:</b>										
Finance, business services, insurance and real estate.....	67,335	9.3	78,291	10.4	87,643	14.6	95,878	17.3	92,107	15.2
Manufacturing.....	73,820	10.2	76,133	10.4	58,059	9.7	50,202	9.05	52,785	8.7
Construction.....	39,305	5.4	50,031	6.7	57,767	9.6	65,902	11.9	91,089	15.0
Trade, restaurants and hotels.....	47,831	6.6	54,030	7.2	59,656	9.6	62,333	11.2	52,953	8.7
Transport and communications.....	22,953	3.2	25,091	3.3	26,847	4.5	28,065	5.1	35,393	5.8
Electricity and water ....	2,994	0.4	3,290	0.4	3,464	0.6	3,623	0.7	6,161	1.0
Agriculture and fisheries.....	695	0.1	880	0.2	957	0.2	1,016	0.2	1,129	0.2
Other services <sup>(3)</sup>	65,408	9.0	68,732	9.2	73,591	12.3	79,652	14.4	80,023	13.2
<b>Total non-oil and gas sector .....</b>	<b>320,341</b>	<b>44.3</b>	<b>356,478</b>	<b>47.5</b>	<b>367,984</b>	<b>61.4</b>	<b>386,671</b>	<b>69.7</b>	<b>411,640</b>	<b>67.7</b>
<b>Total nominal GDP ....</b>	<b>723,369</b>	<b>100.0</b>	<b>750,658</b>	<b>100.0</b>	<b>599,295</b>	<b>100.0</b>	<b>554,925</b>	<b>100.0</b>	<b>607,620</b>	<b>100.0</b>

Notes:

- (1) The GDP figures are based on the latest available data from the MDPS.
- (2) For purposes of calculating GDP, certain downstream activities generally associated with Qatar's oil and gas industry, such as the production and export of gas to liquids, petrochemicals, fertilisers, steel, aluminium, iron and metal coating, are included in the manufacturing sector as part of the non-oil and gas sector.
- (3) Includes social services, imputed bank service charges, government services, household services and import duties.

The following table sets forth certain information about Qatar's nominal GDP by economic sector and by percentage contribution to total nominal GDP for the first quarter of 2017 and 2018, including the percentage change between these periods.

	Three months ended 31 March				
	2017		2018		Percentage Change (%)
	Value	%	Value	%	
	<i>(QR in millions, except for percentages)</i>				
<b>Oil and gas sector .....</b>	<b>48,940</b>	<b>33.3</b>	<b>51,067</b>	<b>31.9</b>	<b>4.4</b>
<b>Non-oil and gas sector by activity:</b>					
Finance, business services, insurance and real estate.....	23,196	16.3	23,447	14.6	1.1
Manufacturing.....	11,875	8.4	13,423	8.4	13.0
Construction.....	22,382	12.6	27,259	17.0	21.8
Trade, restaurants and hotels .	13,124	9.9	13,137	8.2	0.1
Transport and communications.....	8,942	4.8	9,723	6.1	8.7
Electricity and water.....	719	0.5	1,060	0.7	47.4
Agriculture and fisheries .....	256	0.2	313	0.2	22.3
Other services <sup>(2)</sup> .....	20,098	14.1	21,012	13.1	4.6
<b>Total non-oil and gas sector .....</b>	<b>100,987</b>	<b>66.8</b>	<b>109,373</b>	<b>68.3</b>	<b>8.3</b>
<b>Total nominal GDP .....</b>	<b>149,927</b>	<b>100.0</b>	<b>160,217</b>	<b>100.0</b>	<b>6.9</b>

Notes:

- (1) For purposes of calculating GDP, certain downstream activities generally associated with Qatar's oil and gas industry, such as the production and export of gas to liquids, petrochemicals, fertilisers, steel, aluminium, iron and metal coating, are included in the manufacturing sector as part of the non-oil and gas sector.
- (2) Includes social services, imputed bank service charges, government services, household services and import duties.

Source: MDPS

## The Economy of Qatar

In 2017, Qatar's economic growth reached 1.6 per cent. Qatar is one of the most prosperous countries in the world, with a nominal GDP per capita of QR 224.0 thousand (U.S.\$61.5 thousand) in 2017. Much of Qatar's wealth is derived from its hydrocarbon resources. As at year-end 2017, Qatar's proven reserves of oil amounted to approximately 25.5 billion barrels, while its proven reserves of natural gas amounted to 879.9 tcf, according to BP's "Statistical Review of World Energy" published in June 2018. According to the same report, Qatar's natural gas reserves are the third largest in the world and translated into 12.9 per cent. of overall global reserves in 2017. Virtually all of Qatar's proven reserves of natural gas and condensate are located in the North Field, which is estimated by the

International Energy Agency (IEA) to be the largest non-associated gas field in the world. Qatar has approximately 142 years of proven gas reserves at current production levels, according to BP.

Qatar's carefully planned exploitation of its hydrocarbon reserves resulted in a nominal GDP CAGR of 16.5 per cent. from 2005 to 2017. Qatar's total nominal GDP increased by 10.0 per cent. in 2017 reaching QR 607.6 billion (U.S.\$166.9 billion), as oil prices climbed. Total nominal GDP in the first quarter of 2018 increased by 7.0 per cent. to reach QR 160 billion (U.S.\$44 billion), from QR 150 billion (U.S.\$41 billion) in the first quarter of 2017.

In the early 1990s, Qatar developed a multi-directional and fast-track strategy to accelerate the commercialisation of its substantial natural gas reserves as a means to diversify and ultimately modernise Qatar's economy. In line with this strategy, Qatar has made large-scale investments across the entire value chain of LNG, including liquefaction trains, tankers, and storage and regasification facilities abroad. Qatar has been the world's leading LNG exporter since 2006. Qatar continues to be the leading global LNG exporter accounting for 26.3 per cent. of overall global LNG trade in 2017, according to BP. Through its flagship Qatargas and RasGas LNG projects, Qatar has developed its LNG business through strategic partnerships with a number of the world's leading oil and gas companies, including ExxonMobil, Shell, Total and ConocoPhillips. By investing across the entire LNG value chain, Qatar now enjoys meaningful cost advantages in the gas sector due to significant economies of scale and a low-cost structure. Qatar also has a good central geographic location for global shipping to all major gas consuming regions of the world and, based on contractual commitments, Qatari LNG is expected to be sold globally to customers in various regions, including Central and South America (Mexico and Argentina), Northwest Europe (the United Kingdom and Belgium), Western Europe (Italy, France and Spain), South Asia (India), East Asia (China, Malaysia, Thailand, South Korea, Japan and Taiwan) and the Middle East (UAE). Most of the LNG produced by Qatar's upstream ventures is sold under long-term take-or-pay agreements that provide certainty of volume offtake.

Qatar has also focused on developing and exploiting its natural gas resource base prudently beyond the LNG industry, implementing a downstream strategy driven by opportunities to add value to existing oil and gas production as well as the requirements of the domestic economy. Qatar Petroleum (QP) has developed pipeline gas both for regional export markets and for domestic petrochemicals and industrial consumption. In addition, QP is the majority shareholder in a number of industrial companies located primarily at Mesaieed Industrial City, which use natural gas as feedstock and/or fuel to produce various value-added products, such as petrochemicals and fertiliser, steel, iron, aluminium and metal coating, both for domestic consumption and for export.

In years where Qatar has experienced a budget surplus, Qatar has used its budget surpluses to diversify the economy through increased spending on infrastructure, social programmes, healthcare and education, which have modernised Qatar's economy. Qatar's economic growth has also enabled it to diversify its economy through domestic and international investment into different classes of assets. In 2005, Qatar established the QIA to propose and implement investments for Qatar's growing financial reserves, both domestically and abroad. The aim of the QIA is to strengthen the nation's economy through the diversification of asset classes across a wide range of geographies. Through the QIA, Qatar has made investments in private equity, the banking sector, real estate, publicly traded securities and alternative assets. With its growing portfolio of international and domestic long-term strategic investments, the QIA has continued to develop Qatar's economic diversification strategy while contributing to the nation's significant economic expansion. Since 2015, Qatar has incurred budget deficits and has turned to deficit financing, including the issuance of bonds, as a way of continuing its investments in its economy. Such deficits reflect Qatar's continued commitment to capital expenditure with respect to ongoing infrastructure projects combined with conservative oil prices.

With regard to the continuing diplomatic rift between Qatar and some countries in the region, the IMF provided the following commentary in its latest Article IV consultation, published in May 2018. The IMF noted:

*"Growth performance remains resilient. The direct economic and financial impact of the diplomatic rift between Qatar and some countries in the region has been manageable. While economic activity was affected by the compression in imports, this has been mostly transitory and new trade routes were quickly established. Trade has been re-routed through other countries in the region, culminating in significant recovery in imports. The implementation of key infrastructure projects remains unaffected due to the availability of inventory of construction materials and alternative, and competitive, sources of imports.*

*The banking system has also adjusted, thanks to support from the central bank and Qatar Investment Authority. Following the diplomatic rift, foreign financing (nonresident deposits and inter-bank placements) and resident private sector deposits fell by about US\$40 billion (11 percent of total liabilities). This decline has been offset by liquidity injections by the central bank and public-sector deposits, particularly from QIA. The decline in nonresident liabilities of banks has abated, obviating the need for further support of the QCB and QIA to the banking system, as banks mobilize funding from other (non-GCC) sources.*

*The banking sector remains healthy, with high asset quality and strong capitalization. A sound regulatory and supervisory framework has contributed to the resiliency of the banking sector."*

Source: IMF Article IV Consultation, IMF Country Report No.18/135

<https://www.imf.org/en/Publications/CR/Issues/2018/05/30/Qatar-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-Executive-45915>

The main impact of the diplomatic rift on Qatar, albeit minimal, was mostly through trade. However, the trade links between Qatar, on the one hand, and the Kingdom of Saudi Arabia, the UAE, Bahrain and Egypt, on the other, are weak. Most Qatari exports are to Asia and Qatari exports to the four countries, mentioned above, accounted for only 2.7 per cent. of GDP in 2017. In respect of imports, imports from the four countries are also small, accounting for 1.9 per cent. of Qatar's GDP in 2017. Some consumer goods have been swiftly substituted with products from Turkey and other countries. Furthermore, some of these imports are only transited through some of these four countries and trade routes can be diverted, if needed. Indeed, Qatar has diverted some shipping routes away from Dubai ports to Sohar and Salalah ports in Oman. Finally, most flights in and out of Qatar continue to operate normally, with diversions made when necessary.

### **Qatar's National Vision 2030**

In October 2008, Qatar's General Secretariat for Development Planning developed and published the National Vision. The National Vision defines broad future trends and long-term objectives for Qatar, providing the framework within which national strategies and implementation plans can be developed. Besides establishing the foundation for developing Qatar's future strategies and policies, the National Vision has also helped to strengthen the coordination among governmental agencies and integrate planning efforts for the Government, the private sector and civic organisations. The four cornerstones of the National Vision are human, social, economic and environmental development, in the context of which Qatar aims to balance: (i) modernisation and the preservation of traditions; (ii) the needs of the current generation and the needs of future generations; (iii) managed growth and uncontrolled expansion; (iv) the size and quality of the expatriate labour force; and (v) economic growth, social development and environmental management. The National Vision is to be achieved through a series of medium-term plans. The first such six-year plan, referred to as the National Development Strategy (NDS 2011-16), was released in March 2011 and in March 2018, the Second National Development Strategy (NDS 2018-2022) was launched.

### **Annual Indicators**

The following table sets forth certain economic data for Qatar for the years indicated (Source: QCB Quarterly Statistical Bulletin, December 2017).

	2015	2016	2017 <sup>(1)</sup>	2017	
				Q3 <sup>(1)</sup>	Q4 <sup>(1)</sup>
GDP .....	588,733	552,305	607,620	150,194	161,996
Growth Rate (%) .....	<b>-21.6</b>	<b>-6.2</b>	<b>10.0</b>	<b>3.2</b>	<b>7.9</b>
Mining and quarrying activities Share (%) .....	37.5	29.7	32.3	31.4	33.3
Growth Rate (%) .....	<b>-43.9</b>	<b>-25.8</b>	<b>19.5</b>	<b>2.6</b>	<b>14.2</b>
Non-mining and quarrying activities Share (%).....	62.5	70.3	67.7	68.6	66.7
Growth Rate (%) .....	<b>3.1</b>	<b>5.6</b>	<b>6.0</b>	<b>3.5</b>	<b>5.0</b>
GDP Per Capita (QR Thousand) .....	241.5	211.0	235.5	-	-
CPI - Inflation (%) <sup>(2)</sup> .....	1.81	2.66	0.41	-0.2	0.3

Notes

(1) Preliminary estimates.

(2) On a yearly basis.

## THE QATAR BANKING SECTOR AND REGULATIONS

*Unless otherwise indicated, information in this section has been derived from publications of the Government, the QCB and the QFC's annual report and website.*

### **Qatar Central Bank**

In its supervisory capacity, the QCB oversees the activities of Qatar's commercial banks and non-bank financial institutions (including insurance companies) with a view to minimising banking and financial risk in Qatar's financial sector. The QCB conducts regular inspections of commercial banks and reviews reports and other mandatory data submitted by commercial banks, including monthly capital adequacy compliance reports.

The QCB has implemented regulations regarding non-performing loans, large exposures, country risk, money market and foreign exchange accounts, credit ratios, fixed assets for banks' use, reserve requirements and banks' investments. The QCB has the authority to impose penalties in the event that banks fail to comply with these regulations. The QCB requires commercial banks to maintain a minimum reserve requirement of 4.50 per cent. and a capital adequacy requirement of 15.38 per cent. (including the capital conservation buffer, the applicable DSIB buffer and the ICAAP capital charge) in line with the "well-capitalised" level in the Basel III guidelines and above the guidelines minimum recommended level of 10.0 per cent. (excluding the capital conservation buffer). The QCB also requires each commercial bank to maintain a risk reserve balance of not less than 2.5 per cent. of the total amount of direct credit facilities provided by the bank and its subsidiaries as determined at the end of each year. Certain provisions and credit provided to the Ministry of Finance and credit secured by cash collateral are excluded from the calculation of the total amount of direct credit facilities for the purposes of determining the minimum risk reserve balance. A bank may not use any portion of its risk reserve amount without the prior approval of the QCB. Commercial banks are also required to have their annual accounts audited by the QCB's approved independent auditors and to obtain prior approval from the QCB to appoint senior management.

In January 2014, the QCB issued a circular to all commercial banks in Qatar (No. AR/2/2014) with instructions regarding the implementation of the QCB's Basel III requirements. The QCB's minimum recommended capital adequacy requirements under Basel III are currently 15.38 per cent. (including a capital conservation buffer of 2.5 per cent.). Furthermore, banks identified as DSIBs are subject to an additional buffer, as determined by the QCB for each identified DSIB. As part of the ICAAP (Pillar II) framework, QCB introduced the minimum ICAAP capital charge of 1.25 per cent., which constitutes part of the minimum capital requirement over and above the Pillar I minimum capital requirement. From 1 January 2018, commercial banks in Qatar have also been required to maintain a minimum LCR of 100 per cent.

The QCB also imposes certain exposure limits and credit controls on commercial banks. No more than 20.0 per cent. of any bank's capital and reserves may be extended to a single customer in the form of credit facilities and no more than 25.0 per cent. of any commercial bank's capital and reserves may be extended to a single customer in the form of credit or investment facilities. Additionally, no customer may borrow more than QR 3.0 billion (U.S.\$824.1 million) in aggregate from Qatar's commercial banks. Credit facilities extended to a single major shareholder in any bank cannot exceed 10.0 per cent. of that bank's capital and reserves. Credit facilities granted to a single country in the form of loans to customers or the government must not exceed 20.0 to 150.0 per cent. of banks' capital and reserves depending on the category of country. The maximum real estate finance that can be granted to all customers should not exceed 150.0 per cent. of the bank's capital and reserves. In April 2011, the QCB introduced maximum limits for individual consumer loans secured against salaries. Qatari nationals are not permitted to borrow more than QR 2.0 million (U.S.\$549,450) with a maximum repayment period of six years. Expatriates are not permitted to borrow more than QR 0.4 million (U.S.\$109,890) with a maximum repayment period of four years. In relation to real estate finance made available to individuals against their salary, the total real estate finance must not exceed 70.0 per cent. of the value of the mortgaged property. In relation to financing provided to other types of borrowers, the finance must not exceed 60.0 per cent. of the value of the mortgaged property. In 2010, the QCB also began the process of establishing the Qatar Credit Bureau in order to collect and make available consumer credit information to commercial banks. The Qatar Credit Bureau began operations in March 2011.

In its Article IV Country Report for Qatar published in May 2018, the IMF noted the following: (i) Qatar's macro-economic performance remains resilient with real GDP growth expected at 2.6 per cent. in 2018, rising to 2.7 per cent. in 2019, underpinned by expansion in the non-hydrocarbon sector driven by the public investment programme and a slower pace of fiscal consolidation; (ii) inflation should increase due to a recovery in commodity prices and the expected introduction of VAT in the second half of 2018 or 2019; (iii) fiscal balances are expected to improve due to continued expenditure restraint, a rise in oil prices and the expected introduction of VAT and (iv) the main macro-economic risks related to lower hydrocarbon prices and the uncertainty associated with the ongoing impact of the diplomatic rift with some of Qatar's neighbours.

The QCB initiated single-factor stress testing of the portfolios of commercial banks in Qatar in 2010. The testing covers the broad areas of liquidity risk, credit risk, interest rate risk, foreign exchange risk and equity market risk. The results of these stress tests illustrate the possible impact of adverse financial conditions on a commercial bank's capital adequacy ratio or return on assets. Stress testing of commercial banks, on an aggregate basis, conducted by the QCB based on data for March 2010, suggested that neither the capital adequacy ratio nor the returns on assets of Qatar's commercial banks were significantly impaired.

In its Article IV Country Report for Qatar published in May 2018, the IMF concluded that "*Qatar's banking sector remains healthy overall, reflecting high asset quality and strong capitalization*". Overall liquidity has remained "comfortable" in the first half of 2018, with deposit growth mainly driven by an increase in domestic deposits while non-resident deposits recovered slightly to QR 140.1 billion at the end of May 2018 from QR 137.1 billion at the end of December 2017. The IMF also stated that the impact on banks' balance sheets from the fall in non-resident deposits "...has been offset by liquidity injections from the central bank and public-sector deposits, particularly from QI4. The decline in non-resident deposits has abated, obviating the need for further support of the QCB and QI4 to the banking system, as banks mobilize funding from other (non-GCC) sources".

The QCB also issues domestic currency and conducts bank clearing operations and settlements. The investment department of the QCB manages the investments of the QCB's financial reserves that are primarily in the form of securities issued or guaranteed by other governments with maturities of up to 10 years. These investments are maintained at a level at least equal to 100.0 per cent. of the riyals issued by the QCB at any time.

The QCB directive to close the Islamic branches of conventional banks was made with the aim of bringing in enhanced supervision, more financial stability, and also enhancing monetary policy tools for Islamic banks.

The following table sets forth the QCB's balance sheet data as at 31 December 2013 to 31 May 2018.

	As at 31 December				As at 31 May	
	2013	2014	2015	2016	2017	2018
(QR in millions, except as otherwise noted)						
<b>Assets:</b>						
<b>Foreign assets:</b>						
Gold.....	2,189.0	2,150.1	2,758.0	3,986.7	4,528.1	4,049.4
Foreign securities .....	85,154.3	105,203.9	90,248.9	72,307.1	14,166.8	23,154.2
Balances with foreign banks .....	64,166.3	47,699.2	40,756.5	37,506.5	33,793.6	61,524.8
IMF reserve position.....	85.9	62.7	27.9	0.0	0.0	0.0
SDR holdings .....	1,524.1	1,434.4	1,372.2	1,331.6	1,414.8	1,410.1
<b>Total foreign assets.....</b>	<b>153,120.1</b>	<b>156,550.3</b>	<b>135,163.5</b>	<b>115,131.9</b>	<b>53,903.3</b>	<b>90,138.5</b>
Claims on commercial banks .....	59,204.8	55,863.4	55,976.2	44,567.2	110,460.7	83,673.2
Unclassified assets.....	670	1,134.8	2,833.6	21,750.4	24,042.4	24,057.4
<b>Total assets.....</b>	<b>212,994.4</b>	<b>213,548.5</b>	<b>193,973.3</b>	<b>181,449.5</b>	<b>188,406.4</b>	<b>197,869.1</b>
<b>Liabilities:</b>						
Reserve money: <sup>(1)</sup>						
Currency issued.....	12,340.4	14,075.8	14,985.2	16,184.1	16,539.5	17,768.7
Deposits of local banks .....	6,234.0	11,592.2	3,196.8	5,781.3	10,278.0	16,194.0
Reserve requirement <sup>(1)</sup> .....	25,464.3	28,541.2	30,479.9	33,022.4	35,953.8	36,184.5
Government deposits .....	52,805.0	34,632.7	7,946.5	1,312	312.0	1,951.0
Capital and reserves.....	12,444.5	30,603.7	51,795.1	51,762.2	52,031.5	52,031.5
Revaluation account .....	3,382.0	2,175.7	0.0	0.0	3,655.0	3,760.9
Other liabilities.....	100,324.2	91,927.2	85,569.8	73,387.5	69,636.6	69,978.5
<b>Total liabilities<sup>(2)</sup></b>	<b>212,994.4</b>	<b>213,548.5</b>	<b>193,973.3</b>	<b>181,449.5</b>	<b>188,406.4</b>	<b>197,869.1</b>

*Notes*

- (1) Reserve requirements were QR25.5 billion (U.S.\$7.0 billion), QR 28.5 billion (U.S.\$7.8 billion), QR 30.5 billion (U.S.\$8.4 billion), QR 33.0 billion (U.S.\$9.1 billion), QR 36.0 (U.S.\$9.9 billion) and QR 36.2 (U.S.\$9.9 billion) as at 31 December 2013, 2014, 2015, 2016, 2017 and 31 May 2018, respectively.
- (2) Total liabilities is equal to the sum of Total Reserve Money, Foreign Liabilities, Government Deposits, Capital Accounts, Reserve Revaluation and Unclassified Liabilities.

Source: QCB

## Interest Rates

Prior to 2000, the QCB imposed certain ceilings on the credit and deposit interest rates (including profit rates) offered by commercial banks. The QCB removed these restrictions in order to further liberalise the financial sector. However, in April 2011 the QCB introduced a cap on interest rates that can be charged on personal loans of 1.5 per cent. over its benchmark lending rate and 1.0 per cent. per month for credit cards. Otherwise, Qatar's banking system is free from any form of interest rate ceilings.

The QCB utilises three different interest rates: a lending rate, a deposit rate and a reverse repo rate. The lending rate is used for the lending facility through which commercial banks can obtain liquidity from the QCB. The deposit rate is used for the deposit facility through which commercial banks can place deposits with the QCB. Both of these facilities may be rolled over to the next day, when transactions are executed electronically. The reverse repo rate is a pre-determined interest rate set by the QCB for reverse repo transactions entered into between the QCB and commercial banks. The overnight liquidity facility rate is used for overnight lending by the QCB to commercial banks.

Prior to July 2007, the QCB closely tracked the interest rates of the U.S. Federal Reserve Bank as the Qatari riyal is pegged to the U.S. dollar. However, the QCB did not deem it necessary to reduce interest rates to the same extent, or as quickly, as the U.S. Federal Reserve Bank on the last several occasions that the latter has reduced its interest rates. Since December 2016, the QCB has again begun closely tracking the interest rates of the U.S. Federal Reserve Bank. As at the date of this Base Prospectus, the QCB deposit rate is 2.00 per cent. (up from 1.75 per cent. in early 2017) and its lending rate is 5.00 per cent., (up from 4.75 per cent. in early 2017).

### **Currency**

The Qatari riyal has been fixed to the U.S. dollar at a rate of QR 3.64 per U.S. dollar since 1980. It is one of the QCB's objectives to keep the riyal stable against the U.S. dollar. As the riyal is pegged to the U.S. dollar, the exchange rate of the riyal against other major currencies fluctuates in line with the movements of the exchange rate of the U.S. dollar against such currencies. The IMF's May 2018 Article IV report emphasised that, "the peg to the U.S. dollar continues to serve Qatar well, providing a clear and credible monetary anchor."

### **Inflation**

CPI inflation in Qatar increased by 3.1 per cent. in 2014, 1.8 per cent. in 2015, 2.7 per cent. in 2016 and 0.4 per cent. in 2017. The Ministry of Development Planning and Statistics has recently revised the representative basket of consumer goods and the weights upon which the CPI calculations are based. The CPI index has been rebased on 2013 prices (previously it was based on 2007 prices). According to the MDPS, the revision was done to better reflect the changing pattern of consumption in Qatar. As a result, the latest available data suggests that inflation has decreased to 0.1 per cent. for June 2018 (as compared to June 2017), mainly reflecting lower housing inflation (given that housing constitutes 21.9 per cent. of the overall inflation rate) and lower food prices (given that food constitutes 12.6 per cent. of the overall inflation rate).

The housing cost component of the CPI rose by 5.8 per cent. in 2013, 6.9 per cent. in 2014, 2.1 per cent. in 2015, 4.0 per cent. in 2016 and fell by 3.0 per cent. in 2017. Housing cost inflation has slowed this year and has fallen by 4.3 per cent. in June 2018 (as compared to June 2017).

The QCB uses various monetary instruments to address price stability. The required reserve ratio for commercial banks was increased by two percentage points to 4.75 per cent. in 2008 in an effort to absorb excess liquidity from the domestic markets. In April 2017, this was reduced to 4.50 per cent. Certificates of deposit for terms of one, three, six and nine months were increased from zero at the end of 2007 to a total of QR 8.0 billion (U.S.\$2.2 billion) as at March 2010, and were subsequently reduced to zero in 2011. They have remained at zero until the date of this Base Prospectus. In addition, the QCB maintained its lending interest rate at 5.5 per cent. from 2007 until April 2011 and its deposit interest rate at 2.0 per cent. from May 2008 until August 2010. The most recent cuts took place in August 2011, wherein rates went down on lending from 5.0 per cent. to 4.5 per cent. and for deposits from 1.0 per cent. to 0.75 per cent. These were later increased and, at the date of this Base Prospectus, are 5.0 per cent. and 2.0 per cent., respectively. The U.S. Federal Reserve Bank reduced its benchmark deposit rate on several occasions from 5.25 per cent. in September 2007 to 0.00-0.25 per cent. in December 2008.

The following table sets forth the CPI and annual average percentage change for each of the years indicated, as well as the share represented by each item in the general index using the previous series, which was based on 2007 prices using a basket of eight goods and services.

Based on 2007 prices:	% Share in Index	Annual Averages			
		2013		2014	
		Index	%	Index	%
Housing .....	32.2	89.5	5.8	95.7	6.9
Food, beverages and tobacco.....	13.2	137.3	2.3	137.8	0.4
Clothing and footwear .....	5.8	116.6	0.1	119.9	2.8
Furniture, textiles and home appliances .....	8.2	122.4	3.2	127.9	4.5
Medical care and services .....	2.0	116.9	2.4	117.9	0.9
Transport and communications .....	20.5	118.3	1.4	120.4	1.8
Entertainment, recreation and culture .....	10.9	129.5	7.3	131.7	1.7
Miscellaneous goods and services.....	7.2	136.4	(2.4)	135.4	(0.7)
<b>General Index.....</b>	<b>100.0</b>	<b>114.4</b>	<b>3.2</b>	<b>117.9</b>	<b>3.1</b>

Source: MDPS

The following table sets forth the CPI and annual average percentage change for the year ended 31 December 2016 and 2017, and the latest available data (June 2018), as well as the share represented by each item in the general index using the new series, which is based on 2013 prices using a basket of 12 goods and services.

Based on 2013 prices	% Share in Index	Annual Average					
		2016		2017		June 2018	
		Index	%	Index	%	Index	%
<b>Housing, water, electricity and gas .....</b>	<b>21.9</b>	<b>115.4</b>	<b>4.0</b>	<b>111.9</b>	<b>(3.0)</b>	<b>107.1</b>	<b>(4.3)</b>
Food and beverages.....	12.6	99.2	(1.9)	101.1	1.9	99.7	0.0
Clothing and footwear.....	5.1	102.9	0.7	101.7	(1.2)	102.1	0.5
Tobacco .....	0.3	114.0	0.0	114.0	0.0	114.0	0.0
Furnishings and household equipment .....	7.7	107.7	1.5	108.2	0.5	109.4	1.0
Health .....	1.8	101.0	(0.8)	103.2	2.2	106.8	3.4
Transportation.....	14.6	110.1	3.4	118.1	7.3	127.3	7.2
Communication.....	5.9	99.3	0.1	98.7	(0.6)	98.2	(1.1)
Recreation and culture.....	12.7	109.2	7.3	107.1	(2.0)	105.1	(2.3)
Education.....	5.8	121.4	5.7	124.1	2.2	124.9	0.9
Restaurants and hotels.....	6.1	100.2	(1.0)	98.7	(1.5)	99.4	0.9
Miscellaneous goods and services .....	5.7	102.6	2.5	102.8	0.2	103.9	0.5
<b>General Index.....</b>	<b>100.0</b>	<b>108.1</b>	<b>2.7</b>	<b>108.5</b>	<b>0.4</b>	<b>108.7</b>	<b>0.2</b>

Source: MDPS

## VAT

As at the date of this Base Prospectus, Qatar does not impose VAT on the sale of goods and services. However, in November 2016, the GCC states executed the GCC Framework Agreement on VAT, which is expected to come into force in the various GCC states in the second half of 2018 or 2019. The tax will apply a single rate of 5.0 per cent. to a broad basket of goods and services, with likely exceptions including basic food items, healthcare and education. On 3 May 2017, the Qatari Council of Ministers approved the Qatar VAT law and its executive regulations, which are expected to reflect the provisions of the GCC Framework Agreement.

The introduction of VAT in Qatar may impact the Bank negatively to the extent that it is unable to recover input VAT. However, the Qatar VAT law and its executive regulations have not been published in the Official Gazette yet and as such they are not yet in force. It is not clear when VAT will be introduced in Qatar but it is expected to be in the second half of 2018 or in early 2019.

## Money Supply and Liquidity

### Money Supply

Since 2006, the money supply in Qatar has grown steadily, primarily as a result of significant increases in Government spending and an expansion of private sector credit, which has increased more than 3.3 times within the



period from 2007 to 2017. The expansion in private sector credit occurred despite the Government's implementation of a credit ratio and an increase in reserve requirements designed to moderate such credit expansion.

As of May 2018, the narrow measure of money (**M1**), which comprises currency held by the public and deposits denominated in riyals of the private sector, government and semi-government institutions, increased to QR 133.0 billion (U.S.\$36.5 billion), a 2.5 per cent. increase from May 2017. This led to a decrease of M1 domestic share in liquidity (M3) to 20.1 per cent. in May 2018 compared to 21.8 per cent. in May 2017. As of May 2018, currency in circulation increased to QR 12.6 billion (U.S.\$3.5 billion) from QR 12.4 billion (U.S.\$3.4 billion) in May 2017. As of May 2018, demand deposits increased to QR 120.4 billion (U.S.\$33.1 billion) from QR 117.3 billion (U.S.\$32.2 billion) from May 2017. As of May 2018, the broad measure of money (**M2**), which comprises M1 plus savings and time deposits denominated in riyals and foreign currency deposits of the private sector, government and semi-government institutions, increased to QR 581.2 billion (U.S.\$159.7 billion), an increase of 11.6 per cent. from the end of May 2017. Time deposits decreased by 3.9 per cent. from the end of May 2017 to QR 246.5 billion (U.S.\$67.7 billion) in May 2018. Foreign currency deposits increased by 50.2 per cent. from QR 134.3 billion (U.S.\$36.9 billion) in May 2017 to QR 201.7 billion (U.S.\$55.4 billion) in May 2018. Total quasi-money represented by time deposits and foreign currency deposits increased to QR 448.2 billion (U.S.\$123.1 billion) as of May 2018, a 14.7 per cent. increase from the end of May 2017.

The following table provides an overview of the money supply and sets forth certain liquidity indicators for Qatar as at 31 December 2013 to 31 May 2018 (*Source*: QCB and MDPS).

	As at 31 December					As at 31 May 2018
	2013	2014	2015	2016	2017	
	<i>(QR in millions, except as otherwise noted)</i>					
Assets <sup>(1)</sup> .....	153,482.5	156,894.9	135,565.0	115,523.0	54,314.5	90,547.8
Liabilities.....	(1,452.3)	(1,357.7)	(1,314.0)	(1,262.3)	(1,316.5)	(1,306.9)
<b>QCB foreign assets (net) .....</b>	<b>152,030.2</b>	<b>155,537.2</b>	<b>134,251.0</b>	<b>114,260.7</b>	<b>52,998.0</b>	<b>89,240.9</b>
Commercial banks:						
Assets .....	163,312.4	196,511.5	222,931.8	273,202.1	234,442.2	222,461.0
Liabilities.....	(208,689.9)	(227,394.0)	(309,998.0)	(446,819.1)	(361,878.3)	(394,872.2)
<b>Commercial bank foreign assets (net) .....</b>	<b>(45,377.5)</b>	<b>(30,882.5)</b>	<b>(87,066.2)</b>	<b>(173,617.0)</b>	<b>(127,436.1)</b>	<b>(172,411.2)</b>
<b>Foreign assets (net) .....</b>	<b>106,652.7</b>	<b>124,654.7</b>	<b>47,184.8</b>	<b>(59,356.3)</b>	<b>(74,438.1)</b>	<b>(83,170.3)</b>
<b>Domestic assets:</b>						
Claims on Government: .....						
Claims <sup>(2)</sup> .....	181,784.8	166,692.5	193,399.0	256,679.6	332,125.1	294,441.2
Deposits <sup>(3)</sup> .....	(121,099.0)	(93,885.0)	(61,224.9)	(59,366.9)	(94,479.6)	(78,781.4)
<b>Claims on Government (net) .....</b>	<b>60,685.8</b>	<b>72,807.5</b>	<b>132,174.1</b>	<b>197,312.7</b>	<b>237,645.5</b>	<b>215,659.8</b>
Domestic credit: Claims on public enterprises <sup>(4)</sup> .....	183,195.5	168,826.9	161,460.1	155,192.7	165,983.2	167,198.3
Claims on private sector <sup>(5)</sup> .....	309,434.6	368,353.8	437,283.9	464,122.6	493,251.6	519,644.8
<b>Total domestic credit .....</b>	<b>492,630.1</b>	<b>537,180.7</b>	<b>598,744.0</b>	<b>619,315.3</b>	<b>659,234.8</b>	<b>686,843.1</b>
Other items (net) .....	(204,253.7)	(230,617.8)	(256,719.9)	(259,723.8)	(219,110.1)	(238,177.2)
<b>Domestic assets (net) .....</b>	<b>349,062.2</b>	<b>379,370.4</b>	<b>474,198.2</b>	<b>556,904.2</b>	<b>677,770.2</b>	<b>664,325.7</b>
Broad money:						
Money (M1):						
Currency in circulation.....	9,204.6	10,322.3	11,032.7	11,947	11,590.3	12,619.4
Demand deposits.....	96,726.7	113,934.1	115,892.1	116,401.5	111,497.4	120,350.6
<b>Total money.....</b>	<b>105,931.3</b>	<b>124,256.4</b>	<b>126,924.8</b>	<b>128,348.5</b>	<b>123,087.7</b>	<b>132,970.0</b>
<b>Quasi-money:</b>						
Savings and time deposits.....	208,225.5	223,437.4	242,417.1	244,790.4	259,691.2	246,484.3
Foreign currency deposits .....	141,558.1	156,331.3	152,041.1	124,409.0	220,553.2	201,701.1
Total quasi-money .....	349,783.6	379,768.7	394,458.2	369,199.4	480,244.4	448,185.4
Total broad money (M2) .....	455,714.9	504,025.1	521,383.0	497,547.9	603,332.1	581,155.4
Foreign assets (net) .....	359.7	16.9	(62.1)	(225.8)	25.4	9.1
Domestic assets (net) .....	(2.5)	8.7	25.0	17.4	21.7	11.3
<b>Total broad money .....</b>	<b>19.6</b>	<b>10.6</b>	<b>3.4</b>	<b>(4.6)</b>	<b>21.3</b>	<b>11.6</b>
Velocity of broad money (to total nominal GDP) <sup>(6)</sup> .....	1.6	1.5	1.1	1.1	1.0	1.0
Velocity of broad money (to total nominal GDP) <sup>(6)</sup> .....	0.7	0.7	0.7	0.8	0.7	0.7

## Notes:

- (1) Excludes the QCB's foreign currency deposits with local commercial banks.  
(2) Includes Government borrowing on behalf of public enterprises in 2001.  
(3) Includes foreign and local currency deposits.

(4) Non-financial sector enterprises with some Government ownership.

(5) Includes financial securities.

(6) The percentage change in August 2018 is the year-on-year change for the period August 2017 to August 2018.

## ***Liquidity***

The QCB, on behalf of the Government, issues bonds, sukuk and T-bills to absorb domestic liquidity. The QCB has issued a number of domestic bonds since 1999. The Government had a total of QR 357.2 billion (U.S.\$98.1 billion) of domestic bonds, sukuk, T-bills and term loans outstanding as at 23 July 2018, according to Bloomberg. As at 23 July 2018, Government domestic issuance included: T-bills denominated in local currency each month, with QR 5.4 billion (U.S.\$1.5 billion) outstanding; QR 40.1 billion (U.S.\$11.0 billion) in sukuk; QR 59.4 billion (U.S.\$16.3 billion) in Government long-term bonds, and QR 20.0 billion (U.S.\$5.5 billion) in term loans, according to Bloomberg. Additionally, the Government has also issued QR 116.1 billion (U.S.\$31.9 billion) in U.S.\$-denominated long-term bonds as at 23 July 2018, according to Bloomberg. As at 23 July 2018, Government issuance denominated in foreign currency included QR 108.8 billion (U.S.\$29.9 billion) in long-term government bonds and QR 7.3 billion (U.S.\$2.0 billion) in long-term sukuk.

## **Banking System**

### ***Commercial Banks (Outside the QFC)***

Commercial banks in Qatar consist of six locally owned conventional banks (including QNB, which is 50.0 per cent. Government owned), four Islamic banks that operate according to Islamic Sharia principles (including the prohibition on the charging of interest on loans), seven branches of foreign banks and one specialised bank.

The conventional local banks in Qatar are QNB, Commercialbank, Doha Bank, IBQ, Al Khaliji and Ahli Bank. The conventional banks accounted for 68.4 per cent. of total banking sector assets as at 31 December 2017.

The Islamic banks in Qatar are Qatar Islamic Bank, Qatar International Islamic Bank, Masraf Al Rayan and Barwa Bank. The Islamic banks account for 20.2 per cent. of market share by total assets as at 31 December 2017.

The seven foreign banks present in Qatar had a total of QR 185.6 billion (U.S.\$51.0 billion) in total assets as at 31 December 2017, equivalent to 10.8 per cent. of the total banking sector. The foreign banks in Qatar are Arab Bank, Bank Saderat Iran, BNP Paribas, HSBC, Mashreq Bank, Standard Chartered Bank and United Bank Limited.

One state-owned specialised bank, Qatar Development Bank, accounts for the remaining 0.6 per cent. of the total banking sector.

Commercial banks are the primary financial institutions in Qatar, receiving deposits and providing credit and investment services, as well as foreign exchange and clearance services. The deposits made in Qatar's commercial banks are not insured as there is no deposit insurance scheme in Qatar.

There is likely to be consolidation in the Qatar banking sector. In December 2016, it was announced that, subject to shareholder and regulatory approval, Masraf Al Rayan, Barwa Bank and International Bank of Qatar would merge to form one consolidated entity. In August 2018, it was announced that Barwa Bank and International Bank of Qatar had reached a final merger agreement.

In June 2018, Fitch revised upward Qatar's outlook to "stable" from "negative" and affirmed its long-term foreign currency issuer default rating of AA-. The upward revision resulted from Fitch's assessment that Qatar has successfully managed the effects of the diplomatic rift and that the economy has reconfigured its supply chain and continues to grow at a steady rate. Fitch also emphasised that Qatar's sovereign net foreign assets are far above most AA and A-rated peers. In July 2018, Moody's also revised its outlook for Qatar to "stable" from "negative" and reaffirmed its long-term issuer rating of Aa3. Moody's emphasised a number of credit strengths embedded in Qatar's credit profile, including the large net asset position of Qatar's government, exceptionally high levels of per-capita income, substantial hydrocarbon reserves and relatively low fiscal and external break-even oil prices. These factors will continue to provide significant shock absorption capacity for Qatar.

The QCB requires commercial banks to maintain a total minimum capital adequacy ratio (**CAR**) of 12.5 per cent. (including a capital conservation buffer but excluding the ICAAP capital charge) in accordance with the QCB's Basel III requirements. QCB issued a circular in January 2014 introducing new requirements in accordance with Basel III recommendations. Historically, commercial banks have complied with QCB capital adequacy requirements and, at the end of 2017, the average CAR of the sector was 16.8 per cent. compared with 16.1 per cent. in 2016, 15.6 per cent. in 2015, 16.3 per cent. in 2014 and 16.0 per cent. in 2013. At the end of 2017, Tier 1 average CAR for all banks was 16.5 per cent. compared with 15.7 per cent. in 2016, 15.2 per cent. in 2015, 15.8 per cent. in 2014 and 15.3 per cent. in 2013. As a result of challenging economic conditions, in May 2009, the QCB amended its methods for calculating its capital adequacy ratio. Currently, Qatar's commercial banks are compliant with Basel III Pillar I and, as of January 2014, the QCB instructed all commercial banks in Qatar to comply with the QCB's Basel III requirements.

Qatar has provided financial support to Qatar's financial sector as a response to the 2008-2009 global economic downturn and as a preventative measure to preserve the general stability into Qatar's banking sector. In late 2008 and early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector through a plan to purchase equity ownership interests of up to 20.0 per cent. in all domestic banks listed on the QSE but excluding QNB. In January 2009, the QIA acquired 5.0 per cent. of the shares of Qatar Islamic Bank for QR 956 million (U.S.\$263 million), 5.0 per cent. of the shares of Commercial Bank of Qatar for approximately QR 807 million (U.S.\$221.7 million), 5.0 per cent. of the shares of Qatar International Islamic Bank for QR 464 million (U.S.\$127.5 million), 5.0 per cent. of the shares of Ahli Bank for QR 161 million (U.S.\$44.2 million), and 5.0 per cent. of the shares of Doha Bank for QR 369 million (U.S.\$101.4 million). In February 2009, the QIA acquired 20.0 per cent. of the shares of First Finance Company for QR 257 million (U.S.\$70.6 million). These capital injections were based on the share price of the relevant bank as at 12 October 2008. In addition, the shareholders of Masraf Al Rayan have approved a share capital increase to be issued to the QIA, and the shareholders of Al Khaliji Bank have approved a share capital increase of up to 20.0 per cent. to be issued to the QIA. The QIA implemented procedures to acquire an additional 5.0 per cent. stake in the capital of Qatari banks consistent with the above-mentioned plan to purchase equity ownership interests of up to 20.0 per cent. in domestic commercial banks. In late 2009 and early 2010, the QIA purchased approximately QR 2.7 billion (U.S.\$741.7 million) worth of shares in local banks, representing the fourth support package extended by the Government in line with the 2008/2009 plan referenced above. In December 2009, the QIA acquired shares of Commercial Bank of Qatar for QR 807 million (U.S.\$221.7 million), increasing its shareholding to 9.1 per cent.

In addition, on 9 March 2009, the Government declared that, in order to further support Qatar's banking sector, the Government would purchase a portion of the investment portfolios of seven of the nine domestic banks listed on the QSE. These purchases were completed on 22 March 2009 at a total purchase price of approximately QR 6.5 billion (U.S.\$1.8 billion) paid through a combination of cash and domestic Government bonds. This purchase price was equal to the net book value of such investment portfolios as registered in the records of each bank as at 28 February 2009.

In an effort to further boost liquidity and encourage lending, in early June 2009, Qatar offered to buy a portion of the real estate portfolios and investments of nine domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QR 15.5 billion (U.S.\$4.3 billion).

The amount of credit extended by commercial banks to the private sector grew at a CAGR of 20.5 per cent. from QR 190.9 billion (U.S.\$52.4 billion) at the end of 2010 to QR 479.0 billion (U.S.\$131.6 billion) at the end of 2017. As at 31 May 2018, consumer credit accounted for 25.1 per cent. of total private sector credit extended by commercial banks, while credit extended to other sectors amounted to: real estate, 29.2 per cent.; general trade, 13.7 per cent.; services, 15.6 per cent.; and other sectors, 41.5 per cent. of total private sector credit. In May 2018 compared with May 2017, the amount of consumer credit increased by 4.6 per cent., credit extended to the real estate sector increased by 7.5 per cent., credit for general trade increased by 11.9 per cent. and credit to the services sector increased by 29.2 per cent.

The level of "non-performing" loans of all commercial banks decreased by 1.7 per cent. in 2012, and then increased to 1.9 per cent. in 2013 and decreased to 1.7 per cent. in 2014 and decreased to 1.6 per cent. in 2015 and decreased to 1.3 per cent. in 2016 and increased to 1.6 per cent. in 2017. Under QCB regulations, non-performing loans are defined as those loans that meet one of the following conditions for at least three months: (i) the borrower is not able to meet its loan repayments and the loan is past due; (ii) other credit facilities of that borrower are past due; (iii) the existing credit limits granted to that borrower for its other credit facilities are not renewed; or (iv) a borrower exceeds its agreed credit limit by 10.0 per cent. or more without prior authorisation. Commercial banks in Qatar categorise non-performing loans into three groups: sub-standard, doubtful and bad. Sub-standard loans are those that have not performed for three or more months, doubtful loans are those that have not performed for six or more months, and bad loans are those that have not performed for nine or more months.

The following table summarises the capital adequacy ratio and the ratio of non-performing loans to total loans for the banking system as at 31 December 2013 to 31 December 2017.

	<b>As at 31 December</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Capital Adequacy ratio (%).....	16.0	16.3	15.6	16.1	16.8
Non-performing loans/total loans (%).....	1.9	1.7	1.6	1.3	1.6

Source: QCB

The following table sets out the distribution of commercial bank credit facilities as at 31 December 2013 to 31 May 2018.

	As at 31 December					As at 31
	2013	2014	2015	2016	2017	May 2018
	(QR in millions)					
<b>Public Sector:</b>						
Government.....	56,549.4	64,737.0	76,822.1	138,683.2	175,578.3	146,122.2
Government institution.....	152,516.4	140,426.8	140,148.0	139,386.4	146,198.5	146,931.6
Semi-government institutions .....	30,679.1	28,400.1	21,312.1	15,806.3	19,784.7	20,266.7
<b>Total public sector loans.....</b>	<b>239,744.9</b>	<b>233,563.9</b>	<b>238,282.2</b>	<b>293,875.9</b>	<b>341,561.5</b>	<b>313,320.5</b>
<b>Private Sector:</b>						
General trade.....	35,951.5	48,154.4	59,015.8	64,520.7	64,535.5	69,559.5
Industry .....	9,768.9	10,856.8	15,342.2	15,773.3	16,781.4	16,821.3
Contractors .....	23,331.4	30,367.4	37,543.8	38,155.7	38,314.0	38,674.5
Real estate .....	85,388.2	95,142.3	121,214.2	130,490.1	147,762.8	147,525.6
Consumption .....	80,239.5	99,121.7	115,842.2	119,953.2	123,372.9	127,134.8
Services .....	51,869.9	62,082.3	65,752.6	71,243.8	78,997.4	97,797.2
Other.....	6,780.8	7,241.7	7,756.6	9,928.6	9,230.6	8,525.6
<b>Total private sector loans .....</b>	<b>293,330.2</b>	<b>352,966.6</b>	<b>422,467.4</b>	<b>450,065.4</b>	<b>478,994.6</b>	<b>506,038.5</b>
<b>Total domestic loans.....</b>	<b>533,075.1</b>	<b>586,530.5</b>	<b>660,749.6</b>	<b>743,941.3</b>	<b>820,556.1</b>	<b>819,359.0</b>
<b>Loans outside Qatar.....</b>	<b>42,319.2</b>	<b>63,679.1</b>	<b>87,930.2</b>	<b>95,363.6</b>	<b>90,482.1</b>	<b>85,907.2</b>
<b>Total loans.....</b>	<b>575,394.3</b>	<b>650,209.6</b>	<b>748,679.8</b>	<b>839,304.8</b>	<b>911,038.2</b>	<b>905,266.2</b>

Source: QCB

Total commercial bank deposits grew at a CAGR of 10.7 per cent. from QR 548.4 billion (U.S.\$150.7 billion) at the end of 2013 to QR 823.0 billion (U.S.\$226.1 billion) at the end of 2017. As at 31 May 2018, deposits had increased to QR 785.4 billion (U.S.\$215.8 billion), accounting for 58.3 per cent. of total commercial bank liabilities. Private sector deposits grew at a CAGR of 6.8 per cent. from 2013 to 2017, compared with 8.2 per cent. for public sector deposits. As at 31 May 2018, demand deposits accounted for 19.4 per cent. of total deposits, and time and savings deposits for 62.7 per cent. (the remaining 17.8 per cent. are the deposits of non-residents and are not classified according to their term). As at 31 May 2018, a total of 51.2 per cent. of deposits are local currency deposits and 30.9 per cent. are foreign currency (the remaining 17.8 per cent. are the deposits of non-residents and are not classified according to their currency).

The following table sets out the breakdown of commercial bank deposits as at 31 December 2013, 2014, 2015, 2016 and 2017 and as at 31 May 2018.

	As at 31 December					As at 31
	2013	2014	2015	2016	2017	May 2018
	(QR in millions)					
<b>Public Sector:</b>						
<i>By term and currency:</i>						
<i>In Qatari Riyal</i>						
Demand deposits .....	17,649.0	19,083.3	16,662.6	26,301.7	30,569.4	30,016.2
Time deposits .....	68,630.7	64,526.9	67,749.3	73,885.7	110,765.0	91,740.0
<i>In foreign currencies</i>						
Demand deposits .....	18,538.0	15,404.9	9,978.0	14,979.1	9,707.3	10,023.6
Time deposits .....	125,313.2	129,121.1	114,716.0	70,753.4	164,356.4	156,062.6
<i>By sector:</i>						
Government.....	68,294.0	59,252.3	53,278.4	58,054.9	94,167.6	76,830.4
Government institutions .....	124,389.7	129,608.9	116,896.1	93,319.4	188,805.3	179,807.8
Semi-government institutions .....	37,447.2	39,275.0	38,931.4	34,545.6	32,425.0	31,204.2
<b>Total public sector deposits .....</b>	<b>230,130.9</b>	<b>228,136.2</b>	<b>209,105.9</b>	<b>185,919.9</b>	<b>315,397.9</b>	<b>287,842.4</b>
<b>Private sector:</b>						
<i>By term and currency:</i>						
<i>In Qatari Riyal</i>						
Demand deposits .....	83,303.1	97,474.7	101,122.5	94,532.9	90,050.1	96,481.6
Time deposits .....	161,526.9	177,305.0	190,073.3	195,565.6	188,752.7	184,093.3
<i>In foreign currencies</i>						
Demand deposits .....	14,386.9	16,307.8	16,173.9	14,480.2	19,596.3	16,011.7
Time deposits .....	25,456.5	33,731.4	47,153.1	53,157.2	72,112.4	60,937.4
<i>By sector:</i>						
Personal .....	145,840.6	162,251.4	148,438.5	161,083.2	170,999.4	179,626.2
Companies and institutions .....	138,832.8	162,567.5	206,084.3	196,652.7	199,512.1	177,897.8
<b>Total private sector deposits .....</b>	<b>284,673.4</b>	<b>324,818.9</b>	<b>354,522.8</b>	<b>357,735.9</b>	<b>370,511.0</b>	<b>357,524.0</b>
<b>Total deposits</b>						
<i>By currency</i>						
In Qatari Riyal.....	331,109.7	358,389.9	375,607.7	390,285.9	420,137.2	402,331.1
In foreign currencies .....	183,694.6	194,565.2	188,021.0	153,369.9	265,772.2	243,035.3
<i>By term:</i>						
Total demand deposits.....	133,877.0	148,270.7	143,937.0	150,293.9	149,923.1	152,533.1
Total time deposits .....	380,927.3	404,684.4	419,691.7	393,361.9	535,986.3	492,833.3

	As at 31 December					As at 31
	2013	2014	2015	2016	2017	May 2018
	<i>(QR in millions)</i>					
Non-resident deposits.....	33,579.5	48,119.1	86,632.2	183,223.7	137,125.5	140,059.7
<b>Total deposits.....</b>	<b>548,383.8</b>	<b>601,074.2</b>	<b>650,260.9</b>	<b>726,879.5</b>	<b>823,035.0</b>	<b>785,426.0</b>

The total assets of commercial banks grew at a CAGR of 10.6 per cent. from 2013 to 2017. Domestic credit is the largest component of total assets and grew at a CAGR of 21.5 per cent. from 2013 to 2017. This strong credit growth spanned the private and public sectors and was driven by rapid economic growth, increasing private consumption and large allocations in government spending for major development projects.

The increase in the domestic investments of commercial banks has grown at a CAGR of 5.7 per cent. from the end of 2013 to the end of 2017. Domestic investments have increased by 12.6 per cent. in the 12 months to May 2018, to QR172.3 billion (U.S.\$47.3 billion) in May 2018. Correspondingly, their share of total assets decreased from 3.7 per cent. at the end of 2017 to 3.5 per cent. at the end of May 2018.

The following table sets forth the consolidated balance sheets of Qatari commercial banks as at 31 December 2013 to 31 May 2018.

	As at 31 December					As at 31
	2013	2014	2015	2016	2017	May 2018
	<i>(QR in millions)</i>					
<b>Assets:</b>						
Reserves Cash .....	3,135.8	3,753.5	3,952.5	4,237.1	4,949.2	5,149.3
Balances with QCB .....	31,388.1	39,862.1	33,480.5	38,646.4	45,486.3	51,660.0
<b>Foreign assets:</b>						
Cash.....	1,244.4	2,614.4	2,737.4	1,838.3	3,526.0	4,960.7
Claims on foreign banks .....	68,552.9	80,819.9	81,365.4	114,098.5	77,285.5	69,952.5
Foreign credit .....	42,319.2	63,679.1	87,930.2	95,363.6	90,482.1	85,907.2
Foreign investments .....	50,918.1	49,318.3	50,638.9	58,203.6	58,801.4	57,767.6
Other foreign assets .....	277.8	79.8	259.9	3,698.1	4,347.2	3,873.0
<b>Domestic Assets:</b>						
Due from banks in Qatar .....	16,777.6	37,151.9	32,932.7	38,758.9	48,847.2	50,987.5
Domestic credit .....	533,075.1	586,530.5	660,749.6	743,941.3	820,556.1	819,358.9
Domestic investments .....	146,892.2	125,447.4	141,751.2	142,722.1	183,695.9	172,288.2
Domestic fixed assets.....	3,913.9	4,843.7	5,091.7	6,791.1	6,997.7	6,574.4
Other domestic assets.....	11,576.4	10,668.9	11,839.4	14,437.9	18,665.2	18,042.8
<b>Total assets.....</b>	<b>910,071.5</b>	<b>1,004,769.5</b>	<b>1,112,729.4</b>	<b>1,262,736.9</b>	<b>1,363,639.8</b>	<b>1,346,522.1</b>
<b>Liabilities:</b>						
<b>Foreign Liabilities:</b>						
Non-resident deposits.....	33,579.5	48,119.1	86,632.2	183,223.7	137,125.5	140,059.7
Due to foreign banks .....	120,701.1	131,899.1	180,887.8	208,339.3	177,284.1	201,623.2
Debt securities.....	45,603.6	39,078.0	34,733.9	49,130.4	47,069.8	51,786.3
Other foreign liabilities .....	8,805.7	8,297.8	7,744.1	6,125.7	399.0	1,403.0
<b>Domestic Liabilities:</b>						
Resident deposits.....	514,804.3	552,955.1	563,628.7	543,655.8	685,909.4	645,366.4
Due to domestic banks .....	15,471.0	34,672.4	32,716.5	36,824.5	37,021.3	40,787.1
Due to QCB.....	4,600.4	6,675.2	7,041.6	9,075.1	34,354.2	22,465.4
Debt securities.....	1,289.6	3,416.0	4,103.8	3,371.7	1,001.7	870.3
Margins .....	1,337.8	1,554.3	1,681.4	1,753.0	1,856.5	2,179.0
Capital accounts .....	110,931.2	118,081.0	124,317.9	135,141.1	146,716.3	146,119.9

Source: QCB

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection at the offices of the Principal Paying Agent (as defined in the Conditions).*

### **Master Purchase Agreement**

The Master Purchase Agreement will be entered into on 16 January 2019 between QIIB Senior Sukuk Limited (in its capacities as Trustee and as Purchaser) and the Bank (in its capacity as Seller) and will be governed by the laws of Qatar. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of the first Tranche of each Series and will also be governed by the laws of Qatar (the Master Purchase Agreement as supplemented by the relevant Supplemental Purchase Agreement for each Series, the **Purchase Agreement**).

Pursuant to the Purchase Agreement, the Seller will sell, transfer and assign to the Purchaser, and the Purchaser will purchase and accept the transfer and assignment from the Seller, of the Initial Wakala Portfolio together with all of the Seller's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprising the Initial Wakala Portfolio for an amount equal to the Wakala Percentage of the Issue Proceeds (the **Purchase Price**), which will be payable on the Issue Date of the relevant Series. The Wakala Assets which are the subject of the Purchase Agreement will consist of Income Generating Wakala Assets. The details of the Initial Wakala Portfolio purchased pursuant to the Purchase Agreement will be set out in the schedule to the relevant Supplemental Purchase Agreement.

The proportion of the Purchase Price payable in respect of each such Income Generating Wakala Assets shall be an amount in the Specified Currency equal to the Value of such asset.

For the purposes of the Purchase Agreement, the **Value** of a Wakala Asset means the amount in the Specified Currency (following conversion, if necessary), of any relevant amount(s) at the applicable Wakala Exchange Rate), determined by the Seller on the relevant date as being equal to:

- (i) in the case of an Ijara Asset or Other Tangible Sharia Compliant Asset, the aggregate of all outstanding fixed rental instalment amounts payable by the relevant lessee or other equivalent fixed instalment amounts payable by the relevant obligor, as applicable, in each case, in the nature of capital or principal payments in respect of the relevant asset (and, in each case whether, then due and unpaid or due and payable on or after such date), each of which is payable to the Bank under the relevant contract, agreement or other document related to or otherwise in respect of that Ijara Asset or Other Tangible Sharia Compliant Asset;
- (ii) in the case of an Istisna'a Asset, the aggregate of all outstanding fixed rental amounts in the nature of capital or principal payable by the relevant obligor to the Bank under the relevant Sharia compliant financing contract; or
- (iii) in the case of a Murabaha Receivable or Other Intangible Sharia Compliant Asset, the aggregate of the outstanding amounts payable in respect of such Murabaha Receivable or Other Intangible Sharia Compliant Asset, provided that for the purposes of: (A) the consideration payable in connection with (x) the purchase of the Initial Wakala Portfolio and each Murabaha Receivable or Other Intangible Sharia Compliant Asset subsequently originated and comprising part of the Wakala Portfolio from time to time, (y) the substitution of any Murabaha Receivable or Other Intangible Sharia Compliant Asset in accordance with the Master Purchase Agreement, the Purchase Undertaking or the Service Agency Agreement from time to time and (z) the sale and purchase or (as applicable) assignment, and/or transfer of any Murabaha Receivable or Other Intangible Sharia Compliant Asset pursuant to the Purchase Undertaking or (as applicable) the Sale Undertaking; and (B) any representations and warranties given in respect of the Value of a Mudaraba Receivable or Other Intangible Sharia Compliant Asset and the requirement to maintain the Value of the Wakala Portfolio from time to time, in each case of (A) and (B) in accordance with the applicable provisions of the relevant Transaction Documents, the Value shall mean the aggregate of the outstanding amounts payable in respect of such Murabaha Receivable or Other Intangible Sharia Compliant Asset in the nature of capital or principal payments, and

in respect of an Initial Wakala Portfolio, the aggregate of the amounts determined under paragraphs (i), (ii) and (iii) above in respect of the Wakala Assets comprising the Initial Wakala Portfolio on such date.

The Seller will provide limited representations and warranties to the Trustee (as Purchaser) on the date of the Master Purchase Agreement, including in respect of its power to enter into the transactions contemplated by the

Master Purchase Agreement. In addition, on each Issue Date, the Seller will represent and warrant to the Trustee (as Purchaser) that:

- (a) each Wakala Asset, immediately prior to its sale, assignment and/or transfer, as applicable, to the Purchaser, is owned by or on behalf of the Seller free and clear of any adverse claim (subject to certain limited exceptions) and upon the payment by or on behalf of the Purchaser of the Purchase Price therefor, the Purchaser will acquire such Wakala Asset, together with all the rights, title, interests, benefits and entitlements in, to and under such Wakala Asset, free and clear of any adverse claim (subject as aforesaid);
- (b) that each Wakala Asset is an Eligible Wakala Asset;
- (c) the Value of each Wakala Asset ascribed by the Seller is true, accurate and correct as at such date; and
- (d) that each Wakala Asset complies in all material respects with Sharia principles as laid down by the Bank's Sharia Supervisory Committee.

If the Seller is in breach of any of the representations and warranties listed above, it shall be required to substitute the Wakala Asset(s) in respect of which the representations and warranties are inaccurate for new Wakala Assets in respect of which the representations and warranties can be given whereupon the Seller shall be required to deliver a substitution instruction to the Purchaser in respect of such Wakala Assets and upon delivery thereof the Servicing Agent shall (on behalf of the Purchaser) exercise the Purchaser's right under the Purchase Undertaking to require the substitution of such Wakala Assets with new Wakala Assets in respect of which such representations and warranties can be given by the Seller, subject to and in accordance with the Purchase Agreement and the Purchase Undertaking.

For these purposes:

**applicable Wakala Exchange Rate** means, in the case of any amount paid or payable in respect, or any face amount, principal amount or par value, of a Wakala Asset that is in a currency (the **Wakala Currency**) other than the Specified Currency, the spot rate of exchange at which the Seller is able to purchase the Specified Currency with such amount of the Wakala Currency on the date on which the Wakala Currency is required to be exchanged into the Specified Currency in accordance with the Master Purchase Agreement (or if it is not practicable to make such purchase on such date, on the immediately preceding date on which it is so practicable), without taking into account any premium or other costs of exchange;

**Designated Area** means:

- (i) the 18 investment areas in Qatar where, pursuant to the Cabinet Resolution No. (6) of 2006, as may be amended or supplemented from time to time, a non-Qatari person may own a 99-year usufruct right over the relevant real estate; and
- (ii) any other real estate in Qatar, from time to time, in respect of which the Trustee may own freehold title or a usufruct right under the laws of Qatar;

**Eligible Wakala Asset** means an Income Generating Wakala Asset:

- (i) in respect of which the lessee in respect of the related Ijara Asset or other obligor in the case of any other income generating Wakala Asset is not in breach of its payment obligations in respect of that Ijara Asset or in respect of that other income generating Wakala Asset;
- (ii) which has been acquired or originated or is held or owned by or on behalf of the Seller in a manner consistent with its usual credit and origination and/or investment policies;
- (iii) which constitutes legal, valid, binding and (subject to the laws of bankruptcy and other laws affecting the rights of creditors generally) enforceable obligations of the relevant obligor in the jurisdiction in which it is located and the jurisdiction in which any related asset is located;
- (iv) in respect of which the Seller or the Servicing Agent (as applicable) is entitled to receive all payments due or proceeds of sale (as the case may be);
- (v) which is free and clear of any adverse claim (subject to certain limited exceptions);
- (vi) in respect of which there has not occurred any event of default (howsoever described) which is subsisting nor any acceleration or analogous event; and
- (vii) which is capable of being sold, assigned and/or transferred, as applicable, by the Seller to the Purchaser in accordance with the terms set out in the Purchase Agreement or (as applicable) capable of being acquired and/or originated by the Servicing Agent in accordance with the terms set out in the Service Agency Agreement;



**Ijara Asset** means a Non-Real Estate Ijara Asset or a Real Estate Ijara Asset;

**Income Generating Wakala Asset** means:

- (i) an Ijara Asset;
- (ii) an Istisna'a Asset;
- (iii) a Murabaha Receivable;
- (iv) any Other Tangible Sharia Compliant Asset; and/or
- (v) any Other Intangible Sharia Compliant Asset;

**Istisna'a Asset** means a real estate related asset: (i) which is under construction; (ii) in respect of which Qatar International Islamic Bank (Q.P.S.C.) has entered into a Sharia compliant financing arrangement; and (iii) which is located in a Designated Area;

**Non-Real Estate Ijara Asset** means a non-real estate tangible asset (excluding, for the purposes of the Wakala Portfolio only, any Restricted Vehicles) in relation to which the Bank or any person on its behalf has entered into a Non-Real Estate Ijara Contract (and includes that Non-Real Estate Ijara Contract, the rental and all other amounts payable thereunder and all rights, title, interest, benefits and entitlements in, to and under such Non-Real Estate Ijara Contract);

**Non-Real Estate Ijara Contract** means (i) a lease *ijara* contract entered into by the Bank or any person as agent on its behalf (the **Non-Real Estate Ijara Lessor**) and another person (the **Non-Real Estate Ijara Lessee**) pursuant to which the Non-Real Estate Ijara Lessor leases a non-real estate tangible asset to the Non-Real Estate Ijara Lessee and in respect of which the Bank is entitled to receive the rental and all other amounts arising thereunder, including any other agreements or documents associated with that contract; or (ii) any arrangement similar in economic effect to that described in (i) above;

**Real Estate Ijara Asset** means a real estate asset in relation to which the Bank or any person as agent on its behalf has entered into a Real Estate Ijara Contract (and includes any ancillary rights under such Real Estate Ijara Contract) provided that, for the purposes of the Wakala Portfolio only, such real estate asset shall be located in a Designated Area;

**Real Estate Ijara Contract** means (i) a lease *ijara* contract entered into by the Bank, or any person as agent on its behalf, (the **Real Estate Ijara Lessor**) and a person (the **Real Estate Ijara Lessee**) pursuant to which the Real Estate Ijara Lessor leases a real estate asset to the Real Estate Ijara Lessee, and in respect of which payments are due from the Real Estate Ijara Lessee to the Real Estate Ijara Lessor; or (ii) any arrangement similar in economic effect to that described in sub-paragraph (i) including, for the avoidance of doubt, a forward lease *ijara* contract where the relevant real estate asset has been delivered to, or for the order of, the Real Estate Ijara Lessee; and

**Restricted Vehicles** means an asset comprising a vehicle which, pursuant to Law No. (19) of 2007, may not be registered in the name of a foreign entity.

#### ***Service Agency Agreement***

The Service Agency Agreement will be entered into on 16 January 2019 between the Trustee and the Bank (in its capacity as Servicing Agent) and will be governed by English law.

Pursuant to the Service Agency Agreement, the Trustee will appoint the Servicing Agent to provide certain services in respect of the Wakala Portfolio relating to each Series. In particular, the Servicing Agent, in relation to each Series:

- (i) shall service the Wakala Portfolio in accordance with the services plan for such Series which shall be in the form set out in the schedule to the Service Agency Agreement and scheduled to the relevant Supplemental Purchase Agreement, which will include an expected return to be generated by the Wakala Portfolio on a periodic basis (the **Expected Wakala Portfolio Return**);
- (ii) shall, in conjunction with the Mudarib in the case of any Wakala/Mudaraba Series, (A) ensure that on the Issue Date of a Series at least 51 per cent. of, and (B) use all reasonable endeavours to procure that, at all times after the Issue Date, at least 33 per cent. of, (i) in the case of a Wakala Series, the Wakala Portfolio Value, is derived from Tangible Wakala Assets or, (ii) in the case of a Wakala/Mudaraba Series, the aggregate of the Wakala Portfolio Value and the Mudaraba Portfolio Value, is derived from Tangible Wakala Assets and/or Tangible Mudaraba Assets;
- (iii) shall use all reasonable endeavours to procure that, at all times, at least 33 per cent. of the Wakala Portfolio Value is derived from Tangible Wakala Assets and if, at any time, the minimum tangibility requirements

set out in this paragraph and paragraph (ii) above (the **Minimum Tangible Assets Requirement**) is not satisfied, the Servicing Agent shall (in the case of the tangibility requirement in paragraph (ii) above, in conjunction with any measures taken by the Mudarib under the Mudaraba Agreement) use all reasonable endeavours to acquire as soon as reasonably practicable thereafter (whether through the substitution, in accordance with the Service Agency Agreement and the Purchase Undertaking, of Intangible Wakala Assets for Tangible Wakala Assets or the acquisition, for and on behalf of the Trustee pursuant to paragraph (v) below, of further Tangible Wakala Assets through the utilisation of Wakala Portfolio Principal Revenues) sufficient Tangible Wakala Assets to satisfy the Minimum Tangible Assets Requirement;

- (iv) shall use all reasonable endeavours to manage the Wakala Portfolio to ensure that the Wakala Portfolio Value is at all times at least equal to the Purchase Price paid by the Trustee (in its capacity as Purchaser) under the relevant Purchase Agreement less the Wakala Percentage of any relevant Surrender Amount;
- (v) shall use all reasonable endeavours to reinvest all Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Amount in acquiring or originating (as applicable) further Eligible Wakala Assets such that the further Eligible Wakala Assets so acquired or originated are included in the Wakala Portfolio, subject to (i) the Value of such further Eligible Wakala Assets being (A) in the case of Tangible Wakala Assets, not less than and (B) in the case of Intangible Wakala Assets, equal to, the consideration given as the purchase price of or the amounts otherwise applied in the acquisition of such assets; (ii) in any case where the further Eligible Wakala Assets comprise Intangible Wakala Assets, the Servicing Agent shall be obliged to originate new Intangible Wakala Assets and (iii) such further Eligible Wakala Assets being Eligible Wakala Assets in respect of which the Servicing Agent shall represent and warrant on the date of such acquisition or origination (as the case may be) as follows:
  - (a) each Eligible Wakala Asset being acquired, immediately prior to its acquisition, by the Servicing Agent on behalf of the Trustee, is owned by or on behalf of the Bank free and clear of any adverse claim (subject to certain limited exceptions) and upon the utilisation of Wakala Portfolio Principal Revenues in respect thereof, the Servicing Agent will, on behalf of the Trustee, acquire such Eligible Wakala Asset, together with all the rights, title, interests, benefits and entitlements in, to and under such Eligible Wakala Asset, free and clear of any adverse claim (subject as aforesaid);
  - (b) that each Wakala Asset in which Wakala Portfolio Principal Revenues are being reinvested is an Eligible Wakala Asset;
  - (c) the Value of each Eligible Wakala Asset ascribed by the Servicing Agent is true, accurate and correct as at such date;
  - (d) that it has the power and capacity to originate new Eligible Wakala Assets or (as applicable) to acquire the applicable Eligible Wakala Assets in the manner specified by the Service Agency Agreement; and
  - (e) that each such Eligible Wakala Asset complies in all material respects with Sharia principles as laid down by the Bank's Sharia Supervisory Committee;
- (vi) shall do all acts and things that it considers reasonably necessary to ensure the assumption of, and compliance by each Wakala Asset obligor with its covenants, undertakings or other obligations in respect of the Wakala Assets in accordance with the relevant contractual terms;
- (vii) shall discharge or procure the discharge of all obligations to be discharged by the Bank (in whatever capacity) in respect of any of the Wakala Assets under all related contracts, it being acknowledged that the Servicing Agent may appoint one or more agents to discharge these obligations on its behalf;
- (viii) in relation to the Istisna'a Assets use its reasonable endeavours to:
  - (a) procure the delivery of the Istisna'a Assets in accordance with the relevant Transaction Documents relating to the Istisna'a Assets; and
  - (b) ensure that the design and construction of the Istisna'a Assets is carried out in accordance with all applicable laws and good industry practice,provided that any breach of the obligations in this paragraph (viii) above by the Servicing Agent shall not constitute a breach of the Servicing Agency Agreement for the purposes of any Obligor Event but shall result in the Servicing Agent being required to substitute the relevant Istisna'a Assets in accordance with the terms of the Servicing Agency Agreement;
- (ix) shall pay on behalf of the Trustee any actual costs, expenses, losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio;

- (x) shall use all reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues, investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable endeavours to collect or enforce the collection of such Wakala Portfolio Revenues under all related contracts as and when the same shall become due;
- (xi) shall use all reasonable endeavours to ensure that the Wakala Portfolio Income Revenues are at least equal to the Expected Wakala Portfolio Return (together with any additional amounts to be paid pursuant to the Service Agency Agreement), provided that such Expected Wakala Portfolio Return shall be reduced from time upon any redemption and/or cancellation of any of the Certificates of the relevant Series in accordance with the Conditions such that the Expected Wakala Portfolio Return shall be determined by reference to the then outstanding Certificates of such Series;
- (xii) shall maintain the Collection Accounts in accordance with the terms of the Service Agency Agreement;
- (xiii) shall obtain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Service Agency Agreement;
- (xiv) ensure all Wakala Asset obligors in respect of the Tangible Wakala Assets maintain insurance in an amount not less than the Value of the relevant Tangible Wakala Assets, such that the proceeds of the insurance are paid within 30 days of the occurrence of the total loss, and fulfil all structural repair and major maintenance obligations, in respect of the relevant Tangible Wakala Assets in accordance with their applicable contractual terms;
- (xv) in the event of the total loss of a Tangible Wakala Asset, if the insurance proceeds received by the Servicing Agent in respect of such Tangible Wakala Asset are less than the Value of such Asset (the **Total Loss Shortfall**), and if the Servicing Agent is unable to prove beyond a reasonable doubt that it has complied with its obligations relating to such insurances, including without limitation the obligation in paragraph (xiv) above, the Servicing Agent shall, on the 31st calendar day following such total loss, irrevocably and unconditionally indemnify the Trustee for the shortfall by crediting the aggregate of any such Total Loss Shortfall amounts to the Principal Collection Account;
- (xvi) may provide (or may procure the provision of, as applicable) a Liquidity Facility in the circumstances and on the terms described below;
- (xvii) it will, on the same day as a substitution instruction is issued under the Service Agency Agreement or the Master Purchase Agreement, deliver a substitution notice (on behalf of the Trustee), to the Bank in accordance with the Purchase Undertaking;
- (xviii) wherever the Servicing Agent procures insurance in accordance with the terms of the Service Agency Agreement it shall use its reasonable endeavours to obtain such insurance on a takaful basis if such takaful insurance is available on commercially viable terms. For the avoidance of doubt, the parties to the Service Agency Agreement shall acknowledge that a failure by the Servicing Agent to comply with its obligations under this provision shall not constitute an Obligor Event for the purposes of the Purchase Undertaking and the Conditions; and
- (xix) will carry out any incidental matters relating to any of the above.

The Servicing Agent shall perform its duties under the Service Agency Agreement in accordance with all applicable laws and regulations, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that complies in all material respects with the Sharia principles laid down by the Bank's Sharia Supervisory Committee.

The Bank shall be entitled to receive a fee for acting as Servicing Agent which will comprise a fixed fee of U.S.\$100 and may also receive incentive payments as described below.

In the Service Agency Agreement, the Trustee and the Servicing Agent agree that, in relation to each Series, (a) (provided that no Dissolution Event has occurred and is continuing) the Servicing Agent may on behalf of the Trustee at any time; and (b) (whether or not a Dissolution Event has occurred and is continuing) upon becoming aware of any default (howsoever described) in respect of any Wakala Asset shall use its reasonable endeavours to, substitute any one or more Wakala Assets (the **Substituted Wakala Assets**) as the Servicing Agent may in its absolute discretion select (subject to any Wakala Asset(s) to be substituted being the Wakala Asset(s) in respect of which a default (howsoever described) has occurred, if applicable) by delivering to the Trustee a substitution instruction in accordance with the Service Agency Agreement whereupon the Servicing Agent shall (on behalf of the Trustee) exercise the Trustee's right under the Purchase Undertaking. The substitute Wakala Asset(s) for these purposes (the **New Wakala Assets**) shall be Eligible Wakala Asset(s) of a Value not less than the value of the consideration paid for the Substituted Wakala Assets when they first became part of the Wakala Portfolio after

deduction of all Wakala Portfolio Principal Revenues relating to such Substituted Wakala Assets which have been credited to the Principal Collection Account in accordance with the Service Agency Agreement, and provided further that each New Wakala Asset is a Tangible Wakala Asset. In addition, the Servicing Agent shall represent and warrant on the date on which the relevant substitution is effected that:

- (i) the New Wakala Assets, immediately prior to their assignment and/or transfer (as applicable) in accordance with the Purchase Undertaking, are owned by or on behalf of the Bank free and clear of any adverse claim (subject to certain limited exceptions) and upon the assignment and/or transfer (as applicable) of the applicable Substituted Wakala Assets therefor the Trustee will acquire such New Wakala Assets, together with all the rights, title, interests, benefits and entitlements in, to and under such New Wakala Asset, free and clear of any adverse claim (subject as aforesaid) pursuant to the provisions of the Purchase Undertaking;
- (ii) each New Wakala Asset is an Eligible Wakala Asset;
- (iii) the Value of each New Wakala Asset ascribed by the Servicing Agent is true, accurate and correct as of such date; and
- (iv) each New Wakala Asset complies in all material respects with Sharia principles as laid down by the Bank's Sharia Supervisory Committee,

and any such substitution shall otherwise be undertaken on the terms and subject to the conditions of the Service Agency Agreement **and** the Purchase Undertaking.

The Servicing Agent will maintain, in relation to each Series, three separate book-entry ledger accounts (referred to as the **Principal Collection Account**, the **Income Collection Account** and the **Wakala Reserve Collection Account**, respectively, and, together, the **Collection Accounts**) in which all revenues from the Wakala Assets (the **Wakala Portfolio Revenues**) will be recorded.

All Wakala Portfolio Revenues relating to a Series in the nature of capital or principal payments in respect of the relevant Wakala Assets (which, in the case of any Murabaha Receivable, means all amounts received in respect of that Murabaha Receivable, including any proceeds from its assignment or transfer, to the extent such amounts correspond to the Value of the Murabaha Receivable other than any Murabaha profit) (the **Wakala Portfolio Principal Revenues**), shall be credited to the applicable Principal Collection Account and reinvested by the Servicing Agent in acquiring or originating further Eligible Wakala Assets. All Wakala Portfolio Revenues other than Wakala Portfolio Principal Revenues (the **Wakala Portfolio Income Revenues**) for that Series shall be credited to the applicable Income Collection Account.

In relation to each Series, amounts standing to the credit of the Income Collection Account will be applied by the Servicing Agent on the Business Day immediately preceding each Periodic Distribution Date in the following order of priority:

- (i) *first*, in repayment to the Servicing Agent of any amounts advanced by way of a Liquidity Facility;
- (ii) *second*, in payment to the Servicing Agent on behalf of the Trustee of any Service Agency Liabilities Amounts for the period corresponding to the Return Accumulation Period ending on that Periodic Distribution Date or any Service Agency Liabilities Amounts for any previous periods that remain unpaid;
- (iii) *third*, to pay into the Transaction Account an amount equal to the lesser of (i) the Wakala Percentage of the Required Amount payable on the immediately following Periodic Distribution Date and (ii) the balance of the Income Collection Account; and
- (iv) *fourth*, 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 Wakala Reserve Collection Account.

On the Business Day immediately preceding any Dissolution Date which is not a Dissolution Event Redemption Date or (in the case of a Dissolution Date which is a Dissolution Event Redemption Date) on the applicable Dissolution Event Redemption Date, the Servicing Agent shall be obliged to pay an amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the applicable Wakala Exchange Rate) equal to the amount of any Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Account (or in the case of a redemption of some but not all of the Certificates, a corresponding portion thereof) into the Transaction Account.

If there is a shortfall at any relevant time in relation to a Series between the amounts standing to the credit of the Transaction Account and the Required Amount payable on the immediately following Periodic Distribution Date, amounts standing to the credit of the Wakala Reserve Collection Account may be applied towards such shortfall. If a shortfall remains following such application, together with the corresponding application of any amounts

standing to the credit of the Mudaraba Reserve Account in the case of a Wakala/Mudaraba Series as described below, the Servicing Agent may also advance (or may procure the advance of, as applicable) amounts to the Trustee by way of a Liquidity Facility to ensure the Trustee receives the Required Amount on such Periodic Distribution Date to pay the relevant Periodic Distribution Amount, by paying the amounts so advanced into the Transaction Account on the Business Day immediately preceding the relevant Periodic Distribution Date. Any Liquidity Facility shall be provided on terms that it is repayable from Wakala Portfolio Income Revenues in accordance with the Service Agency Agreement or on the Dissolution Date.

The Servicing Agent will be entitled to deduct amounts standing to the credit of the Wakala 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 any shortfall as described above.

The Servicing Agent shall keep detailed records of all movements in the Collection Accounts for each Series and, if so requested, provide the Trustee with copies of such records and any other information or details in relation to the Collection Accounts as the Trustee may reasonably request. Following payment of all amounts due and payable under the Certificates of a Series on its Dissolution Date, the Servicing Agent shall be entitled to retain any amounts that remain standing to the credit of the Wakala Reserve Collection Account for that Series for its own account as an incentive payment for acting as Servicing Agent.

The Servicing 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 without set-off or counterclaim of any kind. If there is any deduction or withholding, the Servicing 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 deduction or withholding had been made. The payment obligations of the Servicing Agent under the Service Agency Agreement in relation to a Series will be direct, unconditional, unsecured and general obligations of the Bank which rank (save for such exceptions as may be provided by applicable legislation) at least *pari passu* with all other unsecured, unsubordinated monetary obligations of the Bank, present and future.

For these purposes:

**applicable Wakala Exchange Rate** means, in the case of any amount paid or payable in respect, or any face amount, principal amount or par value, of a Wakala Asset (including any amount of Wakala Portfolio Principal Revenues) that is in a currency (the **Wakala Currency**) other than the Specified Currency, the spot rate of exchange at which the Servicing Agent is able to purchase the Specified Currency with such amount of the Wakala Currency on the date on which the Wakala Currency is required to be exchanged into the Specified Currency in accordance with the Service Agency Agreement (or if it is not practicable to make such purchase on such date, on the immediately preceding date on which it is so practicable), without taking into account any premium or other costs of exchange;

**Intangible Wakala Assets** means a Murabaha Receivable, Istisna'a Asset or Other Intangible Sharia Compliant Asset that is an Eligible Wakala Asset;

**Required Amount** means, in relation to each Series:

- (i) in respect of an amount payable on a Periodic Distribution Date, an amount equal to the aggregate of all Periodic Distribution Amounts payable on each such Periodic Distribution Date in respect of the Certificates of such Series; or
- (ii) in respect of an amount payable on a Dissolution Date (other than a Certificateholder Put Right Date or an Optional Dissolution Date), an amount equal to the aggregate of all accrued and unpaid Periodic Distribution Amounts payable on such Dissolution Date in respect of the Certificates of such Series; or
- (iii) in relation to an amount payable on a Certificateholder Put Right Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Certificateholder Put Right Date in respect of the Certificates to be redeemed on such Certificateholder Put Right Date; or
- (iv) in relation to an amount payable on an Optional Dissolution Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Optional Dissolution Date in respect of the Certificates to be redeemed on such Optional Dissolution Date,

together with, in each case, an amount equal to the amounts payable pursuant to Conditions 5(a)(i) and 5(b)(ii) (as the case may be), in each case provided that the Bank has received notification from the relevant party by the date specified for such purpose in the Service Agency Agreement;

**Service Agency Liabilities Amount** means, in relation to each Series, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Servicing Agent or other payments made by the Servicing Agent

on behalf of the Trustee as may from time to time be notified in writing by the Servicing Agent to the Trustee, in each case in providing the relevant services during the relevant period but does not include any amount due to the Servicing Agent under the Service Agency Agreement in respect of any Liquidity Facility;

**Surrender Amount** means, in relation to a Series, the aggregate face amount of any Certificates cancelled by the Trustee pursuant to Condition 8;

**Tangible Wakala Asset** means an Ijara Asset or Other Tangible Sharia Compliant Asset that is an Eligible Wakala Asset;

**Value** means:

- (i) in respect of any Wakala Asset, the amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the applicable Wakala Exchange Rate) determined by the Servicing Agent on the relevant date as being equal to:
  - (a) in the case of an Ijara Asset or Other Tangible Sharia Compliant Asset, the aggregate of all outstanding fixed rental instalment amounts payable by the relevant lessee or other equivalent fixed instalment amounts payable by the relevant obligor, as applicable, in each case in the nature of capital or principal payments in respect of the relevant asset, each of which is payable to the Bank under or in respect of the contract relating to the relevant Ijara Asset or Other Tangible Sharia Compliant Asset (in each case, whether then due and unpaid or due and payable on or after such date), as applicable;
  - (b) in the case of an Istisna'a Asset, the aggregate of all outstanding fixed rental amounts payable in the nature of capital or principal payments by the relevant obligor to the Bank under the relevant Sharia compliant financing contract; or
  - (c) in the case of a Murabaha Receivable or Other Intangible Sharia Compliant Asset, the aggregate of the outstanding amounts payable in respect of such Murabaha Receivable or Other Intangible Sharia Compliant Asset, provided that for the purposes of: (A) the consideration payable in connection with (x) the purchase of the Initial Wakala Portfolio and each Murabaha Receivable or Other Intangible Sharia Compliant Asset subsequently originated and comprising part of the Wakala Portfolio from time to time, (y) the substitution of any Murabaha Receivable or Other Intangible Sharia Compliant Asset in accordance with the Service Agency Agreement, the Purchase Undertaking or the Master Purchase Agreement from time to time and (z) the sale and purchase or (as applicable) assignment and/or transfer of any Murabaha Receivable or Other Intangible Sharia Compliant Asset pursuant to the Purchase Undertaking or (as applicable) the Sale Undertaking; and (B) any representations and warranties given in respect of the Value of a Murabaha Receivable or Other Intangible Sharia Compliant Asset and the requirement to maintain the Value of the Wakala Portfolio from time to time in each case of (A) and (B) in accordance with the applicable provisions of the relevant Transaction Documents, the **Value** shall mean the aggregate of the outstanding amounts payable in respect of such Murabaha Receivable or Other Intangible Sharia Compliant Asset in the nature of capital or principal payments;
- (ii) in the case of any Wakala Portfolio Principal Revenues, the amount of such Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Account on such date; and
- (iii) in respect of the relevant Wakala Portfolio, the aggregate of the amounts determined under paragraphs (i) and (ii) above in respect of the Wakala Assets and the Wakala Portfolio Principal Revenues so comprising the Wakala Portfolio on such date;

**Wakala Portfolio** means, in relation to each Series (i) the Initial Wakala Portfolio related to that Series, (ii) from the time of any acquisition or origination of a Wakala Asset by the Servicing Agent in accordance with the Service Agency Agreement or substitution of a Wakala Asset in accordance with the Master Purchase Agreement or the Service Agency Agreement (as applicable) and in each case the Purchase Undertaking, shall include the Eligible Wakala Asset(s) so acquired or originated (as applicable) or substituted for the relevant Wakala Asset and cease to include the Wakala Asset so substituted (but shall not include in the case of (i) or (ii) above any obligations or liabilities of the Bank in respect of any such assets accruing prior to the date upon which the relevant Wakala Asset became part of the Wakala Portfolio (other than in its capacity as Servicing Agent)), (iii) from the time of any other sale or transfer of a Wakala Asset to the Bank in accordance with the Sale Undertaking or purchase or transfer of a Wakala Asset by the Bank pursuant to the Purchase Undertaking, shall cease to include the Wakala Asset so sold, transferred or purchased and (iv) at any time, the Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Account on the relevant date; and

**Wakala Portfolio Value** means the Value of a Wakala Portfolio.

### ***Master Restricted Mudaraba Agreement***

The Master Restricted Mudaraba Agreement will be entered into on 16 January 2019 between the Trustee (in its capacity as Trustee and as Rabb-al-Maal) and the Bank (in its capacity as Mudarib) and will be governed by English law. A Supplemental Restricted Mudaraba Agreement between the same parties will be entered into on the Issue Date of each Wakala/Mudaraba Series which will also be governed by English law (the Master Restricted Mudaraba Agreement as supplemented by the relevant Supplemental Restricted Mudaraba Agreement for each Series, the **Restricted Mudaraba Agreement**).

Pursuant to the Restricted Mudaraba Agreement, the Rabb-al-Maal will agree that, on the Issue Date of each Wakala/Mudaraba Series, it shall invest the Mudaraba Percentage of the Issue Proceeds as the initial Mudaraba Capital relating to that Series with the Mudarib and the Mudarib agrees to invest and manage the Mudaraba Capital, in each case, in accordance with the relevant Restricted Mudaraba Agreement (which shall include the relevant Mudaraba Investment Plan). The Mudaraba Investment Plan, in relation to each Wakala/Mudaraba Series, will specify, among other things, the expected return from the Mudaraba Assets which the parties commercially intend to achieve during the term of the Mudaraba (the **Expected Mudaraba Return**).

Pursuant to the Mudaraba Agreement, the Mudarib will unconditionally and irrevocably undertake, in relation to each Wakala/Mudaraba Series, to:

- (i) on each Issue Date of a Wakala/Mudaraba Series, invest the Mudaraba Capital of the relevant Mudaraba (and on each date on which any additional Certificates are issued, invest the Additional Mudaraba Capital) in accordance with the terms of the relevant Restricted Mudaraba Agreement, including the relevant Mudaraba Investment Plan solely in Eligible Mudaraba Assets (including an undivided ownership interest in such assets) the Value of which is (a) in the case of Tangible Mudaraba Assets, not less than and (b) in the case of Sharia Compliant Investments, equal to, the value of the consideration given for each such asset as at the date upon which it becomes part of the Mudaraba Portfolio;
- (ii) in conjunction with the Servicing Agent, (A) ensure that on the Issue Date of a Wakala/Mudaraba Series at least 51 per cent. of, and (B) use all reasonable endeavours to procure that at all times after the Issue Date, at least 33 per cent. of, the aggregate of the relevant Mudaraba Portfolio Value and Wakala Portfolio Value is derived from Tangible Mudaraba Assets and/or Tangible Wakala Assets (the **Minimum Tangible Asset Requirement**); and if, at any time, the Minimum Tangible Asset Requirement is not satisfied, the Mudarib shall (in conjunction with any measures taken by the Servicing Agent under the Service Agency Agreement) use all reasonable endeavours to identify for investment, as soon as reasonably practicable thereafter, sufficient Tangible Mudaraba Assets to satisfy the Minimum Tangible Asset Requirement and on such identification shall promptly reinvest in the Tangible Mudaraba Assets it has so identified an amount of Mudaraba Portfolio Principal Revenues and/or to the extent that insufficient Mudaraba Portfolio Principal Revenues are then held by the Mudarib, the Sharia Compliant Investments comprised within the Mudaraba Portfolio equal to the Value of such Tangible Mudaraba Assets;
- (iii) as soon as reasonably practicable, reinvest all Mudaraba Portfolio Principal Revenues received (if any) in relation to the Mudaraba in additional Eligible Mudaraba Assets in each case in accordance with the terms of the relevant Restricted Mudaraba Agreement, including the relevant Mudaraba Investment Plan. Such additional Eligible Mudaraba Assets will form part of the Mudaraba Portfolio of the relevant Mudaraba from the date of such investment and the value of the consideration given for such assets shall be (a) in the case of any Tangible Mudaraba Assets, not less than and (b) in the case of any Sharia Compliant Investments, equal to the Value of such assets;
- (iv) in relation to each Mudaraba, monitor, subject to and in accordance with the usual and standard practices of the Bank from time to time, the Value and income generating properties of the Mudaraba Assets and use all reasonable endeavours to manage the Mudaraba Portfolio to ensure that the Mudaraba Portfolio Value is at all times at least equal to the Mudaraba Capital less the Mudaraba Percentage of any relevant Surrender Amount;
- (v) use all reasonable endeavours to ensure that lessees in respect of the Real Estate Ijara Assets and the Non-Real Estate Ijara Assets and other obligors in respect of Other Tangible Sharia Compliant Assets maintain insurance in an amount not less than the Value of the relevant Tangible Mudaraba Assets comprised within the Mudaraba Portfolio and fulfil all structural repair and major maintenance obligations in respect of such Tangible Mudaraba Assets (each in accordance with the relevant contractual terms);
- (vi) in the event of the total loss of a Tangible Mudaraba Asset, if the insurance proceeds received by the Mudarib in respect of such asset are less than the Value of such Asset (the **Total Loss Shortfall**), and if the Mudarib is unable to prove beyond a reasonable doubt that it has complied with its obligations relating to such insurances, including without limitation the obligation in paragraph (v) above, the Mudarib shall

indemnify the Trustee for the shortfall by crediting the aggregate of any such Total Loss Shortfall amounts to the Principal Collection Account;

- (vii) use all reasonable endeavours to ensure the timely receipt of all Mudaraba Portfolio Principal Revenues and Mudaraba Profit, if any, investigate non-payment of the same and generally make all reasonable efforts to collect or enforce the collection of such amounts in respect of all Non-Real Estate Ijara Assets, Real Estate Ijara Assets and Other Tangible Sharia Compliant Assets as and when the same shall become due;
- (viii) use all reasonable endeavours to ensure that the Mudaraba Profit received in respect of each profit distribution period is at least equal to the Expected Mudaraba Return (together with any additional amounts to be paid pursuant to the Restricted Mudaraba Agreement), provided that such Expected Mudaraba Return shall be reduced from time to time upon any redemption and/or cancellation of any of the Certificates of the relevant Series in accordance with the Conditions such that the Expected Mudaraba Return shall be determined by reference to the then outstanding Certificates of such Series;
- (ix) exercise such rights, powers and discretions as arise under any Restricted Mudaraba Agreement (together with any other incidental rights, powers, authorities and discretions), and take such action as it deems appropriate, in each case:
  - (a) in accordance with applicable laws and regulations;
  - (b) with the degree of skill and care that it would exercise in respect of its own assets; and
  - (c) in a manner that complies in all material respects with the Sharia principles laid down by the Bank's Sharia Supervisory Committee;
- (x) in relation to each Mudaraba, maintain separate ledger accounts (the **Mudaraba Accounts**) to record:
  - (a) any amounts received in the nature of capital or principal payments in respect of the Mudaraba Assets (**Mudaraba Portfolio Principal Revenues**);
  - (b) the amount of Mudaraba Profit for each period corresponding to a Return Accumulation Period; and
  - (c) any amount of Mudaraba Profit remaining on the Business Day immediately preceding each Periodic Distribution Date after deducting amounts payable to the Rabb-al-Maal.

In each Restricted Mudaraba Agreement, the Mudarib and the Rabb-al-Maal will acknowledge and agree in relation to each Mudaraba (a) (provided that no Dissolution Event has occurred and is continuing in respect of the relevant Wakala/Mudaraba Series) the Bank may at any time request the Mudarib to substitute and (b) (whether or not a Dissolution Event has occurred and is continuing) upon any breach of the representations and warranties given in relation to a Mudaraba Asset the Mudarib shall so substitute and, upon any default or potential default (howsoever described) in respect of any Mudaraba Asset, shall use its reasonable endeavours to so substitute, any one or more of the Mudaraba Assets as the Mudarib may select (subject to any Mudaraba Asset(s) to be substituted being the Mudaraba Asset(s) in respect of which such default or potential default has occurred or the Mudaraba Asset not in compliance with such representations and warranties, if applicable). The substitute Mudaraba Asset(s) for these purposes shall be Eligible Mudaraba Assets that are Tangible Mudaraba Assets of a Value not less than the value of the consideration paid for such substituted Mudaraba Asset(s) when it or they (as applicable) first became part of the Mudaraba Portfolio, after deduction of all Mudaraba Portfolio Principal Revenues relating to such Mudaraba Asset(s) which have been credited to the relevant Mudaraba Account in accordance with the Master Restricted Mudaraba Agreement) and any such substitution shall otherwise be undertaken on the terms and subject to the conditions of the relevant Restricted Mudaraba Agreement.

In relation to each Wakala/Mudaraba Series, the amount of any profit earned from the investment of the Mudaraba Capital by the Mudarib during the relevant profit distribution period being an amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the applicable Mudaraba Exchange Rate) equal to all revenues earned and received in respect of the Mudaraba Assets during such profit distribution period, minus the aggregate of (a) any Mudaraba Portfolio Principal Revenues received in respect of the Mudaraba Assets during the relevant profit distribution period; (b) any costs (consisting of direct costs and allocated costs) and/or specific provisions associated with the Mudaraba Assets during the relevant profit distribution period; and (c) any taxes incurred in connection with the Restricted Mudaraba Agreement (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the relevant profit distribution period) but excluding the Mudarib's obligations (if any) to pay any taxes or additional amounts under, or in connection with, the Conditions, in each case as reflected in the Mudaraba Accounts shall constitute the **Mudaraba Profit**.

Any Mudaraba Profit in respect of a profit distribution period will be allocated between the Rabb-al-Maal and the Mudarib in accordance with a profit sharing ratio of 99 per cent. for the Rabb-al-Maal and one per cent. for



the Mudarib. The Mudarib will distribute the Rabb-al-Maal's share of such Mudaraba Profit by payment of the same into the relevant Transaction Account on the date of its determination.

If, in relation to a Wakala/Mudaraba Series, the Rabb-al-Maal's share of any Mudaraba Profit to be paid by the Mudarib into the Transaction Account on any relevant determination date is greater than the Mudaraba Percentage of the Required Amount for that Series on the immediately following Periodic Distribution Date, the amount of any excess shall be retained by the Mudarib as a reserve and credited to a reserve book-entry ledger account (the **Mudaraba Reserve Account**) and the amount payable to the Transaction Account in respect of such Mudaraba Profit shall be reduced accordingly. If there is a shortfall on such date or on a Dissolution Date between the amounts standing to the credit of the Transaction Account (after payment into the Transaction Account of the Rabb-al-Maal's share of any Mudaraba Profit and any other amounts to be paid into the Transaction Account on such date in accordance with the other Transaction Documents) and the Required Amount payable on the immediately following Periodic Distribution Date or the Dissolution Date, as the case may be, amounts standing to the credit of the applicable Mudaraba Reserve Account (or a portion thereof where some only of the Certificates of a Series are to be redeemed on a Dissolution Date) may be applied towards such shortfall.

The Mudarib will be entitled to deduct amounts standing to the credit of any Mudaraba Reserve 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 described above. After all amounts due and payable under the Certificates of the relevant Wakala/Mudaraba Series have been paid in full, the Mudarib shall be entitled to retain the remaining balance (if any) of the Mudaraba Reserve Account for its own account as an incentive payment for its performance as Mudarib.

In relation to each Wakala/Mudaraba Series, where all Certificates of a Series are to be redeemed on a Dissolution Date, the relevant Mudaraba, or where some only of the Certificates of a Series are to be redeemed on a Dissolution Date, a portion of the Mudaraba Portfolio will be liquidated on the Business Day immediately preceding the relevant Dissolution Date or, where the Dissolution Date is a Dissolution Event Redemption Date, on such Dissolution Event Redemption Date by the Mudarib, and through such liquidation the Mudarib will (i) return to the Rabb-al-Maal an amount in the Specified Currency equal to the Mudaraba Portfolio Value for that Mudaraba (or the Value of the relevant portion of the Mudaraba Portfolio that is liquidated where some only of the Certificates of a Series are to be redeemed on a Dissolution Date) (provided that the Rabb-al-Maal's share of the final liquidation proceeds shall not exceed the Mudaraba Capital) and (ii) pay to the Rabb-al-Maal its share of any Mudaraba Profit realised upon such liquidation (provided that the Rabb-al-Maal's share of such Mudaraba Profit to be paid into the Transaction Account shall not be greater than the Mudaraba Percentage of the Required Amount on such date as described above) by payment of the same into the Transaction Account on the Business Day immediately preceding the Dissolution Date or, where the Dissolution Date is a Dissolution Event Redemption Date, on such Dissolution Event Redemption Date.

Following any purchase of Certificates of a Series by the Bank or any Subsidiary of the Bank pursuant to Condition 8(f), if the Bank elects to cancel such Certificates in accordance with Condition 8(g), the Mudarib shall also liquidate a portion of the Mudaraba Portfolio in the manner described above and release to the Rabb-al-Maal a corresponding portion of the relevant Mudaraba Assets the Value of which shall be equal to the cancellation percentage (being the aggregate face amount of the Certificates to be cancelled divided by the aggregate face amount of the Certificates then outstanding, expressed as a percentage) of the aggregate Value of the Mudaraba Assets as at the relevant Cancellation Date against the cancellation of the applicable Certificates of that Series so purchased.

The Mudarib will agree in the Restricted Mudaraba Agreement that all payments by it under the Restricted Mudaraba Agreement will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind. If there is any deduction or withholding, the Mudarib shall pay all additional amounts as will result in the receipt by the Rabb-al-Maal of such net amounts as would have been received by it if no deduction or withholding had been made. Further, the obligations of the Mudarib in relation to a Series shall be direct, unconditional, unsubordinated and unsecured obligations of the Bank which rank (save for such exceptions as may be provided by applicable legislation) at all times at least *pari passu* with all other unsecured, unsubordinated monetary obligations of the Mudarib, present and future.

For these purposes:

**applicable Mudaraba Exchange Rate** means, in the case of any amount payable in respect, or any face amount or par value, of a Mudaraba Asset (including any amount of Mudaraba Portfolio Principal Revenues) that is in a currency (the **Mudaraba Currency**) other than the Specified Currency, the spot rate of exchange at which the Mudarib is able to purchase the Specified Currency with such amount of the Mudaraba Currency on the date on which the Mudaraba Currency is required to be exchanged into the Specified Currency in accordance with this Agreement, without taking into account any premium or other costs of exchange;

**Eligible Mudaraba Asset** means:

- (i) a Real Estate Ijara Asset, a Non-Real Estate Ijara Asset and/or any Other Tangible Sharia Compliant Asset:
  - (a) in respect of which the relevant lessee or other obligor is not in breach of its payment obligations in respect of the relevant Real Estate Ijara Asset, Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset;
  - (b) which has been acquired or originated or is held or owned by or on behalf of the Bank in a manner consistent with its usual credit and origination and/or investment policies;
  - (c) which constitutes legal, valid, binding and (subject to the laws of bankruptcy and other laws affecting the rights of creditors generally) enforceable obligations of the relevant lessee and/or obligor (as applicable) thereof in the jurisdiction in which it is located and the jurisdiction in which any related asset is located;
  - (d) in respect of which the Bank is entitled to receive all payments due or proceeds of sale (as the case may be);
  - (e) which is free and clear of any adverse claim (subject to limited exceptions); and
  - (f) in respect of which there has not occurred any event of default (howsoever described) which is subsisting, acceleration or analogous event; or
- (ii) a Sharia Compliant Investment;

**Mudaraba Portfolio** means, in relation to a Mudaraba (i) the Initial Mudaraba Portfolio, (ii) from the time of any substitution of a Mudaraba Asset or investment in further Mudaraba Assets in accordance with the Restricted Mudaraba Agreement and the Mudaraba Investment Plan, shall include the Eligible Mudaraba Asset(s) substituted for the relevant Mudaraba Asset or in which the Mudarib further invests and cease to include the Mudaraba Asset so substituted, as applicable, (iii) from the time of any release of Mudaraba Assets from, or liquidation of, the Mudaraba, in each case in accordance with the Restricted Mudaraba Agreement, shall cease to include any assets released or liquidated from time to time as a result of an early redemption of the Certificates or cancellation of Certificates in accordance with the Conditions and (iv) the Mudaraba Portfolio Principal Revenues then held by the Mudarib on the relevant date;

**Required Amount** means, in relation to each Wakala/Mudaraba Series:

- (i) in respect of an amount payable on a Periodic Distribution Date, an amount equal to the aggregate of all Periodic Distribution Amounts payable on each such Periodic Distribution Date in respect of the Certificates of such Series; or
- (ii) in respect of an amount payable on a Dissolution Date (other than a Certificateholder Put Right Date or an Optional Dissolution Date), an amount equal to the aggregate of all accrued and unpaid Periodic Distribution Amounts payable on such Dissolution Date in respect of the Certificates of such Series; or
- (iii) in relation to an amount payable on a Certificateholder Put Right Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Certificateholder Put Right Date in respect of the Certificates to be redeemed on such Certificateholder Put Right Date; or
- (iv) in relation to an amount payable on an Optional Dissolution Date, an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) payable on such Optional Dissolution Date in respect of the Certificates to be redeemed on such Optional Dissolution Date,

together with, in each case, an amount equal to the amounts payable pursuant to Conditions 5(a)(i) and 5(a)(ii) (as the case may be), in each case provided that the Bank has received notification from the relevant party by the date specified for such purpose in the Master Restricted Mudaraba Agreement;

**Tangible Mudaraba Asset** means a Real Estate Ijara Asset, Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset that is an Eligible Mudaraba Asset; and

**Value** means:

- (i) in respect of any Mudaraba Asset, the amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the applicable Mudaraba Exchange Rate) determined by the Mudarib on the relevant date as being equal to:
  - (a) in the case of a Real Estate Ijara Asset, Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset, the aggregate of all outstanding fixed rental instalment amounts payable by the

- relevant lessee or other equivalent fixed instalment amounts payable by the relevant obligor, as applicable, in each case, in the nature of capital or principal payments in respect of the relevant asset, each of which is payable to the Bank under or in respect of the relevant contracts relating to the Real Estate Ijara Asset, Non-Real Estate Ijara Asset or Other Tangible Sharia Compliant Asset (in each case, whether then due and unpaid or due and payable on or after such date), as applicable;
- (b) in the case of a Sharia Compliant Investment, its then outstanding face amount or par value; or
  - (c) in the case of any Mudaraba Portfolio Principal Revenues, the amount of such Mudaraba Portfolio Principal Revenues then recorded in the Principal Collection Account; and
- (ii) in respect of the relevant Mudaraba Portfolio, the aggregate of the amounts determined under paragraph (i) above in respect of the Mudaraba Assets comprising the Mudaraba Portfolio on such date.

***Purchase Undertaking***

The Purchase Undertaking will be executed as a deed on 16 January 2019 by the Bank in favour of the Trustee and the Delegate and will be governed by English law.

Pursuant to the Purchase Undertaking, the Bank will, in relation to each Series, irrevocably undertake in favour of the Trustee and the Delegate the right to require the Bank to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under:

- (i) the Wakala Assets on the Scheduled Dissolution Date, a Dissolution Event Redemption Date, and each Certificateholder Put Right Date, in each case provided that all Certificates of the relevant Series are to be redeemed in full on such date; or
- (ii) a proportion of the Wakala Assets on each Certificateholder Put Right Date on which some but not all of the Certificates of a Series are to be redeemed, where such proportion of Wakala Assets to be so purchased will be equal to the proportion that the Certificates to be redeemed on the relevant Certificateholder Put Right Date, as the case may be, bear to the aggregate of all such Certificates outstanding in respect of the relevant Series on such date,

in each case, in consideration for payment by the Bank of the relevant Exercise Price.

For these purposes:

**Exercise Price** means, in relation to each Series, the price payable by the Bank to the Trustee in respect of the purchase by the Bank of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets (or the relevant proportion thereof), which shall be an amount in the Specified Currency equal to the aggregate of:

- (i) the Value of the Wakala Assets (or the relevant proportion thereof) on the relevant Dissolution Event Redemption Date (in respect of the exercise of the right following the occurrence of a Dissolution Event) or the Business Day immediately preceding the Scheduled Dissolution Date or the Certificateholder Put Right Date, as the case may be;
- (ii) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates to be redeemed on such date;
- (iii) (provided that all Certificates of the relevant Series are to be redeemed on such date and only to the extent not previously satisfied in accordance with the Service Agency Agreement) an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility and (ii) Management Liabilities Amounts payable in respect of any distribution period (or part thereof, as applicable);
- (iv) an amount equal to the amounts payable pursuant to Conditions 5(b)(i) and 5(b)(ii) (as the case may be), in each case provided that the Bank has received notification from the relevant party by the date specified for such purpose in the Purchase Undertaking;
- (v) an amount equal to:
  - (a) (in the case of a Wakala Series) any decrease in the Value (as defined in the Service Agency Agreement) of the Wakala Assets (or the relevant proportion thereof) between the date on which such Wakala Asset(s) became part of the Wakala Portfolio and (in respect of a redemption on a Scheduled Dissolution Date or a Certificateholder Put Right Date) the Business Day immediately preceding such Scheduled Dissolution Date or Certificateholder Put Right Date or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date, in either case as a result of (x) the application thereto of the applicable Wakala Exchange Rate on (in respect

of a redemption on a Scheduled Dissolution Date or a Certificateholder Put Right Date) the Business Day immediately preceding the Scheduled Dissolution Date or Certificateholder Put Right Date or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date and/or (y) any failure by the Servicing Agent to substitute any Wakala Assets to be purchased pursuant to an exercise of the Purchase Undertaking in accordance with the Service Agency Agreement (in each case whether or not the Servicing Agent has used its reasonable endeavours to do so as provided therein) and/or (without double counting) any failure by the Seller to substitute any Wakala Assets to be purchased pursuant to an exercise of the Purchase Undertaking which are comprised in the Initial Wakala Portfolio in accordance with the Master Purchase Agreement, in each case (in respect of a redemption following the occurrence of a Dissolution Event) on or before the Dissolution Event Redemption Date or (in respect of a redemption on a Scheduled Dissolution Date or a Certificateholder Put Right Date) on or before the Business Day immediately preceding such Scheduled Dissolution Date or Certificateholder Put Right Date; or

- (b) (in the case of a Wakala/Mudaraba Series) the aggregate of:
- A. any decrease in the Value (as defined in the Service Agency Agreement) of the Wakala Assets (or the relevant portion thereof) between the date on which such Wakala Asset(s) became part of the Wakala Portfolio and (in respect of a redemption on a Scheduled Dissolution Date or a Certificateholder Put Right Date) the Business Day immediately preceding such Scheduled Dissolution Date or Certificateholder Put Right Date or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date, in either case as a result of (x) the application thereto of the applicable Wakala Exchange Rate on (in respect of a redemption on a Scheduled Dissolution Date or a Certificateholder Put Right Date) the Business Day immediately preceding the Scheduled Dissolution Date or Certificateholder Put Right Date or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date and/or (y) any failure by the Servicing Agent to substitute any Wakala Assets to be purchased pursuant to an exercise of the Purchase Undertaking in accordance with the Service Agency Agreement (in each case whether or not the Servicing Agent has used its reasonable endeavours to do so as provided therein) and/or (without double counting) any failure by the Seller to substitute any Wakala Assets to be purchased pursuant to an exercise of the Purchase Undertaking which are comprised in the Initial Wakala Portfolio in accordance with the Master Purchase Agreement, in each case (in respect of a redemption following the occurrence of a Dissolution Event) on or before the Dissolution Event Redemption Date or (in respect of a redemption on a Scheduled Dissolution Date or a Certificateholder Put Right Date) on or before the Business Day immediately preceding such Scheduled Dissolution Date or Certificateholder Put Right Date; and
  - B. any decrease in the Value (as defined in the Master Restricted Mudaraba Agreement) of the Mudaraba Assets to be liquidated pursuant to the Restricted Mudaraba Agreement (or the relevant portion thereof) between the date on which such Mudaraba Asset(s) became part of the Mudaraba Portfolio and (in respect of a redemption on a Scheduled Dissolution Date or a Certificateholder Put Right Date) the Business Day immediately preceding the Scheduled Dissolution Date or a Certificateholder Put Right Date, as the case may be or (in respect of a redemption following the occurrence of a Dissolution Event) the Dissolution Event Redemption Date, in either case as a result of (x) the application thereto of the applicable Mudaraba Exchange Rate (in respect of a redemption on a Scheduled Dissolution Date or a Certificateholder Put Right Date) on the Business Day immediately preceding the Scheduled Dissolution Date or a Certificateholder Put Right Date, as the case may be, or (in respect of a redemption following the occurrence of a Dissolution Event) on the Dissolution Event Redemption Date and/or (y) any failure by the Mudarib to substitute any Mudaraba Assets subject to liquidation in connection with a redemption of Certificates on a Scheduled Dissolution Date, a Dissolution Event Redemption Date or a Certificateholder Put Right Date, in accordance with the Master Restricted Mudaraba Agreement (in respect of a redemption on a Scheduled Dissolution Date or a Certificateholder Put Right Date) on the Business Day immediately preceding the Scheduled Dissolution Date or Certificateholder Put Right Date, as the case may be, or (in respect of a redemption following the occurrence of a Dissolution Event) on the Dissolution Event Redemption Date (whether or not the Mudarib has used its reasonable endeavours to do so as provided therein); and

- (vi) any other amounts payable in relation to the Certificates on the relevant Dissolution Event Redemption Date, Scheduled Dissolution Date or Certificateholder Put Right Date (as applicable) as specified in the applicable Final Terms,

less any amount (other than an amount of Wakala Portfolio Principal Revenues paid pursuant to the Service Agency Agreement) in the Specified Currency standing to the credit of the Transaction Account on the date on which payment of the Exercise Price is made in accordance with the Purchase Undertaking to the extent that such amount has been so credited pursuant to any other Transaction Document (including but not limited to as a result of the payment of any Wakala Portfolio Income Revenues and/or any amounts standing to the credit of the Wakala Reserve Collection Account in each case pursuant to the Service Agency Agreement and (in the case of a Wakala/Mudaraba Series) the payment of any Mudaraba Profit and/or amounts standing to the credit of the Mudaraba Reserve Account in each case pursuant to the Master Restricted Mudaraba Agreement).

If the Trustee or the Delegate exercises its option prior to the Scheduled Dissolution Date of the relevant Series, an exercise notice will be required to be delivered by the Trustee or the Delegate under the Purchase Undertaking.

Pursuant to the Service Agency Agreement, the Servicing Agent may, from time to time, and shall in certain circumstances substitute Substituted Wakala Assets for New Wakala Assets, as more particularly described above. In addition, pursuant to the Master Purchase Agreement, the Seller shall in certain circumstances substitute Substituted Wakala Assets for New Wakala Assets, as more particularly described above. To effect such substitution, the Bank shall irrevocably grant the right to the Trustee and the Delegate to require the Bank to purchase the New Wakala Assets against the assignment, transfer and or conveyance of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Substituted Wakala Assets pursuant to the Purchase Undertaking, provided that certain conditions are satisfied. This right shall be exercised by the Servicing Agent, on behalf of the Trustee, delivering a substitution notice to the Bank in accordance with the Purchase Undertaking.

The Bank will undertake in the Purchase Undertaking that if it fails to pay all or part of any Exercise Price when due (the **Outstanding Exercise Price**), it will automatically continue to act as Servicing Agent in respect of the relevant Wakala Assets in accordance with the terms of the Service Agency Agreement until payment of the Outstanding Exercise Price is made by it in full.

The Bank will further undertake in the Purchase Undertaking that if the Wakala Assets Exercise Price (as defined in the Purchase Undertaking) 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 Wakala Assets or any of them, or for any other reason whatsoever, the Bank 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 Wakala Assets Exercise Price.

The Bank will agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind. If there is any deduction or withholding, the Bank 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 deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 10, the Bank will undertake in the Purchase Undertaking to pay to the Trustee an amount equal to such additional amounts so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee.

Without prejudice to the negative pledge provisions contained in Condition 6(b), the payment obligations of the Bank under the Purchase Undertaking in relation to a Series will be direct, unconditional, unsubordinated and unsecured obligations of the Bank which rank (save for such exceptions as may be provided by applicable legislation) at least *pari passu* with all other unsecured, unsubordinated monetary obligations of the Bank, present and future.

In the Purchase Undertaking, the Bank will undertake to comply with Condition 6(b) and will agree that the Obligor Events applicable to it will be set out in full in the Conditions, and that the occurrence and continuation thereof shall constitute a Dissolution Event for the purposes of the Conditions and the Purchase Undertaking.

If a right granted pursuant to the Purchase Undertaking is exercised in accordance with its terms, the Trustee and the Bank will be required to enter into a sale or transfer agreement, substantially in the form set out as a schedule to the Purchase Undertaking.

### ***Sale Undertaking***

The Sale Undertaking will be executed as a deed on 16 January 2019 by the Trustee in favour of the Bank and will be governed by English law.

Pursuant to the Sale Undertaking, the Trustee will grant the right to the Bank to oblige the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under:

- (i) the Wakala Assets on the Early Tax Dissolution Date or on an Optional Dissolution Date, in each case provided that all Certificates of the relevant Series are to be redeemed in full on such date; or
- (ii) a proportion of the Wakala Assets on each Optional Dissolution Date on which some but not all of the Certificates of a Series are to be redeemed, where such proportion of Wakala Assets to be so purchased will be equal to the proportion that the Certificates to be redeemed on the relevant Optional Dissolution Date bears to the aggregate of all such Certificates outstanding in respect of the relevant Series on such date,

in each case in consideration for payment by the Bank of the relevant Exercise Price. For these purposes:

**Exercise Price** means, in relation to each Series (if applicable), the price payable by the Bank to the Trustee in respect of the purchase by the Bank of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets (or the relevant portion thereof), which shall be an amount in the Specified Currency equal to the aggregate of:

- (i) the Value of the Wakala Assets (or the relevant portion thereof) on the Business Day immediately preceding the Early Tax Dissolution Date or the Optional Dissolution Date, as the case may be;
- (ii) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates to be redeemed on the Early Tax Dissolution Date or the Optional Dissolution Date, as the case may be;
- (iii) (only where no Certificate of the relevant Series remains outstanding following the exercise of the Optional Dissolution Right or following an early redemption of Certificates for tax reasons and to the extent not previously satisfied in accordance with the Service Agency Agreement) an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility and (ii) Service Agency Liabilities Amounts payable in respect of any relevant distribution period (or part thereof, as applicable) in respect of the Wakala Portfolio;
- (iv) an amount equal to the amounts payable pursuant to Conditions 5(b)(i) and 5(b)(ii) (as the case may be), in each case provided that the Bank has received notification from the relevant party by the date specified for such purpose in the Sale Undertaking;
- (v) an amount equal to:
  - (a) (in the case of a Wakala Series) any decrease in the Value (as defined in the Service Agency Agreement) of the Wakala Assets (or the relevant portion thereof) between the date on which the relevant Wakala Asset(s) became part of the Wakala Portfolio and the Business Day immediately preceding the relevant Early Tax Dissolution Date or Optional Dissolution Date, as the case may be, as a result of (x) the application thereto of the applicable Wakala Exchange Rate on the Business Day immediately preceding the relevant Early Tax Dissolution Date or Optional Dissolution Date, as the case may be and/or (y) any failure by the Servicing Agent to substitute any Wakala Assets in respect of which the Sale Undertaking is exercised in accordance with the Service Agency Agreement (whether or not the Servicing Agent has used its reasonable endeavours to do so as provided therein) and/or (without double counting) any failure by the Seller to substitute any Wakala Assets in respect of which the Sale Undertaking is exercised which are comprised in the Initial Wakala Portfolio in accordance with the Master Purchase Agreement, in each case on or before the Business Day immediately preceding the relevant Early Tax Dissolution Date or Optional Dissolution Date, as the case may be; or
  - (b) (in the case of a Wakala/Mudaraba Series) any decrease in the aggregate of:
    - A. in the Value (as defined in the Service Agency Agreement) of the Wakala Assets (or the relevant portion thereof) between the date on which the relevant Wakala Asset(s) became part of the Wakala Portfolio and the Business Day immediately preceding the relevant Early Tax Dissolution Date or Optional Dissolution Date, as the case may be, as a result of (x) the application thereto of the applicable Wakala Exchange Rate on the Business Day immediately preceding the relevant Early Tax Dissolution Date or Optional Dissolution Date, as the case may be and/or (y) any failure by the Servicing Agent to substitute any Wakala Assets in respect of which the Sale Undertaking is exercised in accordance with the Service Agency Agreement

(whether or not the Servicing Agent has used its reasonable endeavours to do so as provided therein) and/or (without double counting) any failure by the Seller to substitute any Wakala Assets in respect of which the Sale Undertaking is exercised which are comprised in the Initial Wakala Portfolio in accordance with the Master Purchase Agreement, in each case on or before the Business Day immediately preceding the relevant Early Tax Dissolution Date or Optional Dissolution Date, as the case may be; and

- B. any decrease in the Value (as defined in the Master Restricted Mudaraba Agreement) of the Mudaraba Assets (or the relevant portion thereof) between the date on which the relevant Mudaraba Asset(s) became part of the Mudaraba Portfolio and the Business Day immediately preceding the relevant Early Tax Dissolution Date or Optional Dissolution Date, as the case may be, as a result of (x) the application thereto of the applicable Mudaraba Exchange Rate on the Business Day immediately preceding the relevant Early Tax Dissolution Date or Optional Dissolution Date, as the case may be, and/or (y) any failure by the Mudarib to substitute any Mudaraba Assets subject to liquidation in connection with a redemption of Certificates on an Early Tax Dissolution Date, or an Optional Dissolution Date in accordance with the Master Restricted Mudaraba Agreement on or before the Business Day immediately preceding the relevant Early Tax Dissolution Date or Optional Dissolution Date, as the case may be (whether or not the Mudarib has used its best endeavours to do so as provided therein); and
- (vi) any other amounts payable in relation to the Certificates as specified in the applicable Final Terms, less any amount (other than an amount of Wakala Portfolio Principal Revenues paid pursuant to the Service Agency Agreement) in the Specified Currency standing to the credit of the Transaction Account on the date on which payment of the Exercise Price is made in accordance with the Sale Undertaking whereby such amount has been so credited pursuant to any other Transaction Document (including but not limited to as a result of the payment of any Wakala Portfolio Income Revenues and/or any amounts standing to the credit of the Wakala Reserve Collection Account in each case pursuant to the Service Agency Agreement and (in the case of a Wakala/Mudaraba Series) the payment of any Mudaraba Profit and/or amounts standing to the credit of the Mudaraba Reserve Account in each case pursuant to the Master Restricted Mudaraba Agreement).

The rights granted under the Sale Undertaking may be exercised by serving notice on the Trustee:

- (i) following the occurrence of a Tax Event and upon satisfaction of the conditions precedent relating thereto set out in Condition 8(b), by the Obligor delivering an exercise notice to the Trustee specifying the Early Tax Dissolution Date, which must be (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms after the date on which the exercise notice is given and (b) if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable to the relevant Series, a Periodic Distribution Date, provided that no such exercise notice may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay the additional amounts referred to in Condition 8(b) were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due;
- (ii) if Optional Dissolution Right is specified in the applicable Final Terms as being applicable, by the Bank delivering an exercise notice to the Trustee specifying the Optional Dissolution Date which must be (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms after the date on which the exercise notice is given and (b) an Optional Dissolution Date; and
- (iii) if and to the extent the Trustee has exercised its rights under Condition 18 to issue additional Certificates in respect of a Series, to require the Trustee to accept the transfer of all of the Bank's interests, rights, benefits and entitlements in to, and under the Additional Wakala Portfolio at the Additional Assets Purchase Price, by executing a sale agreement.

For the purposes of the foregoing:

**Additional Assets Exercise Notice** means a notice substantially in the form set out in Schedule 3 of the Sale Undertaking.

**Additional Assets Purchase Price** means the amount specified as such in an Additional Assets Exercise Notice.

**Additional Wakala Portfolio** means, in respect of the exercise of the right granted under Clause 2.1(d) of the Sale Undertaking, the Additional Wakala Portfolio specified as such in the relevant Additional Assets Exercise Notice.

**Tax Event** means either (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or (ii) (A) the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of Qatar or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it.

Pursuant to Condition 8(f) and 8(g), the Bank and its subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank chooses to cancel any Certificates so purchased, the Bank will also have the right under the Sale Undertaking to require the Trustee to transfer all of its rights, title, interests, benefits and entitlements in, to and under a portion of the Wakala Assets comprising the Wakala Portfolio to the Bank in consideration for cancellation of the relevant Certificates provided that certain conditions are satisfied, as more particularly described in the Sale Undertaking.

If a right granted pursuant to the Sale Undertaking is exercised in accordance with its terms, the Trustee and the Bank will be required to enter into a sale or transfer agreement, substantially in the form set out as a schedule to the Sale Undertaking.

### ***Trust Deed***

The Master Trust Deed will be entered into on 16 January 2019 between the Bank, the Trustee and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties shall be entered into on the Issue Date of each Tranche and shall also be governed by English law.

Upon issue of a Series of Certificates, the Master Trust Deed as supplemented by the relevant Supplemental Trust Deeds shall together constitute the Trust declared by the Trustee in relation to such Series (the Master Trust Deed as supplemented by the relevant Supplemental Trust Deeds for each Series being referred to herein as the **Trust Deed**).

The Trust Assets in respect of each Series shall comprise:

- (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
  - (ii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio and, in the case of a Wakala/Mudaraba Series, the Mudaraba Portfolio;
  - (iii) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations (as defined in the Conditions) and the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed);
  - (iv) all moneys standing to the credit of the Transaction Account from time to time,
- and all proceeds of the foregoing.

Pursuant to the relevant Trust Deed, the Trustee will, in relation to each Series of Certificates, amongst other things, hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries pro rata according to the face amount of Certificates of that Series held by each Certificateholder and act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the relevant Trust Deed. Pursuant to the Master Trust Deed, the Trustee will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed to:

- (i) execute, deliver and perfect all documents; and
- (ii) exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed and the Certificates,

that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its



satisfaction, (i) exercise all of the rights, powers, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Conditions and the Trust Deed (together the **Delegation of the Relevant Powers**), provided that (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation); (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, authority or discretion to dissolve the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee will undertake in the Master Trust Deed to ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of its powers pursuant to the Delegation.

The Delegation is to be made by the Trustee to the Delegate for the benefit of the Delegate and the Certificateholders, subject to the terms of the Conditions and the Trust Deed. Each of the Obligor and the Trustee will confirm in the Master Trust Deed that the Delegate may consult with or request and rely on (without liability to any person for so doing) the advice of any lawyer, valuer, banker, broker, accountant or other expert in exercising the rights, powers or actions delegated to it under the Master Trust Deed.

In addition to the Delegation of the Relevant Powers, certain powers, rights, authorities and discretions under the Master Trust Deed will be been vested solely in the Delegate, including, amongst other things, the power to call and conduct meetings at the request of Certificateholders, to determine the occurrence of a Dissolution Event or a Potential Dissolution Event, to waive or authorise a breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such, and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee, in each case as more particularly described in the Master Trust Deed.

Pursuant to the Master Trust Deed, the Bank will agree to pay certain Liabilities incurred by the Trustee and/or the Delegate and will grant certain indemnities in favour of the Trustee and the Delegate in respect of any liabilities incurred in connection with their involvement in the Programme.

Pursuant to the relevant Trust Deed, the Bank will also undertake to the Trustee that if the Wakala Assets Exercise Price (as defined in the Master Trust Deed) 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 Wakala Assets or any of them, or for any other reason whatsoever, the Bank 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 Wakala Assets Exercise Price.

If and to the extent the Trustee has exercised its rights under Condition 18 to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so issued, declaring that (i) the relevant Additional Wakala Assets transferred to the Trustee in accordance with the terms of the sale agreement pursuant to the exercise of the Sale Undertaking (in respect of the issuance of the additional Certificates) and the Wakala Assets comprised in the Wakala Portfolio immediately prior to the acquisition of the Additional Wakala Assets (in respect of the relevant Series as in existence immediately prior to the issue of such additional Certificates) and (ii) the Mudaraba Portfolio and the Additional Mudaraba Portfolio are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common pro rata according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

### ***Agency Agreement***

The Agency Agreement will be entered into on 16 January 2019 in relation to the Certificates between, amongst others, the Trustee, the Bank, the Delegate, the Principal Paying Agent and the Registrar. The Agency Agreement will govern the arrangements between the Trustee and the agents named therein for the issuance of Certificates and the making of payments in respect thereof. The Agency Agreement will be governed by English law.

### ***Sharia Compliance***

Each Transaction Document provides that each of QIIB Senior Sukuk Limited and Qatar International Islamic Bank (Q.P.S.C.) agrees that it has accepted the Sharia compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is ultra vires or not compliant with the principles of Sharia;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the Sharia 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 Sharia.

## TAXATION

*The following is a general description of certain Qatar, Cayman Islands and EU tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere, nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. 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.*

### **Cayman Islands**

*The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.*

Under existing Cayman Islands laws, payments on Certificates to be issued will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax. The Trustee has obtained an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (2011 revision) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Law (2011 revision). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### **Qatar**

This general description of taxation in Qatar is based upon: (a) Law No. 21 of the year 2009 (the **Qatar tax law**); (b) the Executive Regulations of the Income Tax Law issued in June 2011 (the **Executive Regulations**); (c) Circular No.2 of 2011; and (d) the published practices that have been adopted and applied by the Director of Public Revenues and Taxes Department at the Ministry of Finance in Qatar, each as in effect on the date of this Base Prospectus. This general description is subject to any subsequent change in Qatar tax law, regulations and practice that may come into force after such date.

Under the Qatar tax law, tax is imposed on income derived from a source in Qatar. Income derived from a source in Qatar includes gross income arising from an activity carried on in Qatar, contracts wholly or partially performed in Qatar and real estate situated in Qatar (including the sale of shares in companies or partnerships, the assets of which consist mainly of real estate situated in Qatar). The gross income of Qatari natural persons resident in Qatar, including their shares in the profits of legal entities, is exempt from Qatar tax as is the capital gains on the disposal of real estate and securities derived by natural persons, provided that the real estate and securities so disposed of do not form part of the assets of a taxable activity. Natural or legal persons deemed subject to income tax in Qatar will either pay tax at the standard rate of 10 per cent. on the net taxable income or the tax will be withheld at source from the gross payment to be made.

A withholding tax applies to certain payments made to "non-residents" (as defined in the Qatar tax law) in respect of activities not connected with a permanent establishment in Qatar. Particularly, the Qatar tax law specifies a withholding tax rate of 7 per cent. on payments of interest. The Executive Regulations which apply to the Qatar tax law provide for certain exemptions to withholding tax on interest payments. These exemptions are: (i) interest on deposits in banks in Qatar; (ii) interest on bonds and securities issued by Qatar and public authorities, establishments, corporations and companies owned wholly or partly by Qatar; (iii) interest on transactions, facilities and loans with banks and financial institutions; and (iv) interest paid by a permanent establishment in Qatar to the head office or to an entity related to the head office outside Qatar.

The provisions of the Qatar tax law and the Executive Regulations apply to profit payments made under Islamic financial instruments (including sukuk and certificates).

The profit payments received by the Trustee from the Bank, acting in any capacity, under the Purchase Undertaking, the Sale Undertaking, the Service Agency Agreement or the Restricted Mudaraba Agreement will be exempt from withholding tax, under (iii) above, on the basis that the Bank qualifies as a "bank and financial institution".

There is no stamp duty, capital gains tax or sales tax applicable in Qatar (however, unless specifically exempt under the Qatar tax law, gains of a capital nature are treated as income and taxed at the same rate as income).

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, such withholding would not apply prior to 1 January 2019 and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Certificates (as described under "*Terms and Conditions of the Certificates—Further Issues*") that are not distinguishable from previously issued Certificates are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Certificates, including the Certificates offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

### **The proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. The issuance and subscription of Certificates should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 16 January 2019, agreed with the Trustee and the Bank 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 accordance with the terms of the Programme Agreement, each of the Trustee and the Bank 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 of Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### *United States*

The Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Accordingly, the Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S. Until 40 days after the later of the commencement of the offering of any Tranche of Certificates and the completion of the distribution of all Certificates of the Tranche of which such Certificates are a part, an offer, delivery or sale of Certificates within the United States or to, or for the account or benefit of, U.S. persons 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, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree, that, 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 later of the commencement of the offering of any Tranche of Certificates and the completion of the distribution of all Certificates of the Tranche of which such Certificates are a part, as determined and certified to the Principal Paying Agent by the relevant Dealer (or, in the case of a Tranche of Certificates sold to or through more than one Dealer, by the relevant lead manager), within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act, and it will have sent to each dealer to which it sells Certificates during the distribution compliance period a confirmation or other notice setting out the restrictions on offers, delivery and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Certificates are being offered and sold only outside the United States to non-U.S. persons in offshore transactions in reliance on, and in compliance with, Regulations S.

### *Public Offer Selling Restriction under the Prospectus Directive*

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

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) 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 and the Bank for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to above shall require the Trustee, the Bank 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: (i) 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 the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and (ii) **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the 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:

- (i) in relation to any Certificates which have a maturity of less than one year: (a) 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 (b) 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;
- (ii) 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 and/or the Bank; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

#### ***Cayman Islands***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to any member of the public in the Cayman Islands.

#### ***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 to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

#### ***Dubai International Financial Centre***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (i) an **Exempt Offer** in accordance with the Markets Rules Module of the Dubai Financial Services Authority (the **DFSA**) rulebook; and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

#### ***Kingdom of Bahrain***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates, except on a private placement basis, to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

- (i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (ii) 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

- (iii) 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).

#### ***Kingdom of Saudi Arabia***

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017 (the **KSA Regulations**), made through an authorised person licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 11 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each 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 made by it to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and; (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

#### ***Qatar (including the QFC)***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in Qatar (including the QFC), except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar (including the QFC). This Base Prospectus: (i) has not been, and will not be, registered with or approved by the QFMA, the QCB, the QSE or the QFCRA and may not be publicly distributed in Qatar (including the QFC); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in Qatar (including the QFC) and may not be reproduced or used for any other purpose.

#### ***Kuwait***

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, promoted or advertised by it in Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended, governing the issue, offering and sale of securities.

No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in Kuwait.

#### ***Hong Kong***

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

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (b) to **professional investors** within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (c) in other circumstances which do not result in the document being a **prospectus** as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **Companies Ordinance**) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to **professional investors** as defined in the SFO and any rules made under the SFO.

### *Malaysia*

This Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

### *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 such Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA;
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

### *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 and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers 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 neither the Trustee, the Obligor nor any of the other Dealers shall have any responsibility therefor.

None of the Trustee, the Obligor and 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 such sale.

## GENERAL INFORMATION

### Listing of the Certificates

It is expected that each Tranche of Certificates which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of one or more Global Certificates initially representing the Certificates of such Tranche. Application has been made to the UK Listing Authority for Certificates issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Certificates is expected to be granted on or around 21 January 2019. Prior to the official listing and admission to trading however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the regulated market of the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction. However, Exempt Certificates may also be issued pursuant to the Programme.

### Authorisation

Each of the Trustee and the Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the entry into and performance of the Transaction Documents to which it is a party. The update of the Programme was authorised by a resolution of the board of directors of the Trustee dated 14 January 2019 and by a resolution of the general assembly of the Bank dated 10 March 2013, a resolution of the board of directors of the Bank no. 8 of 2017, a resolution of the general assembly of the Bank dated 3 April 2017 and a resolution of the board of directors of the Bank number 53 of 2017.

### Significant or Material Change

There has been no significant change in the financial or trading position, or material adverse change in the financial position or prospects, of the Trustee since the date of its incorporation.

There has been no significant change in the financial or trading position of the Bank or the Group since 30 September 2018 and there has been no material adverse change in the financial position or prospects of the Bank or the Group since 31 December 2017.

### Litigation

Neither the Trustee nor the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or the Bank is aware) in the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Trustee, the Bank or the Group.

### Clearing Systems

Certificates have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Tranche of Certificates will be set out in the applicable Final Terms (or, as applicable, the applicable Pricing Supplement).

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms or Pricing Supplement.

### Third Party Information

Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as each of the Trustee and the Bank is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, physical copies of the following documents will, when published, be available for inspection and/or collection from the specified office of the Principal Paying Agent:

- (i) each Final Terms and the other Transaction Documents in relation to each Series (save that 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 Certificate and identity);
- (ii) the constitutional documents of the Trustee and the Bank;
- (iii) the 2017 Financial Statements and the 2016 Financial Statements, in each case together with the audit reports prepared in connection therewith and the Interim Financial Statements, in each case together with the review reports prepared in connection therewith;
- (iv) the most recently published consolidated financial statements of the Bank and interim condensed consolidated financial statements of the Bank together with any audit or review reports prepared in connection therewith; and
- (v) this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus.

### **Auditors**

The previous auditors of the Bank are Ernst & Young (EY) of Burj Al Gassar, 24th Floor, Majlis Al Taawon Street, P.O. Box 164, West Bay, Doha, State of Qatar. EY are independent auditors registered to practise as auditors with the Department of Companies Control, Ministry of Economy and Commerce in Qatar. EY have audited, without qualification, the 2017 Financial Statements and 2016 Financial Statements in accordance with the International Standards on Auditing, as stated in each of their respective reports incorporated by reference herein.

The 2017 Interim Financial Statements have been reviewed in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by EY as stated in their report incorporated by reference herein.

The current auditors of the Bank are PricewaterhouseCoopers – Qatar Branch of 41st Floor Tornado Tower West Bay, Doha, State of Qatar. PricewaterhouseCoopers – Qatar Branch is a firm registered with the Ministry of Economy and Commerce, licence number 6 appearing in the public register of approved auditing firms held by the Accounts Auditors section at the Ministry of Economy and Commerce.

The 2018 Interim Financial Statements have been reviewed in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by PricewaterhouseCoopers – Qatar Branch as stated in their report appearing therein.

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

### **Dealers transacting with the Bank**

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, the Bank and its affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Bank and their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Trustee, the Bank and their affiliates routinely hedge their credit exposure to the Trustee, the Bank and their affiliates consistent with their customary risk-management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially any Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN THE FINANCIAL ACCOUNTING STANDARDS ISSUED BY AAOIFI AND INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Financial Statements have been prepared in accordance with FAS issued by the AAOIFI and the applicable provisions of the QCB regulations. For matters for which no AAOIFI standards exist, the Bank applies guidance from the relevant IFRS.

The Financial Statements have been prepared on the historical cost basis except for investment securities classified as "Investments at fair value through equity", "Investments at fair value through income statement", "derivative financial instruments" and "investment properties" (measured at fair value).

AAOIFI – FAS differs from IFRS in certain respects. Accordingly, the Bank has prepared as of the date of this Base Prospectus a narrative summary of the significant differences between FAS as applied by the Bank in the Financial Statements and IFRS in so far as they relate to the significant accounting policies adopted by the Bank.

The Bank has not performed a reconciliation of its Financial Statements to IFRS, nor has it quantified such differences and neither does the Bank undertake to identify all such differences. Had the Bank undertaken any such quantification or reconciliation, other accounting and disclosure differences may have come to the Bank's attention that are not identified below.

The differences discussed below relate to the differences that impact amounts recorded in the Financial Statements rather than differences in presentation or disclosure.

### **Equity of Investment Account Holders**

The Bank accepts funds from its retail and commercial clients (depositors) in the form of Mudaraba / Wakala investment account deposits, which are funds managed on the client's behalf on an unrestricted or restricted basis, depending on the relevant depositor's instructions.

In accordance with AAOIFI – FAS 1, the equity of investment account holders is disclosed and presented in the statement of financial position as a separate line item between total liabilities and equity. Under IFRS, the equity of investment account holders would be presented on the face of the statement of financial position as a liability.

### **Investment Securities**

Investments in equity-type instruments are classified into the following categories: (i) as investments carried at fair value through income statement or (ii) at fair value through equity.

Unrealised gains or losses arising from a change in the fair value of investments classified as fair value through equity are recognised directly in the fair value reserve under equity attributable to equity holders of the Bank, which is then distributed between the Bank's fair value reserve attributable to shareholders and the equity of investment account holders until the investment is sold, collected or otherwise disposed of or the investment is determined to be impaired. In other words, the fair value reserves attributable to shareholders of the Bank are recognised under statement of changes in equity and the fair value reserves attributable to holders of investment accounts are included in the balance for equity of investment account holders.

However, under IFRS, the unrealised gains or losses arising from a change in the fair value of investments classified as available for sale investments are recognised under the other comprehensive income statement.

### **Financial Instruments Classification and Measurement**

*Debts classification.* As per FAS 25, there is no requirement as well as prohibition to use business model test and contractual cash flow characteristics analysis as basis for classification, so long as they meet the criteria in FAS 25 Para 2.

*Equity classification.* FAS 25 provides certain conditions for classifying the equity instruments as fair value through profit or loss. If the conditions are not met, it could be classified as fair value through equity. Another major difference between fair value through other comprehensive income as per IFRS 9 and fair value through equity as per FAS 25 is that the subsequent fair value gain and loss, income on sale of equity investment will not be recycled to profit or loss in IFRS 9.

*Subsequent measurement.* For financial assets carried at amortised cost, there is a specific requirement on applying effective interest rate on carrying amount and there are certain scenarios linked with credit impaired financial assets are explicitly mentioned in IFRS 9. There is neither such detailed guidance nor prohibition to apply the guidance provided by international standard setters mentioned in FAS 25.

**THE TRUSTEE**

**QIIB Senior Sukuk Limited**

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

**THE BANK AND OBLIGOR**

**Qatar International Islamic Bank (Q.P.S.C.)**

Grand Hamad Street  
P.O. Box 664  
Doha  
State of Qatar

**DELEGATE**

**Citicorp Trustee Company Limited**

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

**PRINCIPAL PAYING AGENT AND TRANSFER AGENT**

**Citibank, N.A., London Branch**

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

**REGISTRAR**

**Citigroup Global Markets Europe AG**

Reuterweg 16  
60323 Frankfurt  
Germany

**AUDITORS TO THE BANK**

*From 1 January 2018*

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