

## IMPORTANT NOTICE

**THE OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NON U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)) AND ARE OUTSIDE OF THE UNITED STATES.**

**IMPORTANT:** You must read the following notice before continuing. The following notice applies to the attached offering circular following this page (the “Offering Circular”), whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Offering Circular. In reading, accessing or making any other use of the Offering Circular, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Offering Circular, including any modifications made to them from time to time, each time you receive any information from SNB Funding Limited (the “Issuer”) and The Saudi National Bank (the “Bank”) as a result of such access.

**RESTRICTIONS:** NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY NOTES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY 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 IS AVAILABLE AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

WITHIN THE UNITED KINGDOM, THE OFFERING CIRCULAR IS DIRECTED ONLY AT (A) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “**FP ORDER**”) OR (B) WHO ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) OF THE FP ORDER OR (C) TO WHOM IT MAY OTHERWISE LAWFULLY BE DISTRIBUTED IN ACCORDANCE WITH THE FP ORDER (ALL SUCH PERSONS IN (A), (B) AND (C) ABOVE TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). THE OFFERING CIRCULAR MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE OFFERING CIRCULAR RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE OFFERING CIRCULAR AND ANY OFFER OF THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR WHEN MADE ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (“**EEA**”) WHO ARE “**QUALIFIED INVESTORS**” WITHIN THE MEANING OF ARTICLE 2 OF REGULATION (EU) 2017/1129 (“**QUALIFIED INVESTORS**”).

FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE “*SUBSCRIPTION AND SALE*”.

The Offering Circular must not be acted on or relied on (i) in the United Kingdom (the “**UK**”), by persons who are not Relevant Persons, and (ii) in any member state of the EEA, by persons who are not Qualified Investors. Any investment or investment activity to which the Offering Circular relates is available only to (i) in the UK, Relevant Persons, and (ii) in any member state of the EEA, Qualified Investors, and will be engaged in only with such persons.

**CONFIRMATION OF YOUR REPRESENTATION:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the Notes described therein, (1) each prospective investor in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S must be a non-U.S. person (as defined in Regulation S) and outside of the United States and (2) each prospective investor in respect of the securities being offered in the UK must be a Relevant Person. By accepting this email and accessing, reading or making any other use of the Offering Circular, you shall be deemed to have represented to each of the arrangers (the “**Arrangers**”) and dealers (the “**Dealers**”) set forth in the attached Offering Circular that (1) you have understood and agree to the terms set out herein, (2) you are a non-U.S. person (within the meaning of Regulation S) and you are outside the United States and any purchase of securities will be in an offshore transaction in reliance on Regulation S, and are not acting for the account or benefit of any U.S. person, and the electronic mail (or email) address to which, pursuant to your request, the attached Offering Circular has been delivered by electronic transmission is not located in the United States, its territories and possessions or in any State of the United States or the District of Columbia (3) in respect of the Notes being offered in the UK, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Dealers and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Notes.

The Offering Circular may not be distributed in the Kingdom of Saudi Arabia (the “**Kingdom**”) except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations as issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia (the “**CMA**”) pursuant to its resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017), as amended by its resolution number 3-114-2024 dated 4/4/1446H (corresponding to 7 October 2024) and as further amended from time to time (the “**Rules on the Offer of Securities and Continuing Obligations**”).

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

The Saudi Central Bank does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. If you do not understand the contents of this document, you should consult an authorised financial adviser.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Offering Circular, electronically or otherwise, to any other person and in particular to any United States

(“U.S.”) address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received the Offering Circular by email, you should not reply by email to this announcement. Any reply email communications, including those you generate by using the “**Reply**” function on your email software, will be ignored or rejected. If you receive the Offering Circular by email, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of the relevant Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Issuer and the Bank in such jurisdiction.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached Offering Circular who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the final offering circular.

None of the Arrangers, the Dealers or any of their respective affiliates accepts any responsibility whatsoever for the contents of the Offering Circular or for any statement made or purported to be made by any of them, or on their behalf, in connection with the Issuer, the Bank or any offer of Notes.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers, the Dealers, the Issuer, the Bank nor any person who controls or is a director, officer, employee or agent of any Arranger, Dealer, the Issuer, the Bank nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from each Dealer.

None of the Arrangers or the Dealers make any representation as to the suitability of any Notes to fulfil any green, social or sustainability criteria of prospective investors or to fulfil any green, social, environmental or sustainability criteria or labels (including in relation to Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment and any related technical screening criteria, Regulation (EU) 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds which entered into force on 20 December 2023 and is expected to become applicable from 21 December 2024, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector and any implementing legislation and guidelines, or any similar legislation in the UK or any requirements of such criteria and/or labels as they may evolve from time to time). None of the Arrangers, the Dealers or any of their respective affiliates have undertaken, nor are they responsible for (1) any assessment of the green, social or sustainable projects; (2) any verification as to whether the projects meet any such criteria; or (3) any monitoring of the use of proceeds of any Notes. Prospective investors should make their own investigation and refer to the Sustainable Finance Framework (as defined in the Offering Circular) and the second party opinion issued by S&P Global which was published on 23 December 2021 and is accessible at the Bank’s website (the “**Second Party Opinion**”). The contents of this webpage, the Sustainable Finance Framework and the Second Party Opinion do not form part of the Offering Circular, and neither the Arrangers nor any of the Dealers makes any representation as to the suitability or contents thereof.

If a Tranche of Sustainable Notes is at any time listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable” or other equivalently labelled segment of any stock exchange or securities

market (whether or not regulated), no representation or assurance is given by the Bank, the Issuer, the Arrangers, the Dealers or any other person that such listing or admission to trading will be obtained in respect of any Sustainable Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Sustainable Notes concerned.

**Notification under Section 309B(1)(C) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time** (the “SFA”) – unless otherwise stated in the applicable Pricing Supplement, the Notes shall be “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and “excluded investment products” (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by the Arrangers, the Dealers, the Issuer and the Bank, to inform themselves about, and to observe, any such restrictions.**



## SNB FUNDING LIMITED

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

**U.S.\$10,000,000,000**

**Euro Medium Term Note Programme**

**unconditionally and irrevocably guaranteed by**

**THE SAUDI NATIONAL BANK**

*(a Saudi joint stock company incorporated with registration number 4030001588)*

Under this U.S.\$10,000,000,000 Euro Medium Term Note Programme (the “**Programme**”), SNB Funding Limited (the “**Issuer**”) may from time-to-time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s) (as defined below). The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by The Saudi National Bank (the “**Bank**” or the “**Guarantor**”).

Notes may be issued in bearer or registered form (respectively “**Bearer Notes**” and “**Registered Notes**”). The Notes to be issued under the Programme may comprise senior notes (the “**Senior Notes**”) or Tier 2 notes (the “**Tier 2 Notes**”). The maximum aggregate principal amount of all Notes from time to time outstanding and guaranteed under the Programme will not exceed U.S.\$10,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement (defined herein), subject to any increase as described in the Dealer Agreement).

Notes may be issued on a continuing basis to one or more of the Dealers specified under “**Overview**” and any additional Dealer(s) appointed under the Programme from time to time by the Issuer and the Guarantor (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular (the “**Offering Circular**”) to the “**relevant Dealer(s)**” shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers who have agreed to subscribe for such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes see “**Risk Factors**” below.

Application has been made to the London Stock Exchange plc (the “**London Stock Exchange**”) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the London Stock Exchange’s International Securities Market (the “**ISM**”). This Offering Circular comprises admission particulars for the purposes of admission to trading of the Notes on the ISM. The ISM is not a regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK MiFIR**”).

**The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the “FCA”). The London Stock Exchange has not approved or verified the contents of this Offering Circular.**

References in this Offering Circular to Notes being “admitted to trading” (and all related references) shall mean that the Notes have been admitted to trading on the ISM.

This Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the United Kingdom (“**UK**”) which has been designated as a regulated market for the purposes of UK MiFIR and has not been approved by the FCA pursuant to the Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019.

This Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the European Economic Area (the “**EEA**”) which has been designated as a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, “**MiFID II**”), and has not been approved by the competent authority in any member state of the EEA pursuant to Regulation (EU) 2017/1129.

Notice of the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “**Terms and Conditions of the Notes**”) (the “**Conditions**”) of Notes will be set out in a pricing supplement document (the “**Pricing Supplement**”) which will be delivered to the London Stock Exchange and, with respect to Notes to be admitted to trading on the ISM, will also be published on the website of the London Stock Exchange through a regulatory information service or may be published in such other manner permitted by the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time, the “**ISM Rulebook**”).

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, the Guarantor and the relevant Dealer(s). The applicable Pricing Supplement will state whether or not the relevant Notes will be listed and/or admitted to trading and, if so, on which exchange(s) the Notes are to be listed.

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form or with terms and conditions not contemplated by the Conditions, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Neither the Notes nor the Guarantee (as defined in the Conditions) of the Notes have been, or will be, registered under the United States Securities Act of 1933 (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may not be offered, sold or delivered, directly or indirectly, in or into 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 in accordance with any applicable state securities laws. Accordingly, the Notes may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of Notes is hereby notified that the offer and sale of Notes to it is being made in reliance on Regulation S.

References in this Offering Circular to “**CMU Notes**” are to Notes denominated in any lawful currency which the Central Moneymarkets Unit Service (the “**CMU**”) operated by the Hong Kong Monetary Authority (the “**HKMA**”) accepts for settlement from time to time that are, or are intended to be, cleared through the CMU.

The Guarantor has been assigned long term ratings of “A-” with a stable outlook by S&P Global Ratings Europe Limited (“**S&P**”), “A-” with a stable outlook by Fitch Ratings Ltd (“**Fitch**”), “Aa3” with a stable outlook by Moody’s Investors Service Cyprus Ltd. (“**Moody’s**”) and “A+” with a positive outlook by Capital Intelligence Ratings Ltd (“**Capital Intelligence**”). The Programme has been assigned rating of “A-” by Fitch and is expected to be assigned ratings by S&P of “A-” in respect of the Senior Notes and “BBB” in respect of the Tier 2 Notes. Fitch is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). Fitch is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) the “**EU CRA Regulation**”). Accordingly, the rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited in accordance with the EU CRA Regulation and has not been withdrawn. Fitch Ratings Ireland Limited is established in the EEA and is registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/credit-rating-agencies/cra-authorisation>) in accordance with the EU CRA Regulation. Each of S&P, Moody’s and Capital Intelligence are established in the EEA and are registered under the EU CRA Regulation. As such, each of S&P, Moody’s and Capital Intelligence are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/credit-rating-agencies/cra-authorisation>) in accordance with the EU CRA Regulation. Neither S&P nor Moody’s is established in the UK nor has applied for registration under the UK CRA Regulation. Accordingly, the ratings issued by S&P and Moody’s have been endorsed by S&P Global Ratings UK Limited and Moody’s Investors Service Limited, respectively, in accordance with the UK CRA Regulation and have not been withdrawn. Each of S&P Global Ratings UK Limited and Moody’s Investors Service Limited is established in the UK and is registered in accordance with the UK CRA Regulation. Capital Intelligence is not established in the UK. The rating issued by Capital Intelligence has not been endorsed in accordance with the UK CRA Regulation.

Notes issued under the Programme may be rated or unrated. Where a Series (as defined in the Conditions) of Notes is rated, such rating, and the credit rating agency issuing such rating, will be disclosed in 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 Saudi Central Bank (“**SAMA**”) does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. In particular, prospective purchasers of the securities agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the securities for any loss arising from, or incurred as a result of, the subscription of the Notes including, in the case of Tier 2 Notes, the occurrence of a Non-Viability Event. See “*Risk Factors—The circumstances triggering a Write-down are unpredictable*” and “*Risk Factors—The Noteholders’ right to receive payment of the principal amount of the Tier 2 Notes will, and the interest amounts in respect of Tier 2 Notes may, be written-down (in whole or in part) upon the occurrences of a Non-Viability Event*”. If you do not understand the contents of this document, you should consult an authorised financial adviser.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

#### *Arrangers*

**HSBC**

**SNB Capital**

#### *Dealers*

**HSBC**

**SNB Capital**

**Citigroup**

**Crédit Agricole CIB**

**DBS Bank Ltd.**

**Emirates NBD Capital**

**Goldman Sachs International**

**ING**

**J.P. Morgan**

**Mizuho**

**Standard Chartered Bank**

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Offering Circular comprises admission particulars for the purpose of the ISM Rulebook. This Offering Circular does not comprise a prospectus for the purposes of either Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”), and has not been approved as such by the competent authority in any member state of the EEA or the FCA.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular and the applicable Pricing Supplement for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information under the headings “*Risk Factors*”, “*The Kingdom’s Banking Sector and Regulations*” and “*Business Description of the Bank*” has been extracted from information provided by: (i) SAMA and the Organization of Petroleum Exporting Countries (“**OPEC**”), in the case of “*Risk Factors*”; (ii) SAMA, in the case of “*The Kingdom’s Banking Sector and Regulations*”; and (iii) SAMA, Saudi Credit Bureau in the case of “*Business Description of the Bank*”, and, in each case, the relevant source of such information is specified where it appears under those headings. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Each Tranche (as defined herein) of Notes will be issued on the terms and conditions set out herein under “*Terms and Conditions of the Notes*” as completed by the Pricing Supplement. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the applicable Pricing Supplement.

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the relevant Dealer or the Managers (as defined in the Dealer Agreement), as the case may be.

The Issuer and the Guarantor have confirmed to the Dealers named under “*Subscription and Sale*” below that this Offering Circular contains all information which is (in the context of the Programme or the issue, offering and sale of the Notes and the Guarantee of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed in the Offering Circular are honestly held or made; that the Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme or the issue, offering and sale of the Notes) not misleading in any material respect. Reasonable enquiries have been made to ascertain or verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme or the Notes or any information supplied by the Issuer or the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer or any other person.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular or independently verified the information contained herein and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular or any responsibility for any acts or omissions of the Issuer, the Guarantor or any other person in connection with this Offering Circular or the issue and offering of the Notes under the Programme. Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor at any point, including during the life of the Programme, or to advise any investor in the Notes of any information coming to their attention.

Neither this Offering Circular nor any Pricing Supplement or any other information supplied in connection with the Programme or any Notes is: (i) intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer, the Guarantor or the Dealers that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement and each investor contemplating purchasing any Notes should make its own independent investigation and appraisal of the condition (financial or otherwise), affairs and creditworthiness of the Issuer and the Guarantor.

Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Notes.

### **Suitability of Investments**

The Notes of any Series may not be a suitable investment for all investors. Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Offering Circular or any applicable supplement hereto;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency of payment is different from the potential investor's home currency;
- (d) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.



Legal investment considerations may restrict the ability of certain investors to make investments in Notes. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes by the investor. The Notes may not satisfy an investor's requirements or any future legal or industry standards for investment in assets with sustainability characteristics. Investors should conduct their own assessment of the Notes from a sustainability perspective. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules and regulations.

The proceeds of certain issuances of Notes may be used by the Bank to achieve objectives set out in the Bank's Sustainable Finance Framework (as defined in "*Use of Proceeds*" below). None of the Bank, the Issuer, the Arrangers, the Dealers or the Agents make any representation as to the suitability or content of the Sustainable Finance Framework and none of the Bank, the Issuer, the Arrangers, the Dealers or the Agents make any representation as to the suitability of the second party opinion issued by S&P Global in respect of the Sustainable Finance Framework which was published on 23 December 2021 on the Bank's website (the "**Second Party Opinion**"). Further, the contents of the Sustainable Finance Framework and the Second Party Opinion do not form part of the Offering Circular, and neither the Arrangers nor any of the Dealers makes any representation as to the suitability or contents thereof. Each prospective investor should refer to the Bank's Sustainable Finance Framework and the Second Party Opinion and determine for itself the relevance of such information for the purposes of an investment in the Notes together with any other investigation it deems necessary. The Second Party Opinion is not a recommendation to buy, sell or hold securities and is only current as of the date it was initially issued. Furthermore, the Second Party Opinion is for information purposes only.

None of the Bank, the Issuer, the Arrangers, the Dealers or the Agents make any representation as to the suitability of the Notes, including the listing or admission to trading thereof on any dedicated "green", "environmental", "sustainable", "social" or other equivalently-labelled segment of any stock exchange or securities market, or to fulfil any green, social, environmental or sustainability criteria required by any prospective investors.

No comment is made or advice given by the Issuer, the Guarantor or the Dealers in respect of taxation matters relating to any Notes or the legality of the purchase of Notes by an investor under any applicable laws.

**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 NOTES.**

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Issuer, the Guarantor or the Dealers represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes or Pricing Supplement may come are

required by the Issuer, the Guarantor and the Dealers to inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular or any Pricing Supplement and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (the “**Securities Act**”) and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Bearer Notes, delivered, directly or indirectly, in or into the United States or to U.S. persons.

None of the Issuer, the Guarantor or the Dealers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

### **CAYMAN ISLANDS NOTICE**

No invitation, whether directly or indirectly, may be made to any member of the public of the Cayman Islands to subscribe for the Notes, and this Offering Circular shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Notes.

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

This document may not be distributed in the Kingdom except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

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

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

In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Offering Circular 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 the Kingdom of 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 Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006).

This Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase the Notes, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever

for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of Notes will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

## **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

Any Notes will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (“**Qatar**”) (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Stock Exchange or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar (including the Qatar Financial Centre). The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute an issue of bonds by a Qatari company under the Qatar Commercial Companies Law No. (11) of 2015 or otherwise under the laws of Qatar.

## **NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT – IMPORTANT NOTICE TO PROSPECTIVE INVESTORS**

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme, each such offering, a “**CMI Offering**”, including certain Dealers, may be “capital market intermediaries” (“**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OCs**”) for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Bank, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Issuer, the Bank, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Bank or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in

the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealer and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Bank, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

#### **NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE “SFA”)**

In connection with Section 309B(1)(C) of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise stated in the applicable Pricing Supplement, the Notes shall be “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).

#### **EU MiFID II PRODUCT GOVERNANCE / TARGET MARKET**

The applicable Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (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 Notes (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 “**EU MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

## UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET

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

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

### IMPORTANT – EEA RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled “**Prohibition of Sales to EEA Retail Investors**”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client (as defined in point (11) of Article 4(1) of MiFID II); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

### IMPORTANT – UK RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled “**Prohibition of Sales to UK Retail Investors**”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (as amended, the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

## STABILISATION

In connection with the issue of any Tranche of Notes, a Dealer or the Dealers (if any) appointed as the stabilisation manager(s) (the “**Stabilisation Manager(s)**”) (or any person acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilising action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made 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 of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilising action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

## GUIDANCE UNDER THE HKMA CIRCULAR

In October 2022, the HKMA issued guidance on enhanced investor protection measures on the sale and distribution of debt instruments with loss-absorption features and related products (such as the Tier 2 Notes) (the “**HKMA Circular**”). Under the HKMA Circular, debt instruments with loss absorption features, being subject to the risk of being written-down or converted to ordinary shares, and investment products that invest mainly in, or whose returns are closely linked to the performance of such instruments, are to be targeted in Hong Kong at professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any subsidiary legislations or rules made under the SFO, “**Professional Investors**”) only and are generally not suitable for retail investors in either the primary or secondary markets. **Investors in Hong Kong should not purchase the debt instruments with loss-absorption features in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Tier 2 Notes are generally not suitable for retail investors.**

## PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

### Presentation of financial information

#### Historical financial statements

The financial statements relating to the Group and incorporated by reference in this Offering Circular are:

- the unaudited interim condensed consolidated financial statements as at and for the nine-month period ended 30 September 2024, which include comparative financial information for the nine-month period ended 30 September 2023 (the “**Interim Financial Statements**”);
- the audited consolidated financial statements as at and for the year ended 31 December 2023, which include comparative financial information as at and for the year ended 31 December 2022 (the “**2023 Financial Statements**”); and
- the audited consolidated financial statements as at and for the year ended 31 December 2022, which include comparative financial information as at and for the year ended 31 December 2021 (the “**2022 Financial Statements**” and, together with the 2023 Financial Statements, the “**Annual Financial Statements**”).

The Annual Financial Statements and the Interim Financial Statements are together referred to in this Offering Circular as the “**Financial Statements**”.

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“**SOCPA**”).

The Annual Financial Statements have been prepared (i) in accordance with International Financial Reporting Standards (“**IFRS**”) that are endorsed in Saudi Arabia and other standards and pronouncements issued by SOCPA (collectively referred to as “**IFRSs that are endorsed in Saudi Arabia**”) and (ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in Saudi Arabia and the by-laws of the Bank.

The Group’s financial year ends on 31 December in each year. References in this Offering Circular to “**2023**”, “**2022**” and “**2021**” are to the 12-months ended 31 December in each such year.

#### Auditors and unaudited information

The Interim Financial Statements were jointly reviewed by Ernst & Young Professional Services (Professional LLC) (“**EY**”) and Deloitte and Touche & Co. - Chartered Accountants (“**Deloitte**”) in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, as endorsed in Saudi Arabia, as stated in their joint review report incorporated by reference into this Offering Circular. EY and Deloitte issued an unqualified conclusion on the Interim Financial Statements.

The Annual Financial Statements were jointly audited by EY and KPMG Professional Services (“**KPMG**”) in accordance with International Standards on Auditing that are endorsed in Saudi Arabia, as stated in their joint audit reports incorporated by reference into this Offering Circular. EY and KPMG issued unqualified audit reports on the Annual Financial Statements.

All information in this Offering Circular as at 30 September 2024 or for the nine-month periods ended 30 September 2024 and 30 September 2023 is unaudited.

## **Reclassification and restatement of financial information**

Certain financial information relating to term loans as at 31 December 2023 and 30 September 2023 has been reclassified in the Interim Financial Statements to conform to the current period presentation, see note 22 to the Interim Financial Statements.

All financial information in this Offering Circular as at 30 September 2024, and for the nine months ended, 30 September 2024 and 30 September 2023 has been extracted from the Interim Financial Statements.

All financial information in this Offering Circular as at and for the years ended 31 December 2023 and 31 December 2022 has been extracted from the 2023 Financial Statements.

All financial information in this Offering Circular as at and for the year ended 31 December 2021 has been extracted from the 2022 Financial Statements.

## **Certain non-IFRS financial information**

This Offering Circular includes selected consolidated ratios which have not been prepared in accordance with IFRS and which also constitute alternative performance measures for the purposes of the ESMA Guidelines on Alternative Performance Measures (“APMs”). None of this financial information is subject to any audit or review by independent auditors. See “*Selected financial information—Selected consolidated ratios*”.

## **Comparability of financial information**

On 1 April 2021, The National Commercial Bank (“NCB”) and Samba Financial Group (“Samba”) merged to form the Bank. Although the 2022 Financial Statements include a comparative income statement and comparative cash flow information for 2021, investors should note that the first three months of 2021 relate only to NCB.

## **Presentation of other information**

### **Currencies**

Unless otherwise indicated, in this Offering Circular, all references to:

- “euro” and “€” are to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty Establishing the European Community, as amended;
- “Japanese Yen” are to the lawful currency of Japan;
- “PKR” are to the lawful currency of Pakistan;
- “riyal” and “SAR” are to the lawful currency of Saudi Arabia; and
- “U.S. dollars” and “U.S.\$” are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in riyal. The Bank’s functional currency is the riyal and the Group prepares its financial statements in riyal.

Translations of amounts from riyal to U.S. dollars in this Offering Circular are solely for the convenience of the reader. The riyal has been pegged to the U.S. dollar since 1986 at a fixed rate of SAR 3.75 = U.S.\$1.00 and, unless otherwise stated, all conversions of riyal amounts to U.S. dollar amounts in this Offering Circular have been converted at this rate.

## **Third party and market share data**

This Offering Circular contains information regarding the Group’s business and the industry in which it operates and competes, which the Group has obtained from third party sources. The Group and other institutions



operating in the banking and financial services industry in Saudi Arabia make available a wide range of financial and operational information to regulatory and market bodies, including SAMA and the Capital Market Authority (the “CMA”). These bodies use certain of the data supplied to publish statistical information, amongst other matters. However, no assurance can be given that the information reported to these bodies by different market participants is, in all cases, directly comparable. Where third party information has been used in this Offering Circular, it has been accurately reproduced and the source of such information has been identified.

In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Offering Circular is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. The Bank believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and the Group’s knowledge of the market within which it operates, the Bank cannot guarantee that a third-party expert using different methods would reach the same conclusions.

Statistical information relating to Saudi Arabia included in this Offering Circular has been derived from official public sources, including the General Authority for Statistics (“GASTAT”), SAMA, the Ministry of Finance, the Ministry of Economy and Planning, the International Monetary Fund (the “IMF”) and OPEC. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. Statistical data for 2023 is preliminary and this and other data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased Notes issued under the Programme.

Where information has not been independently sourced, it is the Group’s own information.

### **No incorporation of website information**

The Bank’s website is <https://www.alahli.com>. The information on this website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

### **Definitions**

In this Offering Circular, references to:

- a “**billion**” are to a thousand million;
- the “**GCC**” are to the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE);
- “**Government**” are to the government of Saudi Arabia;
- “**Group**” are to the Bank together with its subsidiaries;
- the “**MENA region**” are to the Middle East and North Africa region;
- “**Saudi Arabia**”, “**KSA**” or “**Kingdom**” are to the Kingdom of Saudi Arabia;
- “**Turkey**” are to the Republic of Türkiye; and
- the “**UAE**” are to the United Arab Emirates.

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

**Rounding**

The Financial Statements present the Group's results in thousands of riyal. Certain financial statement data in this Offering Circular has been expressed in millions of riyal and rounded to one decimal place, with 0.050 being rounded up and 0.049 being rounded down. As a result of such rounding, the totals of financial statement data presented in tables in this Offering Circular may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item.

In addition, all percentage data in this Offering Circular has been rounded to one decimal place, with 0.050 being rounded up and 0.049 being rounded down.

**Dates**

Certain dates in this Offering Circular have been referred to in accordance with the Hijri ("H") calendar and the Gregorian calendar.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular 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 Offering Circular, the words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “aims”, “seeks”, “may”, “will”, “should” and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled “*Risk Factors*” and “*Business Description of the Bank*” and other sections of this Offering Circular. 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, if one or more of the risks or uncertainties materialise, including those identified below or which the Bank has otherwise identified in this Offering Circular, 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 the sections “*Risk Factors*”, “*Business Description of the Bank*” and “*The Kingdom’s 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 the Bank operates.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions (and changes therein), including changes in commodity prices and inflation;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, the impact of provisions and impairments and concentration of the Bank’s portfolio of financing and investing assets;
- the effects of, and changes in, laws, regulations or governmental policy affecting the Bank’s business activities;
- removal or adjustment of the peg between the U.S. dollar and the riyal;
- 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 interest rates and other market conditions.

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

These forward-looking statements speak only as at the date of this Offering Circular. Without prejudice to any requirements under applicable laws, the Issuer and the Bank expressly disclaim any obligation or undertaking to disseminate after the date of this Offering Circular 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.

## TABLE OF CONTENTS

Page	
RISK FACTORS .....	1
DOCUMENTS INCORPORATED BY REFERENCE.....	42
OVERVIEW .....	43
FORMS OF THE NOTES.....	50
TERMS AND CONDITIONS OF THE NOTES .....	57
USE OF PROCEEDS .....	122
FORM OF PRICING SUPPLEMENT .....	123
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM.....	138
SELECTED FINANCIAL INFORMATION .....	141
SUMMARY OPERATING PERFORMANCE AND FINANCIAL REVIEW .....	150
BUSINESS DESCRIPTION OF THE BANK .....	155
RISK MANAGEMENT .....	174
MANAGEMENT AND EMPLOYEES .....	195
DESCRIPTION OF THE ISSUER .....	207
THE KINGDOM'S BANKING SECTOR AND REGULATIONS .....	209
TAXATION .....	225
SUBSCRIPTION AND SALE .....	231
GENERAL INFORMATION .....	240

## **RISK FACTORS**

*Any investment in Notes issued under the Programme is subject to risks and uncertainties. Before making any investment decision, prospective investors should consider carefully the risks and uncertainties associated with an investment in any Notes issued under the Programme, the Group's business and the countries and markets in which it operates, together with the other information that is included in this Offering Circular. Prospective investors should also consult their own financial and legal advisers about the risks associated with an investment in Notes issued under the Programme and the suitability of investing in those Notes in light of their particular circumstances, without relying on the Issuer or the Guarantor. Should one or more of the events or circumstances described as risks below occur at the same time or separately, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, could cause the value of Notes issued under the Programme to decline and could result in an investor losing part or all of its investment.*

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme and the Guarantee given in respect of those Notes. These factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer and the Guarantor may be unable to pay amounts due in connection with any Notes for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

*The order in which the risks are presented below does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Issuer or the Group.*

*Terms and expressions used but not defined in this risk factor have the respective meanings given to them in the Conditions.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Programme**

#### **The Issuer has limited operating history and no material assets and will depend on receipt of payments from the Bank to make payments to Noteholders**

The Issuer was incorporated under the laws of the Cayman Islands on 19 June 2019 as an exempted company with limited liability and has only a limited operating history. The Issuer has not engaged, and will not engage, in any business activity other than the issue of Notes under the Programme, the lending of the monies raised to the Bank and other related activities.

The Issuer's only material assets will be its right to receive payments under the loans which it makes to the Bank. The ability of the Issuer to pay amounts due on the Notes of each Series will primarily be dependent upon receipt by the Issuer of all amounts due from the Bank under those loans. Therefore, the Issuer is subject to all the risks to which the Bank is subject to the extent that such risks could limit the Bank's ability to satisfy in full and on a timely basis its obligations under the loans. See "*Risks relating to the Bank and its ability to fulfil its obligations under the Notes or the Deed of Guarantee*".

## **Risks relating to the Bank and its ability to fulfil its obligations under the Notes or the Deed Of Guarantee**

### **The Group's operations and assets are principally located in the Kingdom and, accordingly, the Group is exposed to general economic conditions in the Kingdom**

The majority of the Group's assets, operations and interests are located in the Kingdom. Accordingly, its business is, and will continue to be, affected by the general economic conditions prevailing from time to time in the Kingdom and the Middle East generally as well as by global economic conditions that affect the Kingdom's economy generally.

The Group is susceptible to changes in the macroeconomic environment and the performance of financial markets generally. The coronavirus disease 2019 ("COVID-19") pandemic, the Russia-Ukraine conflict, bank insolvencies in Switzerland and the United States and a surge in inflation have impacted the world economy across many industries and markets, including Saudi Arabia since 2020.

As stated in its July 2024 World Economic Outlook Update, the IMF projects global economic growth to continue to grow at around 3.2 per cent. during 2024 and 3.3 per cent. in 2025. The IMF noted that the risk of elevated inflation has raised the prospects of higher-for-even-longer interest rates, which in turn increases external, fiscal and financial risks. The IMF concluded that risks to the outlook remain balanced, but with some near-term risks gaining prominence. Alongside persistent services inflation and sticky wage growth, the IMF identified the potential escalation of trade tensions as concern, potentially leading to an increased cost of imported goods, as well as uncertainty arising from elections in a number of countries in later 2024 and early 2025, with the risk that these could generate unpredictable and significant shifts in economic policy. On the upside, the IMF noted the global trade is expected to recover from its quasi-stagnation in 2023.

In its Staff Report for the 2024 Article IV Consultation for Saudi Arabia, the IMF noted that Saudi Arabia's economic transformation is progressing well, unemployment is at a record low (with the participation of women in the labour force well above the 30 per cent. target for 2030), headline inflation has decelerated rapidly and geopolitical events have not had any major impact on the Saudi Arabian economy so far, although rents are growing and wholesale prices have recently increased. The IMF believes that risks to the outlook are broadly balanced amidst high global uncertainty. On the upside, accelerated implementation of reforms and investments could yield stronger or earlier-than-expected growth dividends. Conversely, pressures to accelerate investment further could heighten overheating risks. On the downside, potential risks include slippages in the reform agenda, subdued global activity, financial market volatility, geopolitical events, and non-OPEC+ supply growth. Over the longer term, a quicker shift in the demand away from fossil fuel could hamper growth.

The Group conducts regular stress tests of its financial assets, including its financing and advances, under scenarios of differing severity to identify key vulnerabilities and to measure resultant impacts on asset quality and performance. However, these stress-testing activities do not provide assurance against impacts that may be realised through external shocks and customer defaults may nevertheless occur. The occurrence of a significant economic downturn and a related material increase in loan losses could have a material adverse effect on the Group, through increases in the Group's non-performing financing and advances ("NPFAs"), increased loan loss provisions, which could negatively impact the Group's profitability, and reduced demand for loans and other banking services.

### **The Kingdom's economy is affected by international oil prices, which are subject to significant fluctuation and a significant decline in international oil prices may materially adversely affect the Group, particularly if it is sustained for a long period**

The Government continues to pursue a policy of diversification, including the Saudi Vision 2030 (a strategic framework to reduce the Kingdom's dependence on oil, diversify its economy and develop public service

sectors) and the National Transformation Program (an economic action plan implemented as part of the Saudi Vision 2030), to enhance the contribution of the non-oil sector to its real gross domestic product (“GDP”). Nevertheless, oil income will continue to play a pivotal role in economic planning and development in the Kingdom. According to GASTAT, the oil sector accounted for 31.4 per cent., 38.7 per cent. and 28.1 per cent. of the Kingdom’s nominal GDP in each of 2023, 2022 and 2021 respectively. In addition, oil exports accounted for 77.3 per cent., 79.6 per cent. and 73.7 per cent. of the Kingdom’s total exports by value in 2023, 2022 and 2021, respectively and oil revenues accounted for an estimated 63.0 per cent., 67.6 per cent. and 60.0 per cent. of total Government revenue in 2023, 2022 and 2021, respectively.

International oil prices have fluctuated significantly in the past and may remain volatile in the future. For example, in 2021, the yearly average OPEC Reference Basket price was U.S.\$69.89 compared to U.S.\$41.47 in 2020 (principally reflecting reduced COVID-19 containment measures and the positive impact of a new OPEC+ agreement). In 2022, the yearly average OPEC Reference Basket price was U.S.\$100.08 (principally driven by supply uncertainties caused by the Russian invasion of Ukraine in February 2022 and sanctions imposed by major countries around the world on Russia as a result). In 2023, the yearly average OPEC Reference Basket price was U.S.\$82.95, principally driven by changes towards the end of 2022 in the sanctions regime imposed on Russia and announcements by OPEC and non-OPEC members towards the end of 2022 and in early 2023 with the aim of stabilising oil prices. In September 2024 and November 2024, the average monthly OPEC Reference Basket price was U.S.\$73.59 per barrel and U.S.\$72.98 per barrel respectively, reflecting concerns about a global recession and reduced demand from major oil consuming countries. The monthly price per barrel of Arabian Light Crude Oil (which is one of the five grades of crude oil produced by the Kingdom and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

Although oil and gas prices remain relatively high, any sustained downturn in these prices in the future could substantially slow down or disrupt the Kingdom’s economy, and the banking sector in particular, which could in turn have an adverse impact on the Group and the market price of the Notes. See also “*Risks relating to the economic, political and regulatory environment in the Kingdom—The Kingdom’s economy remains dependent on its oil revenue*”.

### **The Group operates in a region that is subject to ongoing political and security concerns**

Several countries in the MENA region are currently subject to armed conflicts and/or social and political unrest, including conflicts or disturbances in Yemen, Syria, Libya, Iraq, Palestine and Sudan, as well as multinational conflicts with extremist groups and/or militias.

In addition, in March 2015, a coalition of countries, led by the Kingdom and supported by the international community, commenced military action against the Al-Houthi rebels in Yemen. The conflict in Yemen has not yet been fully resolved and military operations continue at a reduced scale. The Kingdom has been targeted on several occasions by ballistic missiles fired and drone attacks launched by the Al-Houthi rebels in Yemen since 2017. While most of these attacks were successfully intercepted by the Kingdom’s defence systems, some attacks have led to damage to property and civilian injuries. There can be no assurance that the conflict in Yemen will not continue or re-escalate. In addition, there have been attacks on oil infrastructure in the Kingdom, including, on 25 March 2022, airborne attacks on oil facilities in Jeddah and Jizan. Although there were no casualties or any interruption to Saudi Aramco’s fuel supplies following these attacks, there can be no assurance what impact such acts of terrorism and sabotage may have on the geopolitical situation in the region, including any potential escalation of tensions.

In late 2023, Israel declared war on Hamas, following a Hamas-led terrorist attack on Israel, and subsequently invaded the Gaza strip. This and other actions have led to increasing tensions between Israel and Iran and Israel and Hezbollah, and the situation remains volatile and uncertain. There has also been an escalation of attacks on shipping in the Red Sea and Gulf region by the Al Houthi militia resulting in US and other international allies

conducting retaliatory strikes on Al Houthi bases. Any continuation of or increase in international or regional tensions, including further attacks on or seizures of oil tankers which disrupt international trade, any impairment of trade flow through the Strait of Hormuz, or any military conflict, could have a destabilising impact on the Gulf region, including on the Kingdom and its ability to export oil and gas.

These situations have caused significant disruption to the economies of the affected countries, have given rise to increased political uncertainty across the MENA region and have, at times, had a destabilising effect on oil and gas prices. There is no certainty that extremists or terrorist groups will not escalate violent activities in the MENA region, or that any currently stable governments in the MENA region will be successful in maintaining the prevailing levels of domestic order and stability. As it is not generally possible to predict the occurrence or impact of events or circumstances, such as war, hostilities or diplomatic rifts, no assurance can be given that the Bank would be able to sustain the profitable operation of its business if adverse political events or circumstances impacting the MENA region were to occur.

Investors should also note that the Group's business and financial performance could be adversely affected by political, economic or related developments outside the MENA region because of inter-relationships within the global financial markets. Moreover, there is no certainty that the governments of the countries to which the Group is particularly exposed will not implement restrictive fiscal or monetary policies or regulations, including changes with respect to interest rates and new legal interpretations of existing regulations, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group also has significant operations in Turkey, through its 67.03 per cent. shareholding in Türkiye Finans Katılım Bankası A.Ş. ("**TFKB**") as at 30 September 2024, and in Pakistan through its 84.51 per cent. shareholding in Samba Bank Limited ("**SBL**") as at 30 September 2024 (see "*Business Description of the Bank—Business—International*"). As a result, the Group's operating results and growth are and will continue to be affected to a certain extent by financial, political and economic developments in or affecting Turkey and Pakistan. Both countries have from time to time experienced volatile political, economic and social conditions in the past and may continue to do so in the future. For example, Turkey has been impacted by the ongoing conflict in Syria, is involved in disputes with Kurdish separatist groups and Russia and has experienced terrorist attacks, all of which have adversely affected its capital markets, the level of tourism and foreign investment. Any prolonged or deepened political instability or worsening of economic conditions may adversely affect Turkey's or Pakistan's economy which in turn could adversely affect the Group's business, results of operations, financial condition or prospects.

**The Group is exposed to the credit risk of borrowers and other counterparties due to its financing and investment activities, which could give rise to material losses in future periods**

Credit risk arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in a wide range of the Group's businesses, principally in its lending and investment activities. Credit risk could also arise from a deterioration in the credit quality of specific borrowers, issuers and counterparties of the Group or from a general deterioration in local or global economic conditions, or from systemic risks within the financial systems in which the Group operates.

In particular, the Group is exposed to the risk that its borrowers may not meet their obligations in respect of financing advanced by the Group and that the collateral (if any) securing the financing advanced may be insufficient, each of which could:

- affect the recoverability and value of the Group's assets;
- result in an increase in NPFAs; and
- require an increase in the Group's provisions for the impairment of loans, securities and other credit exposures.



As at 30 September 2024, the Group's financing and advances, net (its "**customer financing portfolio**") amounted to SAR 655,308 million, its NPFAs amounted to SAR 7,465 million and its allowance for financing losses (its "**ECL allowance**") amounted to SAR 11,193 million.

The Group's non-performing financing and advances coverage ratio (calculated as its ECL allowance divided by its NPFAs) was 149.9 per cent. as at 30 September 2024. The Group's non-performing financing and advances ratio (calculated as its NPFAs divided by its total financing and advances) was 1.13 per cent. as at 30 September 2024.

The Group calculates its ECL in accordance with IFRS 9 rules and guidelines to cover bad and doubtful debts and impaired investments and the Group's portfolio and credit exposures are managed in accordance with the relevant credit policy and customer lending classifications set by SAMA. However, as a result of adverse economic and political developments in recent years (including the impact of COVID-19 in 2020 and 2021), adverse changes in consumer confidence levels, reduced consumer spending, volatile liquidity levels and increased bankruptcy rates, among other factors, the ability of certain of the Group's customers and counterparties to repay their loans or other obligations has been, and may continue to be, adversely affected.

If the Group experiences a higher level of customer defaults and its provisions prove to be inadequate for any reason, including because of a significant economic downturn or a significant failure of its credit risk management policies and procedures, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, the merger increased the level of the Group's credit risk and its enlarged customer financing portfolio requires regular monitoring by management. For instance, the Group's purchased/originated credit impaired exposures as at 31 December 2021 increased to SAR 2.6 billion from SAR nil as at 31 December 2020 as a result of the merger and was SAR 3.0 billion as at 30 September 2024. Any failure by the Group to maintain the quality of its financing and advances through effective risk management policies could lead to higher loan loss provisioning and higher levels of defaults and write-offs which, in turn, would be likely to reduce the Group's profitability.

**Security interests provided in favour of the Group may not be sufficient to cover all losses and the Group may experience difficulty in enforcing certain types of collateral**

The practice of pledging assets (such as share portfolios and real estate assets) to obtain bank financing is subject to certain limitations and administrative restrictions under Saudi Arabian law. For example, such security may, in some cases, not be enforced without a court order. Accordingly, the value of any such collateral may decrease over time while the Group seeks to enforce it, and the time and costs associated with enforcing the collateral may also adversely affect the Group's ability to recover its loan losses in full.

**The Group's customer financing portfolio, investment securities portfolio and customers' deposits are concentrated in the Kingdom**

The Group's customer financing portfolio and investments, net (its "**investment securities portfolio**") are geographically concentrated in the Kingdom. As at 31 December 2023, these portfolios together aggregated SAR 870,656 million, or 84.0 per cent. of the Group's total assets. As at the same date, 89.6 per cent. of the Group's customer financing portfolio and 65.3 per cent. of its investment securities portfolio were based in the Kingdom.

The Group's customers' deposits aggregated SAR 590,051 million, or 68.6 per cent. of its total liabilities, as at 31 December 2023. Of these deposits, 88.7 per cent. were sourced in the Kingdom.

Accordingly, any deterioration in general economic conditions in the Kingdom or any failure by the Group to effectively manage its geographic risk concentrations could have a more significant adverse effect on the

Group's business than on that of a more diversified bank. See "*—The Group's operations and assets are principally located in the Kingdom and, accordingly, the Group is exposed to general economic conditions in the Kingdom*" above and "*—The Group operates in a region that is subject to ongoing political and security concerns*" above.

### **The Group has significant customer and sector concentrations**

Consumer loans and credit card advances accounted for 51.9 per cent. of the Group's customer financing portfolio as at 30 September 2024. Any deterioration in the performance of the Kingdom's economy, stagnation or a reduction in levels of personal income, individual purchasing power and consumer confidence, either generally or specifically in respect of the banking sector, as well as any overleveraging or instability in the consumer finance market and any resulting regulatory restrictions, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. If consumers become overleveraged and start to default, the proportion of the Group's NPFAs could increase and the Group could be required to create significantly greater ECL provisions to reflect rising credit risk and default rates on its retail finance portfolio, which could negatively affect its profitability, capital generation and capital adequacy levels.

In addition, the Group's customer financing portfolio is concentrated in a small number of industry sectors, including the commerce, manufacturing and electricity, water, gas and health services sectors, which together accounted for 25.6 per cent. of the Group's customer financing portfolio as at 31 December 2023. Accordingly, the Group's significant exposure to these sectors, combined with any downturn or adverse trends in these sectors, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's exposure to the Government and quasi-Government entities accounted for 73.9 per cent. of its investment securities portfolio as at 31 December 2023. The financial condition and ongoing profitability of Government-controlled or Government-related entities largely depends upon Government spending and policy. The Group is therefore exposed to shifts in Government spending and policy and the impact of such shifts on the level of economic activity in the Kingdom and in turn, on the Group's Government-related customers, over which it has no control. The Group's failure to adequately foresee and assess any such shifts may have an adverse effect on its business, results of operations, financial condition and prospects.

A material weakening in the credit quality of, or a default by, any one or more of the Group's large financing counterparties or issuers of debt securities, or any factors which negatively impact any of the sectors to which the Group has significant exposure, could result in the Group having to make significant additional ECL provisions and experiencing reduced special commission income. Sector specific factors might include:

- low levels of economic growth or a recession in Saudi Arabia which, particularly if coupled with increased levels of unemployment or other factors constraining consumer income, could materially adversely impact the ability of the Group's retail customers to repay their financing and could also impact the Group's customers engaged in the manufacturing and commerce sectors; and
- falling oil and gas prices which could reduce the liquidity of the Group's Government and quasi-Government borrowers, particularly those that operate in the oil and gas sector or provide products and services to that sector.

The Group is also exposed to a significant decline in real estate values or a sustained downturn in the construction industry, which could both weaken the credit quality of the Group's building and construction borrowers (which accounted for 2.5 per cent. of the Group's customer financing portfolio as at 31 December 2023) and could also reduce the value of the real estate collateral which the Group holds.

The Group also has a high concentration of customers' deposits from large institutional depositors. The withdrawal or non-renewal of the Group's customers' deposits by any one or more of its material depositors

(including Government-related depositors) could require the Group to obtain replacement funding from other sources which may not be readily available or may be significantly more expensive, which could reduce the Group's margins and adversely impact its operating income and profitability. See "*The Group is subject to the risk that liquidity may not always be readily available*" below.

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

As part of its normal banking business, the Group issues guarantees, letters of credit ("LCs") and acceptances which are accounted for off the Group's balance sheet until such time as they are actually funded or cancelled. In addition, the Group makes irrevocable commitments to advance credit to its customers. Although these commitments are contingent, they nonetheless subject the Group to both credit and liquidity risks. As at 30 September 2024, the Group had SAR 187,499 million in credit-related commitments and contingencies outstanding, equal to 22.2 per cent. of its combined customer financing portfolio and credit-related commitments and contingencies.

Although the Group anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, the Group may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This could result in the Group needing to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive, which could reduce the Group's margins and adversely impact its operating income and profitability.

**The Group could be adversely affected by the soundness or the perceived soundness of other financial institutions and counterparties**

Given the high level of interdependence between financial institutions, the Group is subject to the risk of deterioration in 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 also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related due to 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 Group or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom the Group interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on the Group's ability to raise new funding and on its business generally.

**The Group is subject to the risk that liquidity may not always be readily available**

The Group is exposed to the risk that it will be unable to meet its obligations, including funding commitments, as they become due because of maturity mismatches between its assets and liabilities. If the Group's cash flow from its operations is not sufficient to meet its short- and medium-term contractual and contingent payment obligations when they fall due, it could experience liquidity issues, even if it continues to receive new customers' deposits and proceeds from new financings or future revenue streams. Such liquidity mismatches could also arise if there is an unexpected outflow of customers' deposits, if there is a material decline in the value of the Group's liquid securities portfolio or if the Group is unable to secure short-term funding or sell assets to bridge any such funding gap. This risk is inherent in banking operations and can be heightened by enterprise-specific factors, including over-reliance on a particular source of funding (such as, for example, customers' deposits from Government institutions or short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters.

Financial institutions worldwide have been experiencing periods of reduced liquidity since 2009, which has led at times to reductions in certain traditional sources of liquidity, such as the fixed income securities markets, asset sales and redemption of investments. The perception of counterparty risk between banks has also increased, most recently following the failure of certain U.S. and Swiss banks in early 2023. The Group's access to traditional sources of liquidity may at times be restricted or available only at a higher cost and there can be no assurance that the Government will provide any support to the Saudi Arabian banking sector in the future. See “—*There are no third-party guarantees or other assurances of Government support*” below.

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

The Group meets a significant portion of its funding requirements through short-term funding sources, primarily in the form of customers' deposits. In the past, such customers' deposits have been a stable source of funding; however, the availability of customers' deposits is subject to fluctuation due to factors outside the Group's control, including possible loss of consumer confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time or may cause the Group to increase the return paid on its deposits to ensure that it retains sufficient deposits. As at 31 December 2023, 79.7 per cent. of the Group's customer deposits (current and call accounts and other accounts as a percentage of total customers' deposits) did not have a fixed maturity although, as is typical in the Saudi Arabian banking industry, these deposits have generally proved to be sticky in nature and a stable source of funding based on historical behaviour analysis. Nevertheless, they are effectively repayable on demand. The Group may experience outflows of deposits at times when liquidity is constrained generally in Saudi Arabia or when its major depositors experience short- or longer-term liquidity requirements. Particularly if international oil and gas prices decrease significantly, the Group's large depositors (including the Government and quasi-Government depositors) may start to withdraw part or even all of their deposits with it.

In addition, the Group's deposits are geographically concentrated and the Group is reliant on certain large deposits from a limited group of customers. See “—*The Group's customer financing portfolio, investment securities portfolio and customers' deposits are concentrated in the Kingdom*” above and “—*The Group has significant customer and sector concentrations*” above.

If a substantial portion of the Group's depositors, or any of its largest depositors, fail to roll over short-term time deposits upon maturity or withdraw their demand deposits, the Group's liquidity and financial position could be adversely affected and it may be required to seek other more expensive sources of funding or may have to sell, or enter into sale and repurchase or securitisation transactions over, certain of its assets to meet its funding requirements. No assurance can be given that the Group will be able to obtain additional funding as and when required or at prices that will not affect its ability to compete effectively and, if the Group is forced to sell assets to meet its funding requirements, it may suffer material losses as a result.

In extreme cases, if the Group is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, through deposits, the interbank markets, the international capital markets or through asset sales, this could have a material adverse effect on its business generally and could, potentially, result in its insolvency.

### **The Group could be adversely affected by market risks**

The Group could be adversely affected by market risks that are outside its control, including, without limitation, volatility in benchmark interest rates, prices of securities or commodities and currency exchange rates. In particular, an increase in benchmark interest rates generally may decrease the value of the Group's fixed-rate

loans and securities and may increase the Group's funding costs. In addition, fluctuations in benchmark interest rates may result in a pricing gap between the Group's rate-sensitive assets and liabilities. Benchmark interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as SAMA and the U.S. Federal Reserve, political factors and domestic and international economic conditions.

Changes in interest rate levels and spreads may also affect the Group's future cash flows by adversely impacting the margin realised between the Group's lending and investment activities and its borrowing costs. Changes in debt, equity and commodity prices may also affect the values of the Group's investment and trading portfolios.

Although the Group monitors profit and cost rates with respect to its assets and liabilities and seeks to match its profit and cost rate positions, rate movements may lead to mismatches between the rates on its profit-earning assets and cost-bearing liabilities which, in turn, may adversely affect the Group's net profit income. Future movements in such rates may adversely impact the Group's net interest margins, borrowing costs and capital if the Group is unable to adjust to a volatile interest rate environment. In particular, the Group provides personal financing and real estate financing on a fixed profit rate basis over the term of the advance. The Group's funding, particularly its short-term funding (see "*—The Group is subject to the risk that liquidity may not always be readily available*" above) is more exposed to changes in market conditions. The Group's marginal cost of funding may increase due to a variety of factors, including rising benchmark rates, deteriorating conditions in the financial markets or loss of confidence by and between financial institutions. If the Group's cost of funding increases and it is not able to pass the increased costs on to all or a significant portion of its existing financing customers in a timely manner or at all due to market, competitive or other conditions, this could have a material adverse effect on its business, results of operations, financial condition or prospects and future profitability.

The above risks may be exacerbated by persisting global macroeconomic challenges, including high benchmark interest rates and elevated inflation. Reflecting the Kingdom's pegged currency exchange rate, SAMA increased both its repo rate and its reverse repo rate by 25 basis points in March 2022, 50 basis points in each of May 2022 and June 2022, 75 basis points in each of July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in each of February 2023, March 2023, May 2023 and July 2023, before reducing them by 50 basis points in September 2024, in each case generally in line with US Federal Reserve interest rate changes. It is unclear what impact these measures will ultimately have on the Kingdom's economy. Any further aggressive or unexpected monetary policy tightening by the US Federal Reserve could shock the markets, adversely affecting asset prices and ultimately economic growth.

Furthermore, many of the world's economies are experiencing elevated inflation. According to the IMF (in its October 2024 World Economic Outlook Update), global headline inflation is projected to be 5.8 per cent. for 2024 and 4.3 per cent. for 2025, down from an average of 6.7 per cent. in 2023 and 8.7 per cent. in 2022. However, as with the IMF's global growth outlook, considerable uncertainty surrounds these inflation projections. Various factors have contributed to shaping the inflation outlook, including the Russia-Ukraine conflict, which caused increases to energy prices and food prices (due to disruptions in the supply of commodities such as wheat, corn and fertilisers). In addition, increased tensions in the Middle East evidenced by the war between Israel and Hamas, conflict between Israel and Iran, and attacks on shipping in the Red Sea region and consequent attacks by United States and British military aircraft on Al Houthi bases in Yemen have also impacted oil prices.

An extended period of high inflation could affect the wider global economy (by, for example, causing broad-based selling in long-duration, fixed-rate debt, which could have negative implications for equity and real estate markets) and the Group's customers and counterparties (leading to lower recoverability), which, in turn, could have an adverse effect on the Group's business, results of operations, financial condition or prospects. In addition, TFKB, the Group's Turkish bank, operates in an economy that has experienced significant challenges in past years, including hyper-inflation. The impact of these circumstances, including further depreciation of the Turkish lira against the U.S. dollar, could have a material adverse effect on TFKB, including through

borrower defaults, increased non-performing loans, reduced loan volumes and reduced earnings, the revaluation of assets and liabilities (including increases in the TL-equivalent value of TFKB's obligations in other currencies), a decline in capital and/or rapid changes in the economic and legal environment.

The Group is also exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that the Group may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Group attempts to match the currencies of its assets and liabilities and any open currency position is maintained within the limits set by SAMA. However, where the Group is not so hedged, it is exposed to fluctuations in foreign exchange rates and any such hedging activity may not in all cases protect the Group against such risks.

The Group enters into derivative transactions, such as commission rate and currency swaps, forward and future contracts and options, as part of its ordinary customer business, in order to manage, modify or reduce current and future risks and to take advantage of price differentials or anticipated market movements. As at 30 September 2024, these derivative contracts in aggregate had a notional amount of SAR 951,041 million, a positive fair value of SAR 23,152 million and a negative fair value of SAR 21,705 million. There is no assurance that the Group's derivative contracts will be successful in mitigating its interest rate and foreign exchange rate exposures or that the Group will not experience significant losses on its derivatives contracts from time to time.

Adverse movements in interest and foreign exchange rates may also adversely impact the revenues and financial condition of the Group's depositors, borrowers and other counterparties which, in turn, may impact the Group's deposit base and the quality of its credit exposures to certain borrowers and other counterparties. Ultimately, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future volatility in interest rate or currency exchange rates or from a significant change in the prices of its securities.

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

There can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis and the COVID-19 pandemic, may not always accurately predict future risk exposures which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up to date or properly evaluated in all cases. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant losses due to unidentified credit, liquidity, market or operational risks, should they occur.

Although the Group invests substantial time and effort in its risk management systems and believes it has implemented the appropriate policies, systems and procedures to control and mitigate these risks, its risk management techniques may not be consistently implemented or fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Investors should note that any failure by the Group to identify and/or adequately control these risks, including as a result of any failure to successfully implement new risk management policies, systems and procedures in the future, may have a material adverse effect on the Group's reputation, business, results of operations, financial condition or prospects.

**The Group is exposed to operational risk which could result in damage to its reputation as well as financial losses**

The Group is exposed to a wide range of operational risks, including those arising from external events and natural disasters or from process error (including failure to document transactions properly or to obtain proper internal authorisation), fraud, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failure (including in particular information technology (“IT”) failures), inadequate customer services protocols, inadequate employee skills and performance, poor product development and maintenance, unauthorised activities and inadequate security and physical protection. Although the Group has implemented risk controls and loss mitigation strategies and has devoted (and continues to devote) substantial resources to developing efficient procedures and to employee training, it is not possible to eliminate entirely each of the potential operational risks that the Group faces. Any losses arising from the materialisation of such risks may have a material adverse effect on the Group’s business, results of operations, financial condition or prospects.

The Group’s employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients’ funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter these types of misconduct, and the precautions which the Group takes to detect and prevent such misconduct may not be effective in all cases. There can be no assurance that measures undertaken to combat these types of misconduct will be successful. Any such actions by employees could expose the Group to financial losses resulting from the need to reimburse clients, co-investors or other business partners who suffered loss or as a result of fines or other regulatory sanctions and could damage the Group’s reputation.

**The Group is dependent on its IT systems and any disruption to these systems could materially disrupt the Group’s business**

The Group depends on its IT systems to process large numbers of transactions on an accurate and timely basis, and to store and process substantially all of the Group’s business and operating data. The proper functioning of the Group’s financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group’s business and ability to compete effectively. The Group’s business activities would be materially disrupted if there is a partial or complete failure of any of the IT systems or communications networks. Such failures can be caused by a variety of factors some of which are outside the Group’s control, including natural disasters, extended power outages, computer viruses and other external electronic attacks as discussed under “—*The Group’s business is dependent on its IT systems which are subject to potential cyber-attack*” below. The proper functioning of the Group’s IT systems also depends on accurate and reliable data and other system input, which are subject to human error. Any failure or delay in recording or processing the Group’s transaction data could subject it to claims for losses and regulatory fines and penalties. There can be no assurance that the Group’s IT safeguards will be fully effective in the event of a disaster or that they will protect the Group from all losses that could occur.

**The Group’s business is dependent on its IT systems which are subject to potential cyber-attack**

The threat to the security of the Group’s information and customer data from security breaches and cyber-attacks presents a real and growing risk to the Group’s business. Activists, rogue states and cyber criminals are among those targeting IT systems around the world. Risks to technology and cyber-security evolve and change rapidly and require continued focus, monitoring and investment in preventative measures. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. A failure to adequately manage cyber-security risk and continually monitor, review and

update current processes in response to new threats could adversely affect the Group, including through disruption to its business, unauthorised disclosure of confidential information, significant financial and/or legal exposure and damage to its reputation.

### **The Group may face difficulties raising capital**

For the Group to fund its growth strategy and enter into new lines of business, it will be required to expand its base of operations while continuing to meet regulatory capital adequacy requirements.

As at 30 September 2024, the Group's tier 1 capital adequacy ratio (calculated according to Basel IV standards for Pillar 1) was 18.6 per cent. and its total capital adequacy ratio was 19.4 per cent. The Group has been designated as a domestically systemic important bank ("**D-SIB**") with an additional common equity tier 1 D-SIB surcharge of 1.5 per cent. Accordingly, the Group's total minimum Pillar 1-based capital requirement as at 30 September 2024 was 12.16 per cent., which also included a capital conservation buffer of 2.5 per cent. and a countercyclical capital buffer of 0.16 per cent.

The Group is subject to the risk of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. Under Basel III, capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse effect on the Group. In addition, a shortage of available capital might restrict the Group's opportunities for expansion.

A variety of factors affect the Group's capital adequacy levels. For example, a significant increase in lending in the future would be likely to reduce the Group's capital adequacy ratios and any losses experienced by it in future periods would have a similar effect. In addition, regulatory requirements in relation to the calculation and required levels of capital adequacy may change from time to time, including due to new guidelines issued by the Basel Committee on Banking Supervision, such as the Basel IV reforms. The Group may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

If the Group requires additional capital in the future, there can be no assurance that it will be able to obtain this capital on favourable terms, in a timely manner or at all. Moreover, should its capital ratios fall close to regulatory minimum levels or its own internal minimum levels, the Group may need to adjust its business practices, including reducing the risk and leverage of certain activities. If the Group is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### **The Group is a highly regulated entity and changes to, or to the interpretation or enforcement of, applicable laws or regulations, or the failure to comply with such laws or regulations could have an adverse impact on the Group's business**

Each of the Bank and its subsidiaries (including SNB Capital Company ("**SNB Capital**"), TFKB and SBL) are subject to prudential and regulatory controls designed to maintain the safety and soundness of financial institutions, ensure their compliance with economic, social and other objectives and limit their exposure to risk. For example, the Kingdom's Law on the Treatment of Systemically Important Financial Institutions, which was issued on 11 December 2020 and came into effect in June 2021 (the "**SIFI Law**"), provides for the relevant regulator to determine whether a financial institution, such as the Bank, should be deemed to be systemically important. The objectives of the SIFI Law include the protection of the financial system and sector in the Kingdom and minimising dependence on Government support by instead utilising the resources of the relevant



financial institution. The SIFI Law gives the relevant regulator the right to undertake certain protective measures to safeguard the financial system, such as the ability to amend, reduce, cancel or convert into equity the rights of bondholders or sukukholders of the relevant financial institution, which may include the Noteholders.

These laws, regulations and other rules, which include Saudi Arabian, Turkish and Pakistani laws and regulations, as applicable, may limit the activities of the Group and increase its cost of doing business. Changes in these laws and regulations (such as those pursuant to Basel III and Basel IV) and the manner in which they are interpreted or enforced may affect the Group's reserves, revenue and performance and may have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In particular, the implementation of Basel IV in the Kingdom, which commenced on 1 January 2023 and is scheduled to be fully implemented by 1 January 2028, is expected to result in increased risk-weighting for certain of the Group's exposures to unrated financial institutions and project finance transactions as well as certain off-balance sheet exposures. In addition, the revised approach to assessing market risk proposed by Basel IV might further increase the Group's risk weighted assets. These factors could have a negative effect on the Group's regulatory capital position, which, in turn, may limit the Group's ability to exercise its strategy. In addition, a breach of regulatory guidelines could expose the Group to potential liabilities, sanctions and reputational damage. Although the Group works closely with its regulators and continually monitors compliance with SAMA and CMA regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

To carry out and expand its businesses, it is necessary for the Group to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

There is also increased international scrutiny of banks operating in all markets, including the Kingdom, Turkey and Pakistan, in connection with sanctions, anti-money laundering ("AML"), anti-terrorist financing and other regulations, some of which are international in their operation. These laws and regulations require the Group's banking entities, amongst other things, to adopt and enforce "know your customer" ("KYC") policies and procedures and to report suspicious and large transactions as part of their AML requirements to the applicable regulatory authorities. The Group has adopted KYC and AML policies and procedures and reviews them regularly in response to regulatory and market developments. The ability of the Group's banking entities to comply with all such applicable laws and rules is driven by the robustness of their IT, compliance, audit and reporting systems and procedures, as well as their ability to attract and retain qualified compliance and risk management personnel. In the event of actual or alleged compliance breaches, the Bank or any of its subsidiaries may become subject to investigation and judicial or administrative proceedings, which could result in penalties or lawsuits (including by customers) for damages, the loss of its ability to do business in the international banking market or in specific jurisdictions, the loss of its banking licence or material damage to its reputation, each of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### **The Bank faces increasing competition which may negatively impact its results of operations**

All sectors of the market for financial and banking services in Saudi Arabia are highly competitive. Based on SAMA's website, there are 37 commercial banks licensed to operate in the Kingdom, of which nine are still to commence business, although two are in a pilot phase of operation. Of the 28 operating licensed banks, 11 are incorporated in the Kingdom, seven are branches or subsidiaries of banks based in other GCC countries (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Bank Muscat, Qatar National Bank, First Abu Dhabi Bank and Sohar International Bank), 10 are international banks (namely Deutsche Bank, BNP Paribas, J.P. Morgan Chase, N.A., National Bank of Pakistan, T.C. Ziraat Bankası A.Ş., Industrial and

Commercial Bank of China, MUFG Bank, Ltd., UBS AG (previously Credit Suisse), Standard Chartered Bank and National Bank of Iraq). The two banks in a pilot phase of operation, STC Bank and D360 Bank, are both digital banks.

Although the three licensed digital banks are still to commence full operations, the Bank will in the future face competition from them. Digital banks may, in some cases, have lower operating cost models and may therefore be capable of generating higher returns from asset growth. Given the growing trend towards liberalisation of the banking industry in the Kingdom, which has allowed the presence of both foreign banks and digital banks and promoted the rise of digital banking, the Bank faces the prospect of an increasingly competitive environment in the future.

The Bank faces intensifying competition in the Kingdom both from new entrants to the market and from existing competitors, which may increase pressure on the Bank to improve the range and sophistication of its products and services currently offered. Competition in its key areas of operation, among other things, may limit the Bank's ability to grow its business, increase its client base and expand its operations and/or reduce or reverse its asset growth rate and profit margins on the services it provides. If the Bank experiences increasing margin pressure and rising operating expenses as the banking sector in the Kingdom develops and/or the Bank is not able to compete effectively against its competitors and/or the Bank incurs significant additional costs as it seeks to compete effectively, these factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### **There are no third-party guarantees or other assurances of Government support**

Although the Government indirectly owned 37.24 per cent. of the Bank's shares as at 30 September 2024 through the Public Investment Fund (the "PIF"), investors should be aware that no guarantee (implicit or explicit) has been given in relation to the financial obligations of the Bank (including in respect of Notes issued under the Programme) by the Government, the shareholders of the Bank or any other person. Further, despite the significant Government shareholding in the Bank and notwithstanding the Bank's status as a D-SIB, there can be no assurance that Government support will be available to the Bank in the event of any future crisis or economic disruption in the Kingdom's banking sector. Neither the Government nor any of its related entities are under any obligation to continue to invest in, make customers' deposits with, do business with or otherwise support the Bank.

#### **The Bank's principal shareholder is able to exert significant influence on the Bank and its interests may not be aligned with the interests of Noteholders**

The Bank's principal shareholder, the PIF, held 37.24 per cent. of the Bank's shares as at 30 September 2024, giving the Government an indirect blocking shareholding in the Bank. As a result, the Bank's principal shareholder, acting alone or with other shareholders, can significantly influence the Bank's business through its ability to effectively veto decisions and actions that require super-majority shareholder approval. If circumstances were to arise where the interests of the Bank's principal shareholders conflict with the interests of the Bank's creditors (including Noteholders), the Noteholders may be disadvantaged by any such conflict.

#### **The Group's accounting principles and policies are critical to how it reports its financial condition and results of operations and require management to make estimates about matters that are uncertain**

Accounting principles and policies are fundamental to how the Group records and reports its financial position and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies so that they comply with IFRSs that are endorsed in Saudi Arabia.

Management has identified certain accounting policies in the notes to its financial statements as being material because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and

contingencies. These are described in note 3 to the 2023 Financial Statements. In addition, certain critical accounting judgments, estimates and assumptions are described in note 2.6 to the 2023 Financial Statements and note 2.3 to the Interim Financial Statements.

A variety of factors could affect the ultimate value that is obtained either when recognising income or expenses, recovering an asset or reducing a liability. The Group has established policies and control procedures that are intended to ensure that its accounting judgments and estimates are monitored 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 Group's judgments and the estimates pertaining to these matters, no assurance can be given that the Group will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

**The Group's continued success depends on its ability to attract key management and qualified personnel**

The Group's continued success will depend, in part, on its ability to continue to attract, retain and motivate qualified and skilled personnel, including foreign and Saudi Arabian nationals. Although the Group attempts to structure its compensation packages appropriately to attract and retain experienced personnel, there is significant competition in the Saudi banking industry for personnel with relevant expertise due to the limited number of available and/or qualified individuals relative to the high level of demand.

In addition, the Group is not insured against loss that may be incurred because of the departure of any of its key personnel. The loss of certain members of the Group's senior management team or any significant number of its mid-level managers and skilled professionals, or their counterparts within the Group's subsidiaries and associates, may result in a loss of organisational focus, poor execution of operations and corporate strategy or an inability to identify and execute potential strategic initiatives.

Any failure by the Group to manage its personnel needs successfully, including retaining key members of its senior management team and/or recruiting new qualified personnel at a pace consistent with its growth, could impede the implementation of the Group's strategy, hinder the growth of its business and have a material adverse effect on its business, results of operations, financial condition or prospects.

**The Group is exposed to reputational risks related to its operations and industry and its reputation may be adversely affected if any of its Islamic finance products are deemed to be non-Shari'a compliant**

The Group depends on the trust and confidence of its customers to succeed in its business. The Group is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Group's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has advanced financing or in which it has invested. For example, if one of the Group's financing counterparties becomes associated with financial scandals or widely publicised improper behaviour, the Group's own reputation may be affected. The Group is also exposed to adverse publicity relating to the financial services industry. Financial scandals unrelated to the Group or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Group's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Group.

The Group currently offers a range of Islamic finance products which are reviewed and approved by the Bank's independent Shariah Committee (the "**Shariah Committee**"). In doing so, each member of the Shariah Committee must employ his interpretative efforts in accordance with methodological rules and/or principles of Islamic jurisprudence. While various Islamic schools of thought agree on the general methodology and the basic

principles of interpretation, they may disagree on particular rules. If any issues are called into question relating to the extent of Shari'a compliance of Shariah Committee-approved products offered by the Group, the Group's reputation could be negatively affected which may in turn have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**A negative change in the Bank's credit ratings could adversely affect the Group's ability to access the debt capital markets and may increase its borrowing costs**

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 Group's cost of borrowings.

The Bank's long-term corporate ratings were most recently assessed "A-" with a stable outlook by S&P (with the outlook upgraded to positive from stable on 18 September 2024), "A-" with a stable outlook by Fitch, "Aa3" with a stable outlook by Moody's and "A+" with a positive outlook by Capital Intelligence. A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

There can be no assurance that any of the Bank's ratings will remain the same in the future. Any actual or anticipated changes in the Bank's credit ratings may affect the market value of the Notes.

A downgrade of the Bank's credit ratings (or a negative change of outlook) may increase the Group's cost of borrowing and may also limit its or any of its subsidiaries' ability to raise capital and funding, each of which could adversely affect the Group's business, results of operations, financial condition and prospects.

According to Moody's credit opinion dated 28 May 2024, the Bank's ratings could be downgraded if the sovereign rating is downgraded, indicating a lower government capacity to provide support and/or if Moody's sees or expects to see a deterioration in the operating environment that would lead it to lower Saudi Arabia's macro profile. The Bank's ratings would be also downgraded if Moody's sees sustained pressure on capital or a deterioration in the Bank's funding through higher reliance on market funding as funding pressures in the system continue. S&P noted in its ratings outlook communication on 18 September 2024 that it could revise the outlook to stable in the next 12 months if it were to take the same action on the sovereign ratings.

Saudi Arabia has been assigned the following credit ratings: Aa3 (stable outlook) by Moody's, A+ (stable outlook) by Fitch, A (positive outlook) by S&P and A+ (positive outlook) by Capital Intelligence. As a result, if any of the Bank's rating agents were to reduce their ratings, or change the outlook of their ratings, on Saudi Arabia, this could also result in the relevant rating agent lowering its rating, or changing the outlook of its rating, on the Bank. Any event that causes these or any other applicable rating agency in the future to adjust this view would be likely to result in a negative change in the Bank's rating. See "—There are no third-party guarantees or other assurances of Government support" above.

**Risks relating to the economic, political and regulatory environment in the Kingdom**

**The Kingdom's economy remains dependent on its oil revenue**

The Kingdom's economy remains dependent upon oil revenue. As at 31 December 2023, the Kingdom had approximately 17.0 per cent. of proven global crude oil reserves (according to OPEC's Annual Statistical Bulletin 2024) which generated 31.1 per cent. of its nominal GDP in 2023 according to GASTAT. Oil revenues also accounted for an estimated 63.0 per cent. and 67.6 per cent. of total Government revenue in 2023 and 2022, respectively, and oil exports accounted for 77.3 and 79.5 per cent. of Saudi Arabia's total exports by value in 2023 and 2022, respectively.

As oil is the Kingdom's main export, any change in oil prices affects various macroeconomic and other indicators, including, but not limited to, GDP, Government revenues, balance of payments and foreign trade.

International oil prices are volatile. According to the OPEC website, the price of the OPEC Reference Basket (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) has fluctuated significantly in recent years. The annual average OPEC Reference Basket price per barrel was U.S.\$64.04 in 2019, U.S.\$41.47 in 2020 (when it was impacted by restrictions imposed to combat the COVID-19 pandemic and disagreements between OPEC member and related countries on production quotas), U.S.\$69.89 in 2021 (as COVID-19 restrictions were eased), U.S.\$100.08 in 2022 (reflecting the impact of international sanctions imposed on Russia following its invasion of Ukraine early in 2022) and U.S.\$82.95 in 2023 (reflecting adjustments in the sanctions regime at the end of 2022 and generally lower demand than expected). In September 2024 and November 2024, the average monthly OPEC Reference Basket price was U.S.\$73.59 per barrel and U.S.\$72.98 per barrel respectively, reflecting concerns about a global recession and reduced demand from major oil consuming countries. The annual average price per barrel of Arabian Light Crude Oil (which is one of the five grades of the crude oil produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

Factors that may affect the price of oil include, but are not limited to:

- (i) economic and political developments in oil-producing regions, particularly in the Middle East and Russia;
- (ii) global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- (iii) the ability of members of OPEC and other crude oil-producing nations to agree upon and maintain specified global production levels and prices;
- (iv) the impact of international environmental regulations designed to reduce carbon emissions;
- (v) other actions taken by major crude oil-producing or consuming countries;
- (vi) prices and availability of alternative fuels and new technologies using alternative fuels;
- (vii) the impact of COVID-19 or other pandemic diseases;
- (viii) the impact of terrorist action against significant hydrocarbon facilities; and
- (ix) global weather and environmental conditions.

Low oil prices and low demand for oil may have a material adverse effect on the Kingdom's economy and revenues, and may give rise to significant budget deficits and a reduction in liquidity and funding in the financial sector. The Kingdom has financed past budget deficits by borrowing and utilising its reserves and it may need to do so again. Any reduction in foreign exchange reserves and/or additional borrowing could result in foreign exchange outflows and have a tightening effect on liquidity and credit expansion which may not be mitigated by any adjustments in Government spending aimed at offsetting the adverse effects of any of the foregoing. Any such significant adverse effect on the Kingdom's economy could, in turn, have an adverse effect on the Group's business, financial condition, results of operations or prospects.

**There can be no assurance that the Government's efforts to diversify the Kingdom's economy will be successful and such efforts may have undesirable effects**

In recent years the Government has invested heavily in diversifying the Kingdom's economy to reduce its reliance on oil revenues. Through the Saudi Vision 2030, the Government is seeking to implement far-reaching reforms of the Kingdom's economy and society. Some of the measures envisaged include the greater participation of Saudi citizens in the private sector, a decrease in certain subsidies historically available to the fuel and energy sectors, as well as the imposition of new taxes and administrative fees. The implementation of

these and other similar measures may be a lengthy and complex process, and there can be no assurance that these measures will not have unexpected or undesirable consequences in the Kingdom.

There can be no assurance that the increased contribution of the non-oil sector to the Kingdom's economy will continue in the future or that the non-oil sector will continue to grow at a sufficient extent to achieve effective and adequate diversification of the economy. Furthermore, there can be no assurance that the Government will be able to successfully implement Saudi Vision 2030, and/or the subset of Vision Realization Programs (a series of programmes which aim to achieve the strategic objectives of the Saudi Vision 2030) in their current form, or that their implementation will be in line with the timelines originally set out. Any amendment to the scope or timing of the implementation of the objectives of Saudi Vision 2030 and/or the subset of Vision Realization Programs, in whole or in part, may result in the Government being unable to achieve the diversification of the economy and its sources of revenue to the required extent. Additionally, to the extent that a prolonged decline in oil prices has an adverse impact on the Government's revenues, this may in turn adversely impact the Government's ability to invest in the diversification of the Kingdom's economy. Any failure to diversify the Kingdom's economy may result in its economy remaining susceptible to the risks associated with the oil sector. Any material deterioration in the Kingdom's economic and financial condition would be likely to also negatively affect its banking sector and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

**A slowdown in the economies of the Kingdom's key trading partners could adversely affect the Kingdom's economy**

The Kingdom has strong trading relationships with many countries, particularly major oil-importing economies such as China, the United States, Japan, South Korea, India and a number of states of the European Union. To the extent that there is a slowdown in the economies of any of these countries, this may have a negative impact on the Kingdom's foreign trade and balance of payments, which could have a material adverse effect on the Kingdom's economic and financial condition.

Any sustained market and economic downturn or geopolitical uncertainties in the United States, China or any of the Kingdom's other key trading partners may exacerbate the risks relating to the Kingdom's trade with those countries. If an economic downturn occurs or continues in the United States, China or any of the Kingdom's other key trading partners, this may have a negative impact on the Kingdom's foreign trade and balance of payments. In particular, demand for crude oil and consequently the price of crude oil may be adversely affected and this may have a material adverse effect on the Kingdom's economic and financial condition.

Any material deterioration in Saudi Arabia's economic and financial condition would be likely to also negatively affect its banking sector and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

**The Kingdom's and other GCC legal systems continue to develop and this may create an uncertain environment for investment and business activity**

The Kingdom and many of the other GCC countries are in various stages of developing their legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. The courts, judicial committees and adjudicatory bodies in the Kingdom (the "**Kingdom Courts**") have a wide discretion as to how laws and regulations are applied to a particular set of circumstances. There is no doctrine of binding precedent in the Kingdom Courts, decisions of the Kingdom Courts are not routinely published and there is no comprehensive up-to-date reporting of judicial decisions. Bankruptcy procedures also remain largely untested. In some circumstances, it may not be possible to obtain the legal remedies provided under Kingdom law in a timely manner. As a result of these and other factors, the outcome of any legal disputes in the Kingdom may be uncertain.

As the legal environment remains subject to continuous development, investors in the Kingdom and the other GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in the Kingdom and the other GCC countries may have a material adverse effect on the rights of Noteholders or the investments that the Group has made or may make in the future, which may in turn have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

**The Bank is subject to labour force regulations in the Kingdom and any failure to comply with those regulations could have a material adverse effect on the Group**

Companies in the Kingdom are in general encouraged by the Ministry of Human Resources and Social Development to ensure that Saudi nationals are prioritised with regards to employment opportunities with strong career progression and development programmes. The Bank aims to recruit, train and retain Saudi nationals to comply with the relevant regulations, although, in common with other corporate entities in the Kingdom, the Bank experiences competition for, and may occasionally find it difficult to recruit and retain, qualified Saudi nationals. Any failure to fill specific regulated roles with Saudi nationals could cause the Bank to be questioned by the Ministry of Human Resources and Social Development for non-compliance with these requirements which could, in turn, have an adverse effect on the Bank's reputation.

In addition, in recent years, the Kingdom has tightened controls on the employment of foreign workers, required increased localisation of the operations of foreign investors in the Kingdom and introduced amendments to labour laws. There is no guarantee that those changes will not have an impact on the Bank's customers in general, or customers in a particular segment of business, including, in particular, the construction and contracting business, which comprises a significant proportion of the Group's credit exposure. If any changes in the Kingdom's labour laws negatively affect the Group's borrowers, this could reduce the ability of those borrowers to meet their payment obligations to the Group. The occurrence of any such effect with respect to a major borrower, or a group of borrowers, could have a substantial negative effect on the Group.

**Any alteration to, or abolition of, the foreign exchange "peg" of the riyal or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Group to U.S. dollar foreign exchange movements against the riyal or other such currencies**

The Group maintains its accounts and reports its results in riyal. The riyal has been pegged to the U.S. dollar since 1986. In addition, the following oil-producing GCC countries have their currencies pegged to the U.S. dollar: Qatar, the UAE, Oman and Bahrain. From time to time, oil-producing countries with currencies that have been traditionally pegged to the U.S. dollar have faced pressure to de-peg and, in certain cases, have de-pegged their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015, which was followed on 21 December 2015 by the removal of the U.S. dollar peg against the Azerbaijani manat.

There is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region. While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a devaluation against the U.S. dollar immediately following the removal of the peg. While it continues to be the policy of the Government and SAMA to maintain the currency peg at its existing level, there can be no assurance that future unanticipated events, including an increase in the rate of decline of the Government's reserve assets, will not lead the Government to reconsider its exchange rate policy.

Any de-pegging or re-evaluation to the current exchange rate either in the Kingdom or across the wider region, particularly if the de-pegging or re-evaluation is accompanied by a significant depreciation of the relevant currency against the U.S. dollar or other major currencies, could contribute to higher inflation, increase the burden of servicing external debt and damage investor confidence, resulting in capital outflows and market

volatility, each of which could have a material adverse effect on the Kingdom's economic and financial condition and, in turn, on the Group's business, financial condition, results of operations or prospects.

**The statistical data contained in this Offering Circular should be treated with caution by prospective investors**

Statistics contained in this Offering Circular, including in relation to GDP, trade, government revenue, inflation and oil prices, have been obtained from, amongst other sources, GASTAT, SAMA, the Ministry of Finance, the Ministry of Economy and Planning and OPEC. Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by other sources and may be different from statistics published by third parties, reflecting the fact that the underlying assumptions and methodology may vary from source to source. There may also be material variances between preliminary, estimated or projected statistics included in this Offering Circular and actual results, and between statistics included in this Offering Circular and corresponding data previously published by or on behalf of the bodies listed above. Consequently, the statistical data contained in this Offering Circular should be treated with caution by prospective investors.

**Risks relating to the Notes**

**There is no active trading market for the Notes**

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). There is no assurance that a secondary market for any Series of the Notes will develop or, if it does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of those Notes. A Noteholder may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. Additionally, if the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the relevant Notes and the financial and other risks associated with an investment in the relevant Notes. If a Series of Notes is issued to a single investor or a limited number of investors, this may result in an even more illiquid or volatile market in such Series of Notes. An investor in Notes must be prepared to hold the relevant Notes for an indefinite period of time or until their maturity. Although application has been made for certain Notes issued under the Programme to be admitted to trading on the ISM, there is no assurance that such applications will be accepted, that any particular Series of Notes will be so admitted or that any such admission will enhance the liquidity of the Notes of the relevant Series. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Series of Notes. Furthermore, certain shareholders and related parties of the Bank may participate in the offering of any Series of Notes. The secondary market liquidity of the Notes for such Series may be adversely affected if, and to the extent that, such person(s) intend(s) to adopt a buy and hold strategy in respect of such Series of Notes.

**Basel III reforms and risk of Tier 2 Notes absorbing losses**

On 13 January 2011, the Basel Committee expanded on the Basel III capital rules with additional non-viability requirements (the “**January 13 Annex**”). The January 13 Annex requires non-common equity Tier 1 or Tier 2 instruments issued by an internationally active bank to have a provision in their terms and conditions or be included in a statutory legal framework that requires such instruments, at the option of the relevant authority, to either be written off or converted to common equity upon the occurrence of a “trigger event”. A “trigger event” is the earlier of: (1) a decision that a write-off, without which the bank would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of



capital, or equivalent support, without which the bank would have become non-viable, as determined by the relevant authority. SAMA mandated all Saudi banks, including the Bank, to implement the additional requirements imposed by the January 13 Annex from 1 January 2013. The capital treatment of capital instruments issued prior to this date is expected to be phased out over a 10-year period commencing from 1 January 2013. See “—*The Noteholders’ right to receive payment of the principal amount of the Tier 2 Notes will, and the interest amounts in respect of Tier 2 Notes may, be written-down (in whole or in part) upon the occurrences of a Non-Viability Event*”.

There can be no assurance that in the future, SAMA will not amend its interpretation and implementation of the January 13 Annex described above. Further, revisions to the January 13 Annex may be implemented in the Kingdom in a manner that is different from that which is currently envisaged, or regulations may be introduced through the introduction of an Applicable Statutory Loss Absorption Regime (as defined in Condition 11 (*Loss Absorption Upon the Occurrence of a Non-Viability Event*)) in the Kingdom.

In particular, The Law on the Treatment of Systemically Important Financial Institutions M/38 dated 25/04/1442H (corresponding to 10 December 2020) (the “**SIFI Law**”), provides that in respect of any systemically important financial institution, subject to certain conditions being met which include, among others, the financial institution being in distress or likely to become distressed, SAMA may, among other things, amend the rights of the holders of capital instruments.

The SIFI Law provides for implementing regulations to be prepared by SAMA and the CMA. On 29 August 2023, SAMA published a draft of the implementing regulations of the SIFI Law for institutions subject to the supervision of SAMA (the “**Implementing Regulations**”) for public consultation. As of the date of this Offering Circular, the Implementing Regulations have not yet been issued and there can be no assurance that the Implementing Regulations, once they are finalised, will be consistent with the draft version that was published on 29 August 2023. The draft Implementing Regulations include certain provisions relating to the procedure for the amendment of rights of holders of capital instruments, including in relation to the required valuation by SAMA of the relevant Systemically Important Financial Institution’s assets prior to the application of any such procedure to determine, among other things, the extent of the write down of relevant capital instruments. The SIFI Law, together with its implementing regulations (once published), would likely constitute an Applicable Statutory Loss Absorption Regime (as defined in the Conditions) for the purposes of the Tier 2 Notes. The Conditions provide that, on or after the date on which the Applicable Statutory Loss Absorption Regime becomes effective, the provisions of Condition 11 (*Loss Absorption Upon the Occurrence of a Non-Viability Event*) will lapse and cease to apply, except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime or the Financial Regulator (as defined in the Conditions) in its exercise of its powers thereunder.

If, on or after such date, an event occurs which under the Applicable Statutory Loss Absorption Regime would lead to a determination of non-viability by SAMA, in respect of the Bank, SAMA (or the Bank following instructions from SAMA) may take such action in respect of the Tier 2 Notes as is required or permitted by such Applicable Statutory Loss Absorption Regime.

Whilst the SIFI Law provides that creditors whose rights are amended shall not incur greater losses than what is estimated would have been lost had the relevant financial institution been wound up, there can be no assurance that any such amendment of rights of holders or other action taken by SAMA will be similar to the loss absorption provisions set out in Condition 11 (*Loss Absorption Upon the Occurrence of a Non-Viability Event*) or otherwise be in the interests of the holders of Tier 2 Notes.

Accordingly, the operation of any such future legislation or implementation of an Applicable Statutory Loss Absorption Regime may have an adverse effect on the position of Noteholders.

**The Noteholders' right to receive payment of the principal amount of the Tier 2 Notes will, and the interest amounts in respect of Tier 2 Notes may, be written-down (in whole or in part) upon the occurrences of a Non-Viability Event**

If a Non-Viability Event (as defined below) occurs at any time on or after the Issue Date of a Series of Tier 2 Notes and prior to the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of such Series, the Tier 2 Notes will be cancelled in whole if so determined by the Financial Regulator (as defined in the Conditions) and, except in relation to any interest accrued and unpaid if and only to the extent that such interest became due and payable to the Noteholders prior to the date of the Non-Viability Notice (and provided payment of such amounts are not prohibited by the Financial Regulator or the Capital Regulations at such time), all rights of any Noteholder to payment of any amounts under or in respect of the Tier 2 Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Tier 2 Event as described in Condition 15(a) (*Events of Default for Tier 2 Notes*)) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date.

If following the occurrence of a Non-Viability Event, the Financial Regulator determines that a partial Write-down of the Notes is required, the face amount of each Note shall be written-down by the amount so specified in writing by the Financial Regulator and except in relation to payment of accrued and unpaid interest if and only to the extent such interest became due and payable to the Noteholders prior to the date of the Non-Viability Notice (and provided payment of such amounts are not prohibited by the Financial Regulator or the Capital Regulations at such time), all rights of any Noteholder for payment of any amounts under or in respect of the proportion of the Tier 2 Notes so written-down (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Tier 2 Event as described in Condition 15(a) (*Events of Default for Tier 2 Notes*)) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date. Accordingly, the Noteholders may lose some or the entire amount of their investment in the Tier 2 Notes.

A “**Non-Viability Event**” means that the Financial Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without:

- (i) a Write-down of the Notes (and write-down of any other of the Bank's capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital of the Bank that, pursuant to their terms or by operation of law, are capable of being written-down and/or converted into equity); or
- (ii) a public sector injection of capital (or equivalent support), provided that such injection of capital is not made (a) by a shareholder of the Bank or (b) on terms that are more favourable to the Bank than those that would be accepted by private investors in comparable transactions.

**The circumstances triggering a Write-down are unpredictable**

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Group's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Financial Regulator. As a result, the Financial Regulator may require a Write-down in circumstances that are beyond the control of the Group and with which the Group may not agree.

The exercise (or perceived likelihood of exercise) of any such power by the Financial Regulator or any suggestion of such exercise could materially adversely affect the value of any Tier 2 Notes and could lead to the Noteholders losing some or all of their investment in the Tier 2 Notes.

The financial viability of the Group will also depend in part on decisions made by the Group in relation to its business and operations, including the management of its capital position. In making such decisions, the Group

will not necessarily have regard to the interests of Noteholders and, in particular, the consequences for Noteholders of any such decisions, and there can be no assurance in any such circumstances that the interests of the Group, its shareholders and the Financial Regulator will be aligned with those of the Noteholders.

Prospective investors should also be aware that the application of a non-viability loss absorption feature as contained in Condition 11 (*Loss Absorption Upon the Occurrence of a Non-Viability Event*) has not been tested in the Kingdom and therefore uncertainty exists in its application.

**An investor in the Tier 2 Notes assumes an enhanced risk of loss in the event of a Winding-Up Proceeding**

The Issuer's and the Guarantor's obligations under Tier 2 Notes and the Subordinated Guarantee relating to the Tier 2 Notes will be unsecured and subordinated. Upon the occurrence of a Winding-Up Proceeding, and subject to the non-viability provisions contained in Condition 11 (*Loss Absorption Upon the Occurrence of a Non-Viability Event*), the payment obligations of the Bank under the Subordinated Guarantee will rank subordinate to claims in respect of Senior Obligations and no amount will be paid by the Bank in respect of such obligations until all such Senior Obligations have been paid in full. Unless, therefore, the Bank has assets remaining after making all such payments in respect of Senior Obligations, no payments will be made in respect of its obligations under the Subordinated Guarantee in relation to the Tier 2 Notes and any such payments that are made will be made at least *pari passu* with any payments required to be made by the Bank in respect of any Parity Obligations. Consequently, although the Tier 2 Notes may pay a higher rate of interest than comparable unsubordinated instruments, there is an enhanced risk that an investor in Tier 2 Notes will lose all or some of its investment following the occurrence of a Winding-Up Proceeding.

**No limitation on incurrence of Senior Obligations or Parity Obligations**

There is no restriction on the amount of Senior Obligations or Parity Obligations that the Bank may incur. As described above, the incurrence of any such obligations may reduce the amount recoverable by the holders of the Tier 2 Notes ("**Tier 2 Noteholders**") on any dissolution, winding-up or liquidation of the Bank. Accordingly, on such dissolution, winding-up or liquidation, there may not be sufficient amounts to satisfy the amounts owing to Tier 2 Noteholders in respect of the obligations of the Bank under the Subordinated Guarantee and this may result in an investor in Tier 2 Notes losing all or some of its investment.

**Limited remedies for non-payment when due or enforcement of any other obligations in respect of Tier 2 Notes**

In respect of Tier 2 Notes, it will only be possible to accelerate payment of any amounts payable under the Notes or the Subordinated Guarantee in relation to such Notes upon the occurrence of a Winding-Up Proceeding of the Guarantor as described in Condition 15(a) (*Events of Default for Tier 2 Notes*). Subject as provided in Condition 15(a) (*Events of Default for Tier 2 Notes*), the Noteholders may then claim or prove in the winding-up, dissolution or liquidation in respect of the resulting amounts due and payable in respect of the Notes or the Subordinated Guarantee.

The only remedy of holders of Tier 2 Notes on any default in payment of principal or interest or amounts due under the Subordinated Guarantee will be to institute proceedings for the Guarantor to be declared bankrupt or insolvent or for there otherwise to be a Winding-Up Proceeding and prove in the winding-up, dissolution or liquidation of the Guarantor, in accordance with Condition 15(a) (*Events of Default for Tier 2 Notes*).

No remedy other than those described above will be available to any holder of Tier 2 Notes, whether for the recovering of amounts owing in respect of the Notes or in respect of any breach by the Issuer or the Guarantor of any other obligation, condition or provision binding on it under the Notes or the Subordinated Guarantee.

### **The Notes may be redeemed prior to maturity**

Unless, in the case of any particular Tranche of Notes, the applicable Pricing Supplement specifies otherwise, in the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any change of law in the Cayman Islands (in the case of payment by the Issuer) or the Kingdom (in the case of payment by the Guarantor), effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, which results in withholding, retention 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 or on behalf of the Cayman Islands or Saudi Arabia or in each case any political subdivision or any authority or agency thereof or therein having power to tax, the Issuer may (subject, in the case of Tier 2 Notes only, to Condition 10(k) (*Redemption and Purchase – Conditions to Redemption and Repurchase of Tier 2 Notes*)) redeem all outstanding Notes in accordance with the Conditions. See Condition 10(b) (*Redemption and Purchase – Redemption for Tax Reasons*) for further details.

In addition, in the case of any particular Tranche of Notes, the applicable Pricing Supplement may specify that the Notes are redeemable at the Issuer's option in certain other circumstances, including, in the case of Tier 2 Notes only, due to the occurrence of a Capital Disqualification Event – see Condition 10(c) (*Redemption and Purchase – Redemption following a Capital Disqualification Event*). An optional redemption feature is likely to limit the market values of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. The Issuer may choose to redeem the Notes at a time when prevailing interest rates may be lower than the interest rate on the Notes. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes and may only be able to do so at a significantly lower rate. Potential investors should consider re-investment risk in light of other investments available at that time.

### **Fixed/Floating Rate Notes**

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market and the market value of such Notes as the change of interest basis may produce a lower interest rate for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on these Notes and could affect the market value of an investment in the relevant Notes.

### **Notes issued at a substantial discount or premium**

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

### **Modification**

The Conditions contain provisions for calling meetings (including by way of conference call or by use of a telephony or electronic platform or facility) of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend or vote at the relevant meeting, Noteholders who did not sign a written resolution, Noteholders who do not participate in any

electronic consents sought by the Issuer and including Noteholders who voted in a manner contrary to the majority.

## **Risks relating to the Market Generally**

### **Interest rate risks**

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

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

The Issuer's credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Notes. One or more independent credit rating agencies may assign credit ratings to the Guarantor, the Programme or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Offering Circular, and other factors that may affect the value of the Notes. In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU 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 third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. The list of registered and certified rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. In each case, this is subject to (i) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (ii) transitional provisions that apply in certain circumstances. Furthermore, in the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2022 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purpose of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

Limited information with respect to the credit rating agencies and ratings will be disclosed in the applicable Pricing Supplement. Certain information with respect to the credit rating agencies and ratings is set out on the cover page of this Offering Circular. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning credit rating agency at any time. Each rating should be evaluated independently of any other rating.

## **Change of law**

The Conditions are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issuance of the relevant Notes nor whether any such change could adversely affect the ability of the Issuer or the Guarantor to make payments under the Notes.

## **Investors in the Notes must rely on Euroclear, Clearstream, Luxembourg and CMU procedures**

Notes issued under the Programme may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or lodged with the CMU.

Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Notes in definitive form. Euroclear, Clearstream, Luxembourg and the CMU and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through Euroclear, Clearstream, Luxembourg and the CMU and their respective participants.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer and the Guarantor will discharge their payment obligations under the Notes by making payments to the, where applicable, common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders or in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held with the CMU in accordance with the CMU rules and procedures as notified by the CMU to the Issuer and the Guarantor in a relevant CMU Issue Position Report (as defined in the rules of the CMU) or any other notification by the CMU.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of Euroclear, Clearstream, Luxembourg and the CMU and their respective participants to receive payments under the relevant Notes. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg and the CMU to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the Global Notes or Global Certificates to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant (as defined in the Conditions).

## **Debt instruments with loss absorption features are generally not suitable for retail investors**

In October 2022, the HKMA issued guidance on enhanced investor protection measures on the sale and distribution of debt instruments with loss-absorption features and related products (such as the Tier 2 Notes) (the “**HKMA Circular**”). Under the HKMA Circular, debt instruments with loss absorption features, being subject to the risk of being written-down or converted to ordinary shares, and investment products that invest mainly in, or whose returns are closely linked to the performance of such instruments, are to be targeted in Hong Kong at professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any subsidiary legislations or rules made under the SFO, “**Professional Investors**”) only and are generally not suitable for retail investors in either the primary or secondary markets. Investors in Hong Kong should not purchase the debt instruments with loss-absorption features in the primary or secondary

markets unless they are Professional Investors and understand the risks involved. The Tier 2 Notes are generally not suitable for retail investors.

Debt instruments with loss absorption features as described in this Offering Circular (such as the Tier 2 Notes) are subject to the risk of being written down or converted to ordinary shares (such as recapitalising the Bank as it goes through resolution), potentially resulting in a substantial loss to the investors concerned. The circumstances in which these debt instruments may be required to bear loss are difficult to predict and ex ante assessments of the quantum of loss will also be highly uncertain. Hence, debt instruments with loss absorption features are inherently complex and are of high risk, and are generally not suitable for retail investors.

#### **The Notes may be subject to fluctuations in currency exchange rates**

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that government and monetary authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls, which could adversely affect an applicable exchange rate. The Issuer and the Guarantor have no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the future. However, fluctuations between currencies in the past are not necessarily indicative of fluctuations that may occur in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

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 principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. dollars would not be available at such Note's maturity.

#### **Notes 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 Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes 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 Noteholder 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 Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system at the relevant time, such Noteholder may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a face amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a definitive Note.

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

***The use of proceeds of any issue of Notes identified as Sustainable Notes in the applicable Pricing Supplement may not meet investor expectations or requirements or be suitable for an investor's investment criteria***

The Bank intends to use an amount at least equal to the net proceeds from each issue of Notes identified as Sustainable Notes ("**Sustainable Notes**", which includes Green Notes, Social Notes and Sustainability Notes (each as defined in "*Use of Proceeds*")) in the applicable Pricing Supplement (the "**equivalent amount**") in achieving its objectives set out in the Sustainable Finance Framework (as defined in "*Use of Proceeds*") and intends to provide the reports described in "*Use of Proceeds*".

The Bank will exercise its judgment and sole discretion in determining the businesses and projects that will be financed or refinanced by the equivalent amount. If the use of the proceeds of Sustainable Notes is a factor in any potential investor's decision to invest in Sustainable Notes, that investor should carefully consider the disclosure in "*Use of Proceeds*" and "*Business Description of the Bank – Sustainable Finance Framework*" and consult with its legal or other advisers and make any other investigation such investor deems necessary before making an investment in Sustainable Notes. In particular, no assurance is given by the Bank, the Issuer, the Arrangers, the Dealers or any other person that the use of the equivalent amount for any Eligible Sustainable Projects (as defined in "*Use of Proceeds*" below) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. In addition, the Sustainable Finance Framework is subject to change at any time without notice.

Furthermore, notwithstanding the Bank's intention stated above, potential investors should be aware that the Bank has no contractual obligation to use the equivalent amount as stated in, or to provide the reports described in, "*Use of Proceeds*". In addition, no assurance is given by the Bank, the Arrangers, the Dealers or any other person that the application of such equivalent amount to the relevant Eligible Sustainable Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timeframe or at all, or that such proceeds will be totally or partially disbursed as planned. Nor can there be any assurance that such Sustainable Notes or the activities or projects they finance, refinance or invest in will have the results or outcome (whether or not related to environmental, social or other objectives) originally expected or anticipated by the Bank. Any such event or failure by the Bank to use the equivalent amount as stated or to provide the reports and/or the fact that the maturity of an Eligible Sustainable Project may not match the duration of any Sustainable Notes and/or the failure by the Bank to meet any environmental, social or sustainability targets and/or any changes to the composition of the Eligible Sustainable Projects before the applicable maturity date or any applicable optional redemption date of the applicable Sustainable Notes and/or failure of the Eligible Sustainable Projects to perform as expected will not: (i) give rise to any claim in contract of a holder of any Sustainable Notes against the Bank, any other member of the Group, the Arrangers, any Dealer or any other person; (ii) constitute an event of default under Condition 15 (*Events of Default*) of the Notes with respect to Sustainable Notes; (iii) create an obligation of the Bank to redeem the relevant Sustainable Notes; (iv) create an option for the holders of the relevant Sustainable Notes to redeem such Sustainable Notes; (v) create an incentive to redeem; or (vi) in the case of Sustainable Notes which are Tier 2 Notes ("**Tier 2 Sustainable Notes**"), compromise the ability of the relevant Sustainable Notes to qualify as Tier 2 Capital of the Bank or have any impact on the status and/or ranking of such Sustainable Notes, but such events, failures or facts may affect the value and/or the trading price of Sustainable Notes and/or have adverse consequences for certain investors with portfolio mandates to invest in green or social assets.



Investors should be aware that Tier 2 Sustainable Notes will be subject to non-viability loss absorption to the same extent and with the same ranking as any other Tier 2 Note which is not a Sustainable Note. Please also refer to the risk factor “—*The Noteholders’ right to receive payment of the principal amount of the Tier 2 Notes will, and the interest amounts in respect of Tier 2 Notes may, be written-down (in whole or in part) upon the occurrences of a Non-Viability Event*”. Further, proceeds from any Sustainable Notes which are Tier 2 Notes will cover all losses in the balance sheet of the Bank regardless of their “sustainable” label and whether such losses arise from “sustainable” or other assets.

The net proceeds of the issue of Sustainable Notes which, from time to time, are not earmarked towards Eligible Sustainable Projects are intended by the Bank to be invested in cash, cash equivalents and/or marketable securities, in accordance with the Group’s cash management policies and excluding investments covered by the exclusions referenced in “*Use of Proceeds*” below. While the Bank will earmark an amount equivalent to the net proceeds of the issue of any Sustainable Notes in a segregated account, there can be no assurance that the Sustainable Notes or the proceeds therefrom will not be used to absorb any and all losses of the Bank, regardless of whether or not such losses stem from green, sustainable, social or other assets, in the same way as the Bank’s other instruments not classified as Sustainable Notes which may be called upon to cover all losses on the balance sheet. In addition, there will be no direct or contractual link between any Sustainable Notes and any Eligible Sustainable Projects (or any other environmental, social or similar targets set by the Bank) and consequently neither payments of principal and interest (as the case may be) on, nor an investor’s right to accelerate repayment of, the Sustainable Notes shall depend on the application of an amount equal to the net proceeds of any issue of Sustainable Notes, the performance of the relevant Eligible Sustainable Projects or the performance of the Bank in respect of any such environmental, social or similar targets.

An Eligible Sustainable Project may, during the life of the project, due to changes in the Sustainable Finance Framework and/or circumstances of the project or any other reasons, no longer satisfy the eligibility criteria set out in the Sustainable Finance Framework. The reallocation of such proceeds to new Eligible Sustainable Projects may not be possible or may be delayed. No representation or assurance is given or made by the Bank, the Arrangers, the Dealers, the Agents or any other person that the equivalent amount used for financing or refinancing of Eligible Sustainable Projects will always satisfy the eligibility criteria.

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or an equivalently labelled project or as to what precise attributes are required for a particular project to be so considered and no assurance can be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not change significantly. Accordingly, no assurance is or can be given (whether by the Bank, the Issuer, the Arrangers, the Dealers or any other person) to investors that: (a) any projects or uses the subject of, or related to, any Eligible Sustainable Projects will meet any or all investor expectations regarding such “green”, “social”, “sustainable” or other equivalently labelled performance objectives (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called “**EU Taxonomy**”) or the EU Taxonomy as it forms part of UK domestic law by virtue of the EUWA, Regulation (EU) 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (the “**EU Green Bond Regulation**”) which entered into force on 20 December 2023 and is expected to become applicable from 21 December 2024, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “**SFDR**”) and any implementing legislation and guidelines, or any similar legislation in the UK or any requirements of such criteria and/or labels as they may evolve from time to time) and, accordingly, the status of any Notes as being “green” (or equivalent) could be withdrawn at any time; (b) any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Sustainable Projects; or (c) the Sustainable Finance Framework will be aligned with the EU Taxonomy, the EU Green Bond Regulation, the SFDR or any other present or future sustainability framework or guidelines; or (d) any event with an adverse

environmental, social or other connotation will not occur during the life of any Sustainable Note, which event may affect the value of such Sustainable Note, and/or have adverse consequences for certain investors in such Sustainable Note.

The Sustainable Finance Framework is intended to be aligned with the ICMA Green Bond Principles (2021 version), Social Bond Principles (2021 version) and Sustainability Bond Guidelines (2021 version), each as referred to in the Sustainable Finance Framework and published by the International Capital Markets Association (the “**ICMA Principles**”). The Bank has appointed S&P Global to assess its Sustainable Finance Framework and its alignment with the ICMA Principles, and to issue the Second Party Opinion. None of the Bank, the Issuer, the Arrangers, the Dealers or any other person makes any representation or gives any assurance as to the Sustainable Finance Framework’s compliance or alignment with the ICMA Principles. Furthermore, none of the Sustainable Finance Framework, the ICMA Principles or any associated reports, verification assessments or the contents of the above websites are incorporated in or form part of this Offering Circular.

No Arranger or Dealer makes any representation as to (i) the suitability of any Sustainable Notes to fulfil any environmental, social and/or sustainability criteria required by prospective investors, (ii) whether the net proceeds of the issuance of any such Notes will be used to finance and/or refinance relevant Eligible Sustainable Projects, including their sustainability criteria or (iii) the characteristics of relevant Eligible Sustainable Projects or businesses to whom the proceeds of such Notes are to be allocated, including their sustainability characteristics. No Dealer involved in the issue of a specific Tranche of such Notes has undertaken, nor is responsible for, any assessment of or due diligence in respect of the Sustainable Finance Framework, the Eligible Sustainable Projects or the eligibility criteria, any verification of whether the Eligible Sustainable Projects meet the eligibility criteria, or the assessment, verification or monitoring of the use of proceeds. Investors should refer to the Banks’s website, annual report and the Second Party Opinion for information and should determine for themselves the relevance of the information contained in this Offering Circular regarding the use of proceeds and its investment in any Sustainable Notes should be based upon such investigation as it deems necessary.

***The Bank cannot provide any assurances regarding the suitability or reliability of any second party opinion (including the Second Party Opinion) or admission to any index obtained with respect to Sustainable Notes***

No assurance or representation can be given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Bank) which may or may not be made available in connection with the issue of Sustainable Notes (including, for the avoidance of doubt, the entry of the details of Eligible Sustainable Projects into the Bank’s Sustainable Financing Register as described in the Sustainable Finance Framework) and in particular with any of the businesses and projects funded with the equivalent amount to fulfil any green, environmental, sustainability, social and/or other criteria (including the Second Party Opinion). For the avoidance of doubt, any such report, assessment, opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Offering Circular. Any such report, assessment, opinion or certification is not, nor should it be deemed to be, a recommendation by the Bank, the Issuer, the Arrangers or any other person to buy, sell or hold Sustainable Notes. Any such report, assessment, opinion or certification is only current as at the date that opinion was initially issued and is based on the judgment of the opinion provider. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in Sustainable Notes. The providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or any regulatory or other regime. Furthermore, a second party opinion (including the Second Party Opinion) may not reflect the potential impact of all the risks related to the structure or market, or the additional risk factors discussed above or the other factors that may affect the value of the Sustainable Notes or

the projects financed or refinanced thereby, in an amount corresponding to the equivalent amount. A withdrawal of any such opinion may affect the value of such Sustainable Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

If a Tranche of Sustainable Notes is at any time listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable” or other equivalently labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank, the Issuer, the Arrangers, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from any Sustainable Notes. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Issuer, the Arrangers, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any Sustainable Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Sustainable Notes concerned.

### **Risks related to Notes which are linked to “benchmarks”**

#### ***The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such “benchmarks”***

Reference rates and indices, including interest rate benchmarks, which are used to determine the amounts payable under financial instruments or the value of such financial instruments (“**Benchmarks**”), are the subject of national and international regulatory guidance and proposals for reform. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

Investors should be aware that, if a Benchmark were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference such Benchmark will be determined for the relevant period by the fallback provisions applicable to such Notes set out in the Conditions. Where Screen Rate Determination not Referencing SOFR or SONIA (each as defined below) is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available. Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent. Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Reference Rate was discontinued. Uncertainty as to the continuation of the Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where the applicable Pricing Supplement specifies that Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*) applies, the Conditions provide for certain fallback arrangements in the event that

a Benchmark Event occurs, including if a public statement is made by the supervisor of the administrator of the relevant Reference Rate (or such component) that the relevant Reference Rate (or such component) is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market or the methodology to calculate such Reference Rate has materially changed.

Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or, failing which, an Alternative Reference Rate, with or without the application of an Adjustment Spread and may include amendments to the Conditions to ensure the proper operation of the Successor Rate, Alternative Reference Rate and/or Adjustment Spread, all as determined by an Independent Adviser, acting in good faith and following consultation with the Bank, or the Bank (acting in good faith and in a commercially reasonable manner), as applicable and without any requirement for the consent or sanction of the relevant Noteholders. The application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Reference Rate to determine the Rate of Interest is also likely to result in any Notes initially linked to or referencing the relevant Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the original Reference Rate were to continue to apply in its current form.

In addition, the market (if any) for Notes linked to any such Successor Rate or Alternative Reference Rate may be less liquid than the market for Notes linked to the original Reference Rate. Prospective investors should note that neither the Bank nor any Independent Adviser appointed pursuant to the Conditions shall, in the absence of bad faith, wilful default or fraud have any liability whatsoever to the Fiscal Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it pursuant to the Conditions.

The choice of replacement benchmark is uncertain and could result in the use of risk-free rates such as SOFR (see “—*The market continues to develop in relation to risk free rates (including SONIA and SOFR) as reference rates for Floating Rate Notes*” below) and/or in the replacement Benchmark being unavailable or indeterminable.

In the case of Floating Rate Notes which reference SOFR where Condition 7(g) (*Floating Rate Note Provisions Benchmark Discontinuation (SOFR)*) is specified as applicable in the applicable Pricing Supplement where the Bank or its designee determines that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred, a Benchmark Replacement (as determined in accordance with Condition 7(g) (*Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)*)) will replace the then-current Benchmark for all purposes relating to such Notes in respect of all determinations on such date and for all determinations on all subsequent dates. Such Benchmark Replacement may result in the Notes behaving differently (which may include payment of a lower Rate of Interest).

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions or 2021 ISDA Interest Rate Derivatives Definitions. Where the Floating Rate Option specified is an “IBOR” Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

***The Bank may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Reference Rate in accordance with the Conditions***

Where, in respect of any given Interest Period, the Bank is unable to appoint an Independent Adviser, or the Independent Adviser appointed by the Bank has failed to determine a Successor Rate or, failing which, an Alternative Reference Rate, prior to the relevant IA Determination Cut-Off Date, the Bank (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which an Alternative Reference Rate and, in either case, an Adjustment Spread in accordance with the Conditions, provided that in respect of any subsequent Interest Period it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Reference Rate to apply to the next succeeding and any subsequent Interest Periods, as necessary.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is duly determined, the Rate of Interest for the next succeeding Interest Period will be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period (through substituting, where applicable, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period). This may result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Reference Rate could be determined.

If the Independent Adviser (or the Bank) fails to determine a Successor Rate or Alternative Reference Rate for the life of the relevant Notes, or if a Successor Rate or Alternative Reference Rate is not adopted because it could reasonably be expected to prejudice the qualification of Tier 2 Notes as tier 2 capital (in accordance with the applicable requirements of SAMA (or any successor thereto as the relevant regulator of banks in the Kingdom)), the initial Rate of Interest, or the Rate of Interest for the last preceding Interest Period, will continue to apply to maturity. This will result in the Floating Rate Notes, in effect, becoming fixed rate Notes. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

***The market continues to develop in relation to risk free rates (including SONIA and SOFR) as reference rates for Floating Rate Notes***

Investors should be aware that the market continues to develop in relation to risk-free rates, such as the Sterling Overnight Index Average (“**SONIA**”) and the Secured Overnight Financing Rate (“**SOFR**”), as reference rates in the capital markets for sterling or U.S. dollar bonds, as applicable, and their adoption as alternatives to the relevant interbank offered rates. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market’s forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. For example, on 2 March 2020, the Federal Reserve Bank of New York, as administrator of SOFR, began publishing the SOFR Compounded Index and on 3 August 2020, the Bank of England, as the administrator of SONIA, began publishing the SONIA Compounded Index.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Notes that reference such risk-free rates issued under this Programme. The continued development of risk-free rates for the international debt capital markets could result in reduced liquidity or increased volatility or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the international debt capital markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

The use of risk-free rates as reference rates in the international debt capital markets is nascent and may be subject to change and development in terms of the methodology used to calculate such rates, the development of rates based on risk-free rates and the development and adoption of market infrastructure for the issuance and trading of bonds referencing risk-free rates. In particular, investors should be aware that several different methodologies have been used in notes linked to such risk-free rates issued to date and no assurance can be given that any particular methodology, including the compounding formula in the Conditions, will gain widespread market acceptance. In addition, the methodology for determining any overnight rate index used to determine the Rate of Interest in respect of certain Notes could change during the life of such Notes.

Notes referencing risk-free rates may also have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities referencing such risk-free rates, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Notes may be lower than those of later-issued indexed debt securities as a result. Further, if the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Certain administrators of risk-free rates have published hypothetical and actual historical performance data. Hypothetical data inherently includes assumptions, estimates and approximations and actual historical performance data may be limited in the case of certain risk-free rates. Investors should not rely on hypothetical or actual historical performance data as an indicator of the future performance of such risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SONIA or SOFR.

***Risk-free rates differ from interbank offered rates in a number of material respects and have a limited history***

Risk-free rates may differ from interbank offered rates in a number of material respects, including (without limitation) by being backwards-looking in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank financing. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Notes.

SONIA and SOFR are, in the case of SONIA, recently reformed and in the case of SOFR, newly established risk-free rates. Therefore, such risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. For example, since publication of SOFR began, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Furthermore, interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk-free rates to reliably estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking SONIA or SOFR become due and payable or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

***Any of the administrators of SONIA or SOFR may make changes that could change the value of SONIA or SOFR or discontinue SONIA or SOFR, respectively***

As SONIA and SOFR are published and calculated by third parties based on data received from other sources, the Issuer and the Guarantor have no control over their determination, calculation or publication. There can be no guarantee that SONIA and/or SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Notes linked to or which reference SONIA or SOFR (or that any applicable benchmark fallback provisions provided for in the Conditions will provide a rate which is economically equivalent for Noteholders). The Bank of England or the Federal Reserve Bank of New York (or their successors) as administrators of SONIA or SOFR, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such rates and/or indices are calculated, eligibility criteria applicable to the transactions used to calculate such rates and/or indices, or timing related to the publication of SONIA or SOFR. In addition, an administrator may alter, discontinue or suspend calculation or dissemination of SONIA or SOFR, in which case a fallback method of determining the interest rate on the Notes will apply in accordance with the Conditions (see “*The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such “benchmarks”*”). An administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate. Any of the foregoing could have a material adverse effect on the value or liquidity of, and return on, any Notes which reference SONIA or SOFR.

## **Risks relating to Enforcement**

**There are uncertainties around the choice of English law as the governing law of the Notes and agreements and around enforcing foreign arbitral awards in the Kingdom**

The payments under the Notes are dependent upon the Issuer making payments to investors in the manner contemplated under the Notes. If the Issuer fails to do so, it may be necessary to bring an action against the Guarantor to enforce its obligations under the Guarantee and/or against the Issuer or the Guarantor to claim damages, as appropriate, which may be costly and time consuming.

The Deed of Guarantee and the Notes (other than certain provisions thereof relating to subordination and set-off of the Tier 2 Notes, which are expressed to be governed by Saudi law) are expressed to be governed by English law, and provide for the resolution of disputes through arbitration in London under the LCIA Arbitration Rules. The Bank is a Saudi Arabian company and is incorporated in and has its operations and the majority of its assets located in Saudi Arabia.

Any foreign arbitral award, including an LCIA award, should be enforceable in Saudi Arabia in accordance with the terms of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”), subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the Enforcement Departments of the General Courts (the “**Enforcement Courts**”). As a

party to the New York Convention, Saudi Arabia has an obligation to recognise and enforce foreign arbitral awards unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Saudi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of Saudi Arabia. In addition, the Enforcement Courts may decline to enforce foreign arbitral awards if the requirements of enforcing foreign arbitral awards are not met. These requirements include that: (a) the arbitral award does not conflict with public order in Saudi Arabia; (b) there is reciprocity in the enforcement of arbitral awards between the courts of Saudi Arabia and the country in which the award was made; (c) the courts of Saudi Arabia do not have jurisdiction over the dispute and the award has been issued in accordance with the jurisdictional rules of the country in which such award was made; (d) the respective parties to the dispute were present, duly represented and able to defend themselves; (e) the award was final in accordance with the rules of the court; and (f) the award is not conflicting with any ruling or order issued by a court of competent jurisdiction on the same matter in Saudi Arabia. Even if such requirements were met, Noteholders should also be aware that if any terms of the Notes or the agreements were found to be inconsistent with public policy, order or morals in Saudi Arabia (including *Shari'a* law and principles) or any mandatory law of, or applicable in, Saudi Arabia, such portions of an award may not be enforced by the Enforcement Courts.

In particular, the courts and judicial committees of Saudi Arabia will require any arbitral award pursuant to the arbitration agreement to satisfy certain requirements, including compliance with the principles of *Shari'a*. Accordingly, in any proceedings relating to the Notes or the Deed of Guarantee in Saudi Arabia, *Shari'a*, as interpreted in Saudi Arabia, may be applied by the relevant court or judicial committee. The courts and judicial committees of Saudi Arabia have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of *Shari'a*. As such there can be no assurance that the Saudi courts will recognise and enforce any arbitral award made under the arbitration agreement.

In addition, whilst the choice of English law as the governing law of the Deed of Guarantee and Notes does not contravene the laws and regulations of the Kingdom, the courts and judicial committees of the Kingdom may not recognise the choice of English law.

#### **The choice of forum clause may not be upheld by a Saudi Arabian judicial body**

The choice of forum clause in relation to the Notes and the Deed of Guarantee may not be upheld by a Saudi Arabian court. Under Saudi Arabian law, a court may only finally determine the appropriate adjudicating forum for the dispute, notwithstanding the contractual election of the parties to the agreement. There is therefore a risk that other courts or judicial committees will have jurisdiction to hear relevant disputes. Any provision in an agreement that purports to preclude any party from invoking the jurisdiction of a particular Saudi Arabian court or judicial committee where the parties have referred a dispute to any other Saudi Arabian court or judicial committee may not be enforceable. However, the Arbitration Law issued by Royal Decree No M/34, dated 24/5/1433 AH (corresponding to 16 April 2012) provides that a Saudi Arabian court must dismiss a claim if the defendant raises an arbitration agreement as its first defence in the case.

#### **The payment of interest may not be permitted under the laws of Saudi Arabia**

Contractual obligations governing the payment of interest may not be enforceable under Saudi Arabian law. The legal regime in the Kingdom governing transactions such as the issuance of the Notes includes *Shari'a* principles which are often expressed in general terms, providing Saudi Arabian courts and adjudicatory bodies with considerable discretion as to how to apply such principles. Under *Shari'a* principles as applied in the Kingdom, the charging and payment of interest, which is deemed to constitute unlawful gain (*riba*), is prohibited. Consequently, a court or adjudicatory body in the Kingdom applying a strict interpretation of *Shari'a*



may not enforce such contractual provisions and the future consistency of Saudi courts or adjudicatory bodies regarding the payment of interest (which may include payments on the Notes) cannot be predicted.

### **Courts and judicial committees in Saudi Arabia may not give effect to certain types of indemnities**

Prospective Noteholders should note that should any provision of the Notes or the Deed of Guarantee be construed by a court or judicial committee in Saudi Arabia to be an agreement or undertaking by a party to pay indemnities or damages that are greater than a genuine estimate of actual direct loss incurred, a Saudi Arabian adjudicatory body may decline to enforce such provision. Further, any indemnity provided by the Bank pursuant to the Notes or the Deed of Guarantee or in relation to any Series may not be enforceable under the laws and regulations of Saudi Arabia in certain circumstances. As such, Noteholders may ultimately not be able to recover damages from the Guarantor under the Notes or the Deed of Guarantee that are greater than a genuine estimate of actual and direct loss incurred.

### **Compliance with bankruptcy laws in Saudi Arabia may affect the Bank's ability to perform its obligations under the Notes**

If the Bank's insolvency satisfied the eligibility conditions for one of the bankruptcy procedures under the Bankruptcy Law (issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 13 February 2018)), as amended by Royal Decree No. M/89 dated 09/07/1441H (corresponding to 4 March 2020) (the "**Bankruptcy Law**"), this could adversely affect the Bank's ability to perform its obligations under the Notes. There is little precedent to predict how claims by or on behalf of the Noteholders would be resolved in the event of the Bank satisfying the eligibility conditions of any such bankruptcy procedures and, accordingly, it is uncertain exactly how and to what extent the Notes would be enforced by a Saudi Arabian adjudicatory body in that situation. Therefore, there can be no assurance that Noteholders will receive repayment of their claims in full or at all in these circumstances. In addition, there is a material likelihood that a Saudi Arabian adjudicatory body could consider void a contractual provision that seeks to terminate a contract in the event of a protective settlement or financial restructuring procedure being instigated. This is based on article 23 of the Bankruptcy Law, which states that contracts should continue during protective settlement or financial restructuring procedures and any condition to the contrary is deemed null and void. It is open to a contractual party to apply for its contract to be terminated, pursuant to article 24 of the Bankruptcy Law, if the party undergoing protective settlement fails to satisfy its contractual obligations in the period after the commencement of the protective settlement procedure.

In addition, in case of financial distress of a financial institution, the SIFI Law is generally applicable and it remains uncertain to what extent the Bankruptcy Law will be applied once the treatment procedures set out in the SIFI Law were unsuccessful.

In case of a write-down following a Non-Viability Event, see further "*Risk Factors- The Noteholders' right to receive payment of the principal amount of the Tier 2 Notes will, and the interest amounts in respect of Tier 2 Notes may, be written-down (in whole or in part) upon the occurrences of a Non-Viability Event.*"

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

In the event that the Bank fails to perform its obligations under any Notes or the Deed of Guarantee, the potential remedies available to the Noteholders include (i) obtaining an order for specific performance of the Bank's obligations, or (ii) a claim for damages.

There is no assurance that a court will provide an order for specific performance, as this is generally a matter for the discretion of the relevant court. Specific performance, injunctive relief and declaratory judgments and remedies are rarely available as judicial and other adjudicative remedies in Saudi Arabia. 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 Noteholders to mitigate any loss arising as a result of such breach. No assurance

is provided on the level of damages which a court may award in the event of a failure by the Bank to perform its obligations set out in the Notes. Damages for loss of profits, consequential damages or other speculative damages are not awarded in Saudi Arabia by the courts or other adjudicatory authorities, and only actual, direct and proven damages are awarded. Therefore, prospective investors should note that, if damages are awarded, they may receive less than they would have if an order for specific performance had been granted.

### **Enforcement of the Guarantee in respect of the Notes**

Under Saudi Arabian law there is no distinction between a guarantee as a secondary obligation and an indemnity as a primary obligation, and it is likely that a court or judicial committee in the Kingdom would treat both obligations as being in the nature of a guarantee. Therefore, the limitations discussed in this section apply equally to obligations expressed to be guarantees and obligations expressed to be indemnities.

In the event any guaranteed obligation proves to be illegal or unenforceable under the laws of Saudi Arabia, the Guarantee in respect of the Notes would, in respect of those underlying illegal or unenforceable obligations, also be unenforceable before the courts and judicial committees of Saudi Arabia. For example, given a court or judicial committee in Saudi Arabia may refuse to recognise the failure of the Issuer to pay any amount in the nature of, or otherwise related to the payment of, interest or deemed interest as an event of default, the Noteholders may, in turn, be unable to rely upon such a failure as an event of default under the terms of such agreements which may in turn limit their recourse against the Guarantor. A court or judicial committee in Saudi Arabia may also refuse to give a judgment in respect of principal amounts to the Noteholders in an amount greater than the principal sums found by such court or judicial committee to be due and payable less the sums in the nature of interest already paid by the Issuer or the Guarantor to the Noteholders, as any amount in excess of the principal amounts due may be regarded as unlawful interest. See further *“Risk Factors - The payment of interest may not be permitted under the laws of Saudi Arabia.”*

The obligations on the Guarantor cannot be stricter than the obligations of the Issuer being guaranteed. Accordingly, the Guarantor would have, in addition to its own defences arising out of the Guarantee, the right to avail itself of any defences under Saudi Arabian law arising out of the underlying guaranteed obligations. Moreover, an open-ended guarantee that does not specify any limit on the guaranteed obligations (such as the Guarantee) may not be enforceable under Saudi Arabian law.

Furthermore, any payment made by the Issuer in respect of its obligations under the Notes may automatically be deemed to discharge the corresponding guaranteed obligations and to reduce the Guarantor's liability in respect of such amounts, notwithstanding any provision to the contrary.

Guarantees are viewed under Saudi law as “voluntary obligations”, and as a result, in the event of a dispute, any Saudi Arabian court or judicial committee is likely to construe the terms and conditions of the guarantee in favour of the Guarantor. For instance, we understand that it is the practice of certain courts and judicial committees in Saudi Arabia to consider a creditor filing a claim against the original obligor without joining the guarantor as a party to the action to have waived their rights to claim against the guarantor, unless the claim expressly preserves the creditor's rights to claim against that guarantor. Additionally, if a creditor delays in exercising its right against a guarantor in respect of unpaid amounts for a long period of time, in the view of the relevant courts and judicial committees, the relevant courts and judicial committees may construe this delay as a waiver of the creditor's rights.

If one or more of these defences and limitations is applicable, the Guarantor may have no liability or decreased liability under the Guarantee. If a court voided the Guarantee, or found it to be invalid or unenforceable, in whole or in part, for any reason, holders of the Notes may cease to have any claim against the Guarantor and may become a creditor solely of the Issuer. If, in such circumstance, the Issuer is unable to satisfy its obligations under the Notes, there is no assurance that the Issuer will be able to repay in full any amounts outstanding under the Notes.

### **No assurances can be given as to change of law after the date of this Offering Circular**

The structure of each issue of Notes under the Programme is based on English law, Cayman Islands law, the laws of Saudi Arabia and administrative practices in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change to, or interpretation of, English, Cayman Islands or Saudi law or administrative practices in such jurisdictions after the date of this Offering Circular.

### **Risks relating to Notes denominated in Renminbi**

Set out below is a description of the principal risks which may be relevant to an investor in Notes denominated in Renminbi:

#### **Renminbi is not completely freely convertible; there are significant restrictions on remittance of Renminbi into and outside the People's Republic of China ("PRC") and this may adversely affect the liquidity of Notes denominated in Renminbi**

Renminbi is not completely freely convertible at present. The government of the PRC (the "PRC Government") continues to regulate conversion between Renminbi and foreign currencies.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although on 1 October 2016, Renminbi was added to the 'special drawing rights' basket created by the IMF and policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were issued, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer and the Guarantor to source Renminbi to finance their obligations under Notes denominated in Renminbi.

#### **There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Notes denominated in Renminbi and the Issuer's and the Guarantor's ability to source Renminbi outside the PRC to service such Notes**

As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited.

Whilst the People's Bank of China (the "PBOC") has established Renminbi clearing and settlement mechanisms for participating banks in various countries, through settlement agreements on the clearing of Renminbi business (the "Settlement Agreements") with financial institutions in a number of financial centres and cities (each, a "Renminbi Clearing Bank"), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore,

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the Renminbi Clearing Banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future, which will have the effect of restricting the availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of Notes denominated in Renminbi. To the extent the Issuer and/or the Guarantor is required to source Renminbi outside the PRC to service Notes denominated in Renminbi, there is no assurance that the Issuer and/or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

**An investment in Notes denominated in Renminbi is subject to exchange rate risks**

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, amongst others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. In May 2017, the PBOC further decided to introduce counter-cyclical factors to offset the market pro-cyclicality, so that the midpoint quotes could adequately reflect the PRC's actual economic performance. However, the volatility in the value of the Renminbi against other currencies still exists. All payments of interest and principal with respect to Notes denominated in Renminbi will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of an investment in Notes denominated in Renminbi in U.S. dollar or other applicable foreign currency terms will decline.

**An investment in Notes denominated in Renminbi is subject to interest rate risks**

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions. Notes denominated in Renminbi may carry a fixed interest rate. Consequently, the trading price of such Notes will vary with fluctuations in Renminbi interest rates. If a holder of Notes denominated in Renminbi tries to sell such Notes before their maturity, they may receive an offer that is less than the amount invested.

**Payments for Notes denominated in Renminbi will only be made to investors in the manner specified for such Notes in the Conditions**

Investors may be required to provide certification and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in a number of financial centres and cities. Except in the limited circumstances stipulated in Conditions 12(l) (*Renminbi Currency Event*) and 13(h) (*Renminbi Currency Event*) (as set out in the Renminbi provisions below), all Renminbi payments to investors in respect of Notes denominated in Renminbi will be made solely: (i) for so long as such Notes are represented by a Temporary Global Note, a Permanent Global Note or a Global Certificate held with the common depositary for Euroclear and Clearstream,

Luxembourg or lodged with a sub-custodian for or registered with the CMU or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear, Clearstream, Luxembourg and CMU rules and procedures or those of such alternative clearing system; or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than as described in the Conditions, the Issuer and/or the Guarantor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

### **Gains on the transfer of Notes denominated in Renminbi may become subject to income taxes under PRC tax laws**

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Notes denominated in Renminbi by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax (“EIT”) or PRC individual income tax (“IIT”) if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Noteholder from the transfer of Notes denominated in Renminbi but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Noteholder from the transfer of Notes denominated in Renminbi.

However, uncertainty remains as to whether the gain realised from the transfer of Notes denominated in Renminbi by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Noteholders who are residents of Hong Kong, including enterprise Noteholders and individual Noteholders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident holders are required to pay PRC income tax on gains derived from the transfer of Notes denominated in Renminbi, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Notes denominated in Renminbi reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Notes denominated in Renminbi may be materially and adversely affected.

### **Investment in Notes denominated in Renminbi may be subject to PRC tax**

In considering whether to invest in the Notes denominated in Renminbi, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the Noteholders’ investment in the Notes denominated in Renminbi may be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular shall be incorporated in, and form part of, this Offering Circular:

- (a) the Interim Financial Statements together with the review report thereon (an electronic copy of which is available at: <https://www.alahli.com/-/media/project/snb/snb-web/about-us/02-1-investor-relations/financial-information/financial-statements/english/snb-english-q3-2024-financials.pdf?view=1>);
- (b) the 2023 Annual Financial Statements together with the audit report thereon (an electronic copy of which is available at: <https://www.alahli.com/-/media/project/snb/snb-web/about-us/02-1-investor-relations/financial-information/financial-statements/english/snb-english-ye-2023-financials.pdf?view=1>);
- (c) the 2022 Annual Financial Statements together with the audit report thereon (an electronic copy of which is available at: <https://www.alahli.com/en-us/about-us/Documents/SNB-YE-2022-Financials-English-signed.pdf>);
- (d) the Terms and Conditions set out on pages 58 to 121 of the offering circular dated 14 December 2023 relating to the Programme (an electronic copy of which is available at: [https://docs.londonstockexchange.com/sites/default/files/documents/SNB\\_EMTN%20Offering%20Circular%20dated%2014%20December%202023.pdf](https://docs.londonstockexchange.com/sites/default/files/documents/SNB_EMTN%20Offering%20Circular%20dated%2014%20December%202023.pdf));
- (e) the Terms and Conditions set out on pages 58 to 121 of the offering circular dated 26 January 2023 relating to the Programme (an electronic copy of which is available at: <https://docs.londonstockexchange.com/sites/default/files/documents/SNB%20Funding%20Limited%20OU.S.%245%2C000%2C000%2C000%20EMTN%20-%20Offering%20Circular%202023%20FINAL%20%282%29.pdf>); and
- (f) the Terms and Conditions set out on pages 51 to 100 of the offering circular dated 15 November 2021 relating to the Programme (an electronic copy of which is available at: [https://docs.londonstockexchange.com/sites/default/files/documents/snb\\_funding\\_limited\\_emtn\\_programme\\_2021-.pdf](https://docs.londonstockexchange.com/sites/default/files/documents/snb_funding_limited_emtn_programme_2021-.pdf)),

(together, the “**Documents Incorporated by Reference**”).

The Documents Incorporated by Reference shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular. Those parts of the documents incorporated by reference in this Offering Circular which are not specifically incorporated by reference in this Offering Circular are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Offering Circular. Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of the documents incorporated by reference in this Offering Circular may be obtained from the registered office of the Issuer and from the specified office of the Fiscal Agent during usual business hours.

## OVERVIEW

*The following is an overview of the principal features of the Programme. This overview must be read as an introduction to this Offering Circular and any decision by any investor to invest in any Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. This overview does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of this Offering Circular and, in relation to the terms and conditions of each Tranche of Notes, the applicable Pricing Supplement. Each investor should read the entire Offering Circular and the applicable Pricing Supplement carefully, especially the risks of investing in Notes issued under the Programme discussed under “Risk Factors”. The Issuer, the Guarantor and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Offering Circular will be published.*

This Overview constitutes a general description of the Programme.

Words and expressions defined in the “Terms and Conditions of the Notes” and “Forms of the Notes” below or elsewhere in this Offering Circular have the same meanings in this Overview.

“ <b>Issuer</b> ” .....	SNB Funding Limited, an exempted company with limited liability incorporated in accordance with the laws of, and formed and registered in, the Cayman Islands with registered number WC-352725 and its registered office at c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
“ <b>Issuer Legal Entity Identifier (LEI)</b> ”..	549300PT73WJRNMAKE44.
“ <b>Guarantor</b> ” .....	The Saudi National Bank.
“ <b>Guarantor LEI</b> ” .....	5586006ZEFQ542K7CY16.
“ <b>Description</b> ” .....	Euro Medium Term Note Programme.
“ <b>Risk Factors</b> ” .....	Investing in Notes issued under the Programme involves certain risks. There are certain factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes issued under the Programme (and, in the case of the Guarantor only, the Guarantee of the Notes), which are discussed under “Risk Factors” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “Risk Factors” and include certain risks relating to the structure of particular Series of Notes and certain market risks.
“ <b>Arrangers</b> ” .....	HSBC Bank plc and SNB Capital Company.
“ <b>Dealers</b> ” .....	HSBC Bank plc, SNB Capital Company, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., Emirates NBD Bank PJSC, Goldman Sachs International, ING Bank N.V., Mizuho International plc, J.P. Morgan Securities plc and Standard Chartered Bank.

	and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>“Certain Restrictions”</b> .....	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”).
<b>“Notes having a maturity of less than one year”</b> .....	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”.
<b>“Fiscal Agent, Transfer Agent and Paying Agent”</b> .....	Citibank, N.A., London Branch.
<b>“Registrar”</b> .....	Citibank Europe Plc.
<b>“CMU Lodging and Paying Agent, CMU Transfer Agent and CMU Registrar”</b> .....	Citicorp International Limited.
<b>“Programme Size”</b> .....	The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed U.S.\$10,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased by the Issuer and the Guarantor from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.
<b>“Listing and Admission to Trading”</b> .....	<p>Application has been made to the London Stock Exchange for Notes issued under the Programme to be admitted to trading on the ISM during the period of 12 months after the date hereof.</p> <p>The Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between Issuer, the Guarantor and the relevant Dealer(s) in relation to the Tranche.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange and/or markets.</p>
<b>“Distribution”</b> .....	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.



“Clearing Systems” .....	With respect to Notes other than CMU Notes, Euroclear Bank SA/NV (“ <b>Euroclear</b> ”) and/or Clearstream Banking, S.A. (“ <b>Clearstream, Luxembourg</b> ”) and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the applicable Pricing Supplement. With respect to CMU Notes, the CMU operated by the HKMA.
“Issuance in Series” .....	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Notes of each Series will have the same terms and conditions which are the same in all respects, except that the Issue Date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
“Fixed Rate Notes” .....	Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Pricing Supplement.
“Floating Rate Notes” .....	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating (a) the 2006 ISDA Definitions or (b) the 2021 ISDA Interest Rate Derivatives Definitions, each 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 Notes of the relevant Series; or</li> <li>(b) on the basis of the relevant Reference Rate subject to adjustment according to Condition 7 (<i>Floating Rate Note Provisions</i>).</li> </ul> <p>Interest periods will be specified in the applicable Pricing Supplement.</p>
“Reset Notes” .....	<p>Reset Notes will bear interest:</p> <ul style="list-style-type: none"> <li>(a) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and</li> <li>(b) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Calculation Agent on the relevant Reset Determination Date in accordance with Condition 8(c)(i) (<i>Reset Note Provisions – Interest on Reset Notes – Rates of Interest</i>), payable, in each case, in arrear on the Interest Payment Dates(s).</li> </ul>

<b>“Zero Coupon Notes”</b> .....	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
<b>“Forms of Notes”</b> .....	Notes may be issued in bearer form or in registered form. See <i>“Forms of the Notes”</i> .
<b>“Currencies”</b> .....	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer, the Guarantor and relevant Dealer(s).
<b>“Status of the Senior Notes”</b> .....	The Senior Notes will constitute direct, unconditional and (subject to the provisions of Condition 5 ( <i>Negative Pledge</i> )) unsecured obligations of the Issuer and the Guarantor, respectively, and will rank <i>pari passu</i> among themselves and (save for such exceptions as may be provided by applicable legislation) at least equally with all other unsecured and unsubordinated obligations of the Issuer and the Guarantor, respectively, from time to time outstanding.
<b>“Status of the Tier 2 Notes”</b> .....	The Tier 2 Notes are direct, conditional and unsecured obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves. Payments in respect of the Tier 2 Notes will be subordinated as described in Condition 4(d) ( <i>Status of Tier 2 Notes</i> ).
<b>“Senior Guarantee”</b> .....	Payment obligations of the Issuer under the Senior Notes will be unconditionally and irrevocably guaranteed by the Guarantor.
<b>“Subordinated Guarantee”</b> .....	The obligations of the Guarantor under the Subordinated Guarantee constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor. The payment obligations of the Guarantor in respect of the Subordinated Guarantee will rank (a) subordinate to claims in respect of Senior Obligations; (b) at least <i>pari passu</i> with claims in respect of Parity Obligations; and (c) in priority to claims in respect of Junior Obligations.
<b>“Issue Price”</b> .....	Notes may be issued at any price on a fully paid basis. The price and amount of Notes will be determined by the Issuer, the Guarantor and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>“Maturities”</b> .....	<p>The Notes will have such maturities as may be agreed between the Issuer, the Guarantor and relevant Dealer(s), 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 Issuer, the Guarantor or the relevant Specified Currency.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see <i>“Certain Restrictions”</i> and <i>“Notes having a maturity of less than one year”</i> above.</p>

“ <b>Benchmark Discontinuation</b> ” .....	In the event that a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Pricing Supplement, then the Bank may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See Condition 7(f) ( <i>Floating Rate Note Provisions – Benchmark Discontinuation</i> ) for further information.
“ <b>SOFR Benchmark Discontinuation</b> ” ..	In the event that a SOFR Benchmark Event occurs, such that the relevant benchmark (or any component part thereof) cannot be determined by reference to the original benchmark specified in the applicable Pricing Supplement, then the Bank may (subject to certain conditions) be permitted to substitute such benchmark with an alternative benchmark (with consequent amendment to the terms of such Series of Notes). See Condition 7(g) ( <i>Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)</i> ) for further information.
“ <b>Redemption</b> ” .....	Notes may be redeemable at par or at such other Redemption Amount as may be specified in the applicable Pricing Supplement.
“ <b>Optional Redemption</b> ” .....	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) (subject, in the case of Tier 2 Notes, to Condition 10(k) ( <i>Redemption and Purchase – Conditions to Redemption and Repurchase of Tier 2 Notes</i> ) including obtaining the prior written approval of the Financial Regulator if and to the extent required at such time) and/or, in respect of Senior Notes only, the Noteholders to the extent (if at all) specified in the applicable Pricing Supplement.
“ <b>Tax Redemption</b> ” .....	In addition to “ <i>Optional Redemption</i> ” above, early redemption will be permitted for tax reasons as described in Condition 10(b) ( <i>Redemption and Purchase – Redemption for Tax Reasons</i> ).
“ <b>Redemption following a Capital Disqualification Event</b> ” .....	In addition to “ <i>Optional Redemption</i> ” and “ <i>Tax Redemption</i> ” above, in the case of Tier 2 Notes only, and subject to Condition 10(k) ( <i>Redemption and Purchase – Conditions to Redemption and Repurchase of Tier 2 Notes</i> ), early redemption will be permitted if a Capital Disqualification Event has occurred, as described in Condition 10(c) ( <i>Redemption and Purchase – Redemption following a Capital Disqualification Event</i> ).
“ <b>Interest</b> ” .....	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate. The rate of interest (if any) and the method of calculating interest may vary

**“Non-Viability/Write-down of the Notes” .....**

between the Issue Date and the Maturity Date of the relevant Series.

In the case of Tier 2 Notes only, if a Non-Viability Event occurs at any time on or after the Issue Date of a Series of Notes and prior to the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of the Notes, the Notes shall be written-down subject to and as provided in Condition 11 (*Loss Absorption Upon the Occurrence of a Non-Viability Event*). See Condition 11 (*Loss Absorption Upon the Occurrence of a Non-Viability Event*) for further information on such potential Write-downs, including for the definitions of various terms used in this section.

A **“Non-Viability Event”** means that the Financial Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without:

- (a) a Write-down of the Notes (and write-down of any other of the Bank’s other capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital); or
- (b) a public sector injection of capital (or equivalent support) provided that such injection of capital is not made (a) by a shareholder of the Bank or (b) on terms that are more favourable to the Bank than those that would be accepted by private investors in comparable transactions.

**“Denominations of Notes” .....**

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see “*Certain Restrictions*” and “*Notes having a maturity of less than one year*” above), and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). If a Global Note is exchanged for a Definitive Note at the option of the Noteholders, the Notes shall be tradeable only in principal amounts of at least €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.

**“Negative Pledge” .....**

The Senior Notes will have the benefit of a negative pledge as described in Condition 5 (*Negative Pledge*).

**“Cross Default” .....**

The Senior Notes will have the benefit of a cross default as described in Condition 15 (*Events of Default*).

**“Taxation” .....**

All payments in respect of Notes will be made free and clear of withholding taxes of the Cayman Islands and Saudi Arabia, unless the withholding is required by law. If such withholding is required, the Issuer or, as the case may be, the Guarantor will (subject as provided in Condition 14 (*Taxation*)) pay such

	<p>additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.</p>
<b>“Governing Law”</b> .....	<p>The Dealer Agreement, the Agency Agreement, the Deed of Covenant, the Deed of Guarantee (each as defined in the Conditions) and the Notes and any non-contractual obligations arising out of or in connection therewith shall be governed by, and shall be construed in accordance with, English law (save for the provisions of Conditions 4(c) (<i>Subordinated Guarantee</i>) and 4(d) (<i>Status of Tier 2 Notes</i>) relating to subordination and waiver of set-off of the Tier 2 Notes, which are governed by the laws and regulations of Saudi Arabia).</p> <p>The Registered Office Terms are governed by the law of the Cayman Islands.</p>
<b>“Enforcement of Notes in Global Form”</b> .....	<p>In the case of Global Notes, individual investors’ rights against the Issuer will be governed by the Deed of Covenant, a copy of which will be available for inspection at the Specified Office of the Fiscal Agent.</p>
<b>“Ratings”</b> .....	<p>The Programme has been assigned rating of “A-” by Fitch and is expected to be assigned ratings by S&amp;P of “A-” in respect of the Senior Notes and “BBB” in respect of the Tier 2 Notes.</p> <p>Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating, and the credit rating agency issuing such rating, will be disclosed in the applicable Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.</p>
<b>“Selling Restrictions”</b> .....	<p>For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the EEA, the United Kingdom, the Cayman Islands, Qatar (including the Qatar Financial Centre), Hong Kong, Japan, Kuwait, Saudi Arabia, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market), the Dubai International Financial Centre, the Abu Dhabi Global Market and the Kingdom of Bahrain, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “<i>Subscription and Sale</i>” below.</p>
<b>“United States Selling Restrictions”</b> .....	<p>Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.</p>

## FORMS OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Notes will be issued outside the United States in reliance on Regulation S under the Securities Act.

### **Bearer Notes**

Each Tranche of Notes in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the applicable Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) will be deposited on or around the Issue Date of the relevant Tranche of the Notes with (a) a common depository for Euroclear and/or Clearstream, Luxembourg or (b) in respect of CMU Notes, a sub-custodian for the CMU (the “**CMU Operator**”).

In the case of each Tranche of Bearer Notes, the applicable Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### **Temporary Global Note exchangeable for Permanent Global Note**

If the applicable Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership in accordance with U.S. Treasury Regulations. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (b) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership *provided, however, that* in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then from 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such due date (in the case of (b) above) holders of interests in such Temporary Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or the CMU, as the case may be (each a “**TGN Accountholder**”), will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg and/or the CMU on and subject to the terms of an amended and restated deed of covenant (the “**Deed of Covenant**”) dated 12 December 2024 and executed by the Issuer. Each TGN Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Temporary Global Note and the Deed of Covenant.

Notwithstanding such right that each TGN Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Temporary Global Note shall constitute a discharge of the Issuer’s obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form (“**Definitive Notes**”):

- (a) on the expiry of such period of notice as may be specified in the Pricing Supplement; or
- (b) at any time, if so specified in the Pricing Supplement; or
- (c) if the Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (ii) any of the circumstances described in Condition 15 (*Events of Default*) occurs and is continuing.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and TGN Accountholders become entitled to proceed directly against the Issuer; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then from 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such due date (in the case of (b) above) or at 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such due date (in the case of (c) above) holders of interests in such Permanent Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or the CMU, as the case may be (each a “**PGN Accountholder**”), will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg and/or the CMU on and subject to the terms of the Deed of Covenant. Each PGN Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Temporary Global Note and the Deed of Covenant.

Notwithstanding such right that each PGN Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Temporary Global Note shall constitute a discharge of the Issuer’s obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the applicable Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the Issue Date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership in accordance with U.S. Treasury Regulations. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the applicable Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Temporary Global Note has occurred and, in either



case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then from 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such due date (in the case of (b) above) TGN Accountholders will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg and/or the CMU on and subject to the terms of an amended and restated deed of covenant (the “**Deed of Covenant**”) dated 12 December 2024 and executed by the Issuer. Each TGN Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Temporary Global Note and the Deed of Covenant. Notwithstanding such right that each TGN Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Temporary Global Note shall constitute a discharge of the Issuer’s obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.

### **Permanent Global Note exchangeable for Definitive Notes**

If the applicable Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the applicable Pricing Supplement; or
- (b) at any time, if so specified in the applicable Pricing Supplement; or
- (c) if the applicable Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (ii) any of the circumstances described in Condition 15 (*Events of Default*) occurs and is continuing.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange. If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then from 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong

Kong time)) on such due date (in the case of (b) above) PGN Accountholders will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg and/or the CMU on and subject to the terms of the Deed of Covenant. Each PGN Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Temporary Global Note and the Deed of Covenant. Notwithstanding such right that each PGN Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Temporary Global Note shall constitute a discharge of the Issuer's obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out in the Conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes whilst in Global Form*" below.

### **Legend concerning United States persons**

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days and to which the TEFRA D Rules are applicable, the Notes in permanent global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

### **Registered Notes**

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form ("**Individual Note Certificates**") or global Notes in registered form (a "**Global Certificate**"), in each case, as specified in the applicable Pricing Supplement.

Each Global Certificate will be deposited on or around the relevant Issue Date with (a) a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg or (b) in respect of CMU Notes, a sub-custodian for the CMU operated by the HKMA. Each Global Certificate may also be deposited with any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the applicable Pricing Supplement specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the applicable Pricing Supplement specifies the form of Notes as being "Global Certificate exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (a) on the expiry of such period of notice as may be specified in the applicable Pricing Supplement; or
- (b) at any time, if so specified in the applicable Pricing Supplement; or

- (c) if the applicable Pricing Supplement specifies “in the limited circumstances described in the Global Certificate”, then if either of the following events occurs:
- (i) Euroclear or Clearstream, Luxembourg or the CMU or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (ii) any of the circumstances described in Condition 15 (*Events of Default*) occurs and is continuing.

Whenever the Global Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Certificate at the Specified Office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Certificate; or
- (b) any of the Notes represented by a Global Certificate (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Certificate in accordance with the terms of the Global Certificate on the due date for payment,

then, at 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) (or in the case of CMU Notes, 5.00 p.m. (Hong Kong time)) on such due date (in the case of (b) above) each person shown in the records of Euroclear and/or Clearstream, Luxembourg and/or the CMU (or any other relevant clearing system) as being entitled to interest in the Notes (each an “**Accountholder**”) shall acquire the right under the Deed of Covenant to enforce against the Issuer, the Issuer’s obligations to the holder in respect of the Notes represented by the Global Certificate, including the obligation of the Issuer to make all payments when due at any time in respect of such Notes as if such Notes had been duly presented and (where required by the Conditions) surrendered on the due date in accordance with the Conditions. Each Accountholder shall acquire such right without prejudice to the rights which the holder may have under the Global Certificate and the Deed of Covenant. Notwithstanding such right that each Accountholder may acquire under the Deed of Covenant, payment to the holder in respect of any Notes represented by the Global Certificate shall constitute a discharge of the Issuer’s obligations to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the holder.

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out in the Conditions.

The terms and conditions applicable to any Global Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes whilst in Global Form*” below.

## **CMU**

The CMU is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (“**CMU Members**”) of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together as “**CMU Instruments**”) which are specified in the reference manual relating to the operation of the CMU issued by the HKMA to CMU Members, as amended from time to time (the “**CMU Manual**”) as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to financial institutions regulated by HKMA, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU’s custodial services, please refer to the CMU Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the “**income proceeds**”) by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Manual.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes whilst in Global Form” below.*

*The Saudi Central Bank (“SAMA”) does not make any representation as to the accuracy or completeness of this Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. In particular, prospective purchasers of the Notes agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the Notes for any loss arising from, or incurred as a result of, the occurrence of a Non-Viability Event (as defined in these Conditions).*

### 1 Introduction

- (a) *Programme:* SNB Funding Limited (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to U.S.\$10,000,000,000 in aggregate principal amount of notes (the “**Notes**”). Notes issued under the Programme are guaranteed by The Saudi National Bank (the “**Bank**” or the “**Guarantor**”).
- (b) *Pricing Supplement:* Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a pricing supplement (the “**Pricing Supplement**”) which completes these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the applicable Pricing Supplement.
- (c) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 12 December 2024 (the “**Agency Agreement**”) between the Issuer, the Guarantor, Citibank, N.A., London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Citibank Europe Plc as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and Citicorp International Limited as CMU lodging and paying agent (the “**CMU Lodging and Paying Agent**”, which expression includes any successor or additional CMU lodging and paying agent appointed from time to time in connection with the Notes), CMU transfer agent (the “**CMU Transfer Agent**”, which expression includes any successor or additional CMU transfer agent appointed from time to time in connection with the Notes) and CMU registrar (the “**CMU Registrar**”, which expression includes any successor or additional CMU registrar appointed from time to time in connection with the Notes). In these Conditions, references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly, and references to the “**Agents**” are to the Paying Agents, the Registrar and the Transfer Agents and any reference to an “**Agent**” is to any one of them.
- (d) *Deed of Guarantee:* The Notes are the subject of an amended and restated deed of guarantee dated 12 December 2024 (the “**Deed of Guarantee**”) entered into by the Guarantor.

- (e) *Deed of Covenant*: The Notes may be issued in bearer form (“**Bearer Notes**”), or in registered form (“**Registered Notes**”). Registered Notes are constituted by an amended and restated deed of covenant dated 12 December 2024 (the “**Deed of Covenant**”) entered into by the Issuer.
- (f) *The Notes*: All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the applicable Pricing Supplement. Copies of the applicable Pricing Supplement are available for viewing at the registered offices of the Guarantor and the Fiscal Agent and copies may be obtained from such offices.

In addition, the Notes will provide that the rights of Noteholders with regard to payments to be made thereunder will either be (i) unsubordinated (the “**Senior Notes**”) or (ii) subordinated in the manner described under Condition 4 (*Status and Guarantee*) with terms capable of qualifying as tier 2 Capital of the Guarantor (the “**Tier 2 Notes**”). The applicable Pricing Supplement will specify whether a Series of Notes are “Senior Notes” or “Tier 2 Notes”.

- (g) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out in the Agency Agreement.

## 2 Interpretation

- (a) *Definitions*: In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the applicable Pricing Supplement;

“**Additional Business Centre(s)**” means the city or cities specified as such in the applicable Pricing Supplement;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the applicable Pricing Supplement;

“**Bloomberg Screen SOFRRATE Page**” means the Bloomberg screen designated “**SOFRRATE**” or any successor page or service;

“**Broken Amount**” means the amount specified as such in the applicable Pricing Supplement;

“**Business Day**” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in Renminbi, a day in which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong;
- (iii) in the case of Notes to be cleared through the CMU, a day on which banks and foreign exchange markets are open for general business in the city of the CMU Lodging and Paying Agent’s specified office;
- (iv) in relation to any sum payable in a currency other than euro or Renminbi, and unless the applicable Pricing Supplement specifies that the Floating Rate Note Provisions apply and the

Reference Rate is SOFR or SONIA, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

- (v) if the applicable Pricing Supplement specifies that the Floating Rate Note Provisions apply and the Reference Rate is SOFR, any day which is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed; and/or
- (vi) if the applicable Pricing Supplement specifies that the Floating Rate Note Provisions apply and the Reference Rate is SONIA, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

**“Business Day Convention”**, in relation to any specified date, has the meaning given in the applicable Pricing Supplement and, if so specified in the applicable Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **“Floating Rate Business Day Convention”** means that the relevant 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;
- (ii) **“Following Business Day Convention”** means that the relevant date shall be postponed to the next day that is a Business Day;
- (iii) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant 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;
- (iv) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention; and
- (v) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the immediately preceding Business Day;

**“Calculation Agent”** means the Fiscal Agent or such other Person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the applicable Pricing Supplement;

**“Calculation Amount”** has the meaning given in the applicable Pricing Supplement;

**“Clearstream”** means Clearstream Banking, S.A.;

**“CMU”** means the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority;

**“Coupon Sheet”** means, in respect of a Note, a coupon sheet relating to the Note;

**“Day Count Fraction”** means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Conditions or the applicable Pricing Supplement and:

- (i) if **“Actual/Actual (ICMA)”** is so specified, means:
  - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) where the Calculation Period is longer than one Regular Period, the sum of:
    - (I) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year; and
    - (II) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (i) the actual number of days in such Regular Period and (ii) the number of Regular Periods in any year;
- (ii) if **“Actual/365”** or **“Actual/Actual (ISDA)”** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the 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);
- (iii) if **“Actual/365 (Fixed)”** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **“Actual/365 (Sterling)”** is so specified, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (v) if **“Actual/360”** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if **“30/360”** is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vii) if **“30/360E”** or **“Eurobond Basis”** is so specified means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month),

*provided, however, that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;



**“Early Redemption Amount (Capital Disqualification Event)”** means, in respect of any Tier 2 Note, its principal amount;

**“Early Redemption Amount (Tax)”** means, in respect of any Note, its principal amount or, in relation to Senior Notes, such other amount as may be specified in, or determined in accordance with, the applicable Pricing Supplement;

**“Early Termination Amount”** means, in respect of any Note, its principal amount or, in relation to Senior Notes, such other amount as may be specified in, or determined in accordance with, these Conditions or the applicable Pricing Supplement;

**“Euroclear”** means Euroclear Bank SA/NV;

**“Extraordinary Resolution”** has the meaning given to it in the Agency Agreement;

**“Final Redemption Amount”** means, in respect of any Note, its principal amount or, in relation to Senior Notes, such other amount as may be specified in, or determined in accordance with, the applicable Pricing Supplement;

**“First Interest Payment Date”** means the date specified in the applicable Pricing Supplement;

**“Fixed Coupon Amount”** has the meaning given in the applicable Pricing Supplement;

**“Group”** means the Guarantor together with its Subsidiaries.

**“Guarantee”** means, in relation to any Indebtedness or Sukuk Obligation of any Person, any obligation of another Person to pay such Indebtedness or Sukuk Obligation including (without limitation):

- (i) any obligation to purchase such Indebtedness or Sukuk Obligation;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness or Sukuk Obligation;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness or Sukuk Obligation; and
- (iv) any other agreement to be responsible for such Indebtedness or Sukuk Obligation;

**“Holder”**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

**“Indebtedness”** means any indebtedness, present or future, of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing,

and for the avoidance of doubt “**Indebtedness**” shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari’a*, whether entered into directly or indirectly by the Issuer or the Guarantor or a member of the Group, as the case may be;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the applicable Pricing Supplement;

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, (i) the first day of such Interest Period if the Specified Currency is Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Period if the Specified Currency is neither euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Settlement Days prior to the first day of such Interest Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (v) (where SOFR Benchmark is specified in the applicable Pricing Supplement as the Reference Rate and where Simple SOFR Average is specified as applicable in the applicable Pricing Supplement or where SOFR Lag, SOFR Observation Shift or SOFR Lockout is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR or where Compounded SOFR Index is specified as applicable in the applicable Pricing Supplement) the fourth U.S. Government Securities Business Day prior to the last day of each Interest Period or (vi) (where SOFR Benchmark is specified in the applicable Pricing Supplement as the Reference Rate and where SOFR Payment Delay is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR) the Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date, save in all cases that if the Notes become due and payable in accordance with Condition 15 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which the Notes became due and payable and the Rate of Interest on the Notes shall, for so long as the Notes remain outstanding, be that determined on such date;

“**Interest Payment Date**” means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the applicable Pricing Supplement;

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified in the applicable Pricing Supplement;

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified in the applicable Pricing Supplement;

“**ISDA**” means the International Swaps and Derivatives Association, Inc.;

**“ISDA Definitions”** means (i) if “2006 ISDA Definitions” is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by ISDA, as amended and updated as at the Issue Date of the first Tranche of the Notes or (ii) if “2021 ISDA Definitions” is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes;

**“Issue Date”** has the meaning given in the applicable Pricing Supplement;

**“Margin”** has the meaning given in the applicable Pricing Supplement;

**“Material Subsidiary”** means, at any relevant time, a Subsidiary of the Issuer or the Guarantor:

- (i) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated financial statements, whose total consolidated assets or gross consolidated revenues, as the case may be) represents not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of the Issuer and its Subsidiaries or, as the case may be, the Guarantor and its Subsidiaries, all as calculated by reference to the then latest audited financial statements (or consolidated accounts, as the case may be) of such Subsidiary and the then latest audited or reviewed consolidated financial statements of the Issuer or the Guarantor; or
- (ii) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

**“Maturity Date”** has the meaning given in the applicable Pricing Supplement;

**“Maximum Redemption Amount”** has the meaning given in the applicable Pricing Supplement;

**“Minimum Redemption Amount”** has the meaning given in the applicable Pricing Supplement;

**“Non-recourse Project, Securitisation or Asset Financing”** means any securitisation of existing or future assets and/or revenues or financing of all or part of the costs of the acquisition, construction or development of any project or asset, *provided that* (i) any Security Interest given by the Issuer, the Guarantor, or the relevant Material Subsidiary of the Issuer or the Guarantor is limited solely to assets and/or revenues that are the subject of the securitisation, the project or the asset (as applicable), (ii) the Person or Persons participating in such securitisation or providing such financing expressly agree to limit their recourse to the project or asset (as applicable) so securitised or financed and the revenues derived from such project or asset (as applicable) as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to the Issuer, the Guarantor, or the relevant Material Subsidiary of the Issuer or the Guarantor in respect of any default by any Person under the securitisation or financing;

**“Noteholder”**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

**“Optional Redemption Amount (Call)”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Pricing Supplement;

**“Optional Redemption Amount (Put)”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Pricing Supplement;

**“Optional Redemption Date (Call)”** has the meaning given in the applicable Pricing Supplement;

**“Optional Redemption Date (Put)”** has the meaning given in the applicable Pricing Supplement;

**“Payment Business Day”** means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is Renminbi, a day in which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong; or
- (iii) if the currency of payment is not euro or Renminbi, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**“Permitted Reorganisation”** means:

- (i) any disposal by any Subsidiary of the whole or a substantial part of its business, undertaking or assets to the Issuer or the Guarantor or any wholly owned Subsidiary of the Issuer or the Guarantor;
- (ii) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of the Issuer or the Guarantor; or
- (iii) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution;

**“Permitted Security Interest”** means any Security Interest:

- (i) created or outstanding with the approval of an Extraordinary Resolution;
- (ii) arising by operation of law, *provided either that* such Security Interest is discharged within 30 days of arising or does not materially impair the business of the Issuer, the Guarantor or, as the case may be, a Material Subsidiary of the Issuer or the Guarantor and has not been enforced against the assets to which it attaches;
- (iii) securing the Relevant Indebtedness or Relevant Sukuk Obligation of a Person and/or its Subsidiaries existing at the time that such Person is acquired by or merged into or consolidated with the Issuer, the Guarantor or, as the case may be, a Material Subsidiary of the Issuer or the Guarantor, *provided that* such Security Interest was not created in contemplation of such acquisition, merger or consolidation and does not extend to any other assets or property of the Issuer, the Guarantor or, as the case may be, a Material Subsidiary of the Issuer or the Guarantor; or
- (iv) created in connection with any Non-recourse Project, Securitisation or Asset Financing;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Principal Financial Centre”** means, in relation to any currency, the principal financial centre for that currency *provided, however, that*:

- (i) in relation to euro, it means the principal financial centre of such member state of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**“Put Option Notice”** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**“Put Option Receipt”** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the applicable Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Pricing Supplement;

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Capital Disqualification Event), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or, in relation to Senior Notes, such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Pricing Supplement;

**“Reference Banks”** means four major banks selected by the Issuer in the interbank market that is most closely connected with the Reference Rate or as specified in the applicable Pricing Supplement;

**“Reference Price”** has the meaning given in the applicable Pricing Supplement;

**“Reference Rate”** means one of the following benchmark rates (as specified in the applicable Pricing Supplement) in respect of the currency and period specified in the applicable Pricing Supplement:

- (i) Euro-Zone interbank offered rate (**“EURIBOR”**);
- (ii) Karachi interbank offered rate (**“KIBOR”**);
- (iii) Shanghai interbank offered rate (**“SHIBOR”**);
- (iv) Hong Kong interbank offered rate (**“HIBOR”**);
- (v) CNH Hong Kong interbank offered rate (**“CNH HIBOR”**);
- (vi) Kuala Lumpur interbank offered rate (**“KLIBOR”**);
- (vii) Turkish Lira overnight reference rate (**“TLREF”**);
- (viii) Emirates interbank offered rate (**“EIBOR”**);
- (ix) Tokyo interbank offered rate (**“TIBOR”**);
- (x) Saudi Arabia interbank offered rate (**“SAIBOR”**);

- (xi) Australia Bank Bill Swap (“**BBSW**”);
- (xii) New Zealand bank bill benchmark (“**BKBM**”);
- (xiii) Qatar interbank offered rate (“**QIBOR**”);
- (xiv) Sterling Overnight Index Average (“**SONIA**”); or
- (xv) Secured Overnight Financing Rate (“**SOFR**”).

“**Regular Period**” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date, prior to adjustment in accordance with any Day Count Fraction, and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date, prior to adjustment in accordance with any Day Count Fraction;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date is scheduled to fall; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date is scheduled to fall, prior to adjustment in accordance with any Day Count Fraction, other than the Interest Payment Date falling at the end of the irregular Interest Period;

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Financial Centre**” has the meaning given in the applicable Pricing Supplement provided that, in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected by the Bank;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, sukuk certificate or other instrument which is, or is capable of being, listed, admitted to trading, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**“Relevant Sukuk Obligation”** means any present or future Sukuk Obligation, which for the time being is, or is intended to be, or is capable of being, quoted, listed, admitted to trading, or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**“Relevant Time”** has the meaning given in the applicable Pricing Supplement;

**“Reserved Matter”** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate formed or to be formed, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to amend the terms of the Deed of Guarantee or this definition;

**“Reuters Page USDSOFR=”** means the Reuters pages designated **“USDSOFR=”** or any successor page or service;

**“Saudi Arabia”** means the Kingdom of Saudi Arabia;

**“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;

**“Specified Currency”** has the meaning given in the applicable Pricing Supplement;

**“Specified Denomination(s)”** has the meaning given in the applicable Pricing Supplement;

**“Specified Office”** has the meaning given in the Agency Agreement;

**“SOFR”** means, in respect of any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

- (i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator’s Website;
- (ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator’s Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator’s Website; or
- (iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the provisions set forth in Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*) shall apply.

**“SOFR Administrator’s Website”** means the website of the Federal Reserve Bank of New York (currently, being <https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index>), or any successor source;

**“SOFR Benchmark Transition Event”** means the occurrence of a SOFR Benchmark Event with respect to the then-current SOFR Benchmark;

“**SOFR Determination Time**” means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day;

“**SOFR Rate Cut-Off Date**” means the date that is a number of U.S. Government Securities Business Days prior to the end of each Interest Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified in the applicable Pricing Supplement;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”): (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**Sukuk Obligation**” means any undertaking or other obligation to pay money given in connection with the issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari’a*, whether or not in return for consideration of any kind;

“**Talon**” means a talon for further Coupons;

“**TARGET Settlement Day**” means any day on which T2 is open for the settlement of payments in euro;

“**Tier 2 Event**” means, in respect of any Tier 2 Notes, a Default or a Winding-Up Proceeding;

“**Transaction Documents**” means the Deed of Covenant, the Deed of Guarantee and the Agency Agreement;

“**Treaty**” means the Treaty establishing the European Communities, as amended;

“**T2**” means the real time gross settlement system operated by the Eurosystem, or any successor system;

“**U.S. Government Securities Business Day**” means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities; and

“**Zero Coupon Note**” means a Note specified as such in the applicable Pricing Supplement.

(b) **Interpretation**

In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the applicable Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the applicable Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;



- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 14 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Interpretation – Definitions*) to have the meaning given in the applicable Pricing Supplement, but the applicable Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement and/or the Deed of Guarantee shall be construed as a reference to the Agency Agreement and/or the Deed of Guarantee, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3 Form, Denomination, Title and Transfer

#### (a) **Bearer Notes**

Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the applicable Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

#### (b) **Title to Bearer Notes**

Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.

#### (c) **Registered Notes**

Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the applicable Pricing Supplement and higher integral multiples of a smaller amount specified in the applicable Pricing Supplement.

#### (d) **Title to Registered Notes**

The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.

#### (e) **Ownership**

The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder.

(f) **Transfers of Registered Notes**

Subject to paragraphs (i) (*Closed Periods*) and (j) (*Regulations Concerning Transfers and Registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer;

*provided, however, that* a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) **Registration and Delivery of new Note Certificates**

Within five Business Days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Registrar or any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “business day” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) **Transfer Free of Charge**

The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) **Closed Periods**

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) **Regulations Concerning Transfers and Registration**

All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

## 4 Status and Guarantee

### (a) Senior Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Senior Notes and the Coupons. Its obligations in that respect (the “**Senior Guarantee**”) are contained in the Deed of Guarantee.

### (b) Status of the Senior Notes and Senior Guarantee

The Senior Notes and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer and shall rank *pari passu* and without any preference amongst themselves. In the event of the bankruptcy, insolvency, winding-up or dissolution of the Issuer or the Guarantor, the payment obligations of the Issuer under the Senior Notes and the Coupons relating to them and of the Guarantor under the Senior Guarantee, as the case may be, shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5 (*Negative Pledge*), rank at least equally with all other unsecured and unsubordinated obligations, present and future, of the Issuer and the Guarantor respectively.

### (c) Subordinated Guarantee

The Guarantor has irrevocably and (subject as provided below) unconditionally guaranteed the due payment of all sums expressed to be payable by the Issuer under the Tier 2 Notes and Coupons on a subordinated basis. Its obligations in that respect (the “**Subordinated Guarantee**”) are contained in the Deed of Guarantee.

The payment obligations of the Guarantor under the Subordinated Guarantee constitute direct, unconditional, subordinated (as described below) and unsecured obligations of the Guarantor and shall, upon the occurrence of a Winding-Up Proceeding, rank:

- (i) subordinate to claims in respect of Senior Obligations;
- (ii) at least *pari passu* with claims in respect of Parity Obligations; and
- (iii) in priority to claims in respect of Junior Obligations.

Each holder of a Tier 2 Note unconditionally and irrevocably waives its rights to the extent necessary to give effect to the subordination provisions set out in this Condition 4(c), including any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Subordinated Guarantee. No collateral is or will be given for the payment obligations under the Subordinated Guarantee, and any collateral that may have been or may in the future be given in connection with other indebtedness of the Guarantor shall not secure the payment obligations under the Subordinated Guarantee.

*By virtue of such subordination, if a Winding-Up Proceeding occurs, no amount will be paid by the Guarantor in respect of its payment obligations under the Subordinated Guarantee in relation to the Tier 2 Notes, until all claims in respect of Senior Obligations have been satisfied.*

### (d) Status of Tier 2 Notes

The Tier 2 Notes and the Coupons relating to them constitute direct, conditional and unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer in respect of the Tier 2 Notes (whether on account of principal, interest or otherwise) will be subordinated to all unsubordinated payment obligations of the Issuer in the manner described below but will rank *pari passu* with all other subordinated payment obligations of the Issuer

which do not rank or are not expressed by their terms to rank junior to the payment obligations under the Tier 2 Notes and in priority to all claims of shareholders of the Issuer.

Each holder of a Tier 2 Note unconditionally and irrevocably waives 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 Note. No collateral is or will be given for the payment obligations under the Tier 2 Notes, and any collateral that may have been or may in the future be given in connection with other indebtedness of the Issuer shall not secure the payment obligations under the Tier 2 Notes.

(e) In these Conditions:

**“Junior Obligations”** means all claims of the holders of all classes of share capital (including ordinary and preferred shares) of the Guarantor and all payment obligations of the Guarantor which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all payment obligations of the Guarantor which rank, or are expressed to rank, junior to the payment obligations of the Guarantor under the Subordinated Guarantee;

**“Parity Obligations”** means any subordinated payment obligations of the Guarantor which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital or other payment obligations of the Guarantor that rank, or are expressed to rank, *pari passu* with the payment obligations of the Guarantor under the Subordinated Guarantee;

**“Senior Obligations”** means all unsubordinated payment obligations of the Guarantor (including its payment obligations to its depositors) and all subordinated payment obligations of the Guarantor (if any) except Parity Obligations and Junior Obligations; and

**“Winding-Up Proceeding”** means an order is made by any competent court or the government of Saudi Arabia or an effective resolution is passed for the winding-up, liquidation, dissolution or similar event of the Guarantor in accordance with applicable law or the Guarantor applies or petitions for a winding-up or an administration order in respect of itself (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved by an Extraordinary Resolution).

## 5 Negative Pledge

This Condition 5 only applies to Senior Notes.

So long as any Senior Note or Coupon remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor shall, and each of the Issuer and the Guarantor shall procure that none of their Material Subsidiaries will, create or permit to subsist any Security Interest other than a Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of the Noteholders.

## 6 Fixed Rate Note Provisions

(a) **Application**

This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the applicable Pricing Supplement as being applicable.

(b) **Accrual of Interest**

Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date provided that if the Specified Currency is Renminbi or Hong Kong dollars and any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) **Fixed Coupon Amount**

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) **Calculation of Interest Amount**

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose, a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## **7 Floating Rate Note Provisions**

(a) **Application**

This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the applicable Pricing Supplement as being applicable.

(b) **Accrual of Interest**

Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the applicable Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the applicable Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption

Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) **Screen Rate Determination**

- (i) If Screen Rate Determination not Referencing SOFR or SONIA is specified in the applicable Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
  - (A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (C) subject to Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*), if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
    - (I) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
    - (II) determine the arithmetic mean of such quotations; and
  - (D) if fewer than two such quotations are provided as requested, and subject to Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*), the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, and *provided further that* such failure is not due to the occurrence of a Benchmark Event, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

If the Rate of Interest cannot be determined because of the occurrence of a Benchmark Event, the Rate of Interest shall be calculated in accordance with the terms of Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*).

- (ii) If Screen Rate Determination Referencing SOFR is specified in the applicable Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(A) the Rate of Interest for each Interest Period will, subject to Condition 7(g) (*Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)*) and as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any) (as indicated in the applicable Pricing Supplement), all as determined by the Calculation Agent on the relevant Interest Determination Date. The “**SOFR Benchmark**” will be determined based on Simple SOFR Average, Compounded Daily SOFR or SOFR Index Average, as follows (subject in each case to Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*)):

- (I) If Simple SOFR Average (“**Simple SOFR Average**”) is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark specified in the applicable Pricing Supplement for each Interest Period shall be the arithmetic mean of the SOFR reference rates for each day during the Interest Period, as calculated by the Calculation Agent, and (i) for each day during the period which is not a U.S. Government Securities Business Day, the SOFR reference rate shall be deemed to be the SOFR reference rate on the immediately preceding U.S. Government Securities Business Day and (ii) where, if applicable and as specified in the applicable Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date.
- (II) If Compounded Daily SOFR (“**Compounded Daily SOFR**”) is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during (x) where SOFR Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR, the relevant Interest Period or (y) where SOFR Observation Shift is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR, the SOFR Observation Period, in each case as calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable in the applicable Pricing Supplement:

- (1) SOFR Lag:

$$\left( \prod_{i=1}^{d_o} \left( 1 + \frac{SOFR_{i-\times USBD} \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR<sub>i</sub>-xUSBD**” for any U.S. Government Securities Business Day “i” in the relevant Interest Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day “i”;

“**Lookback Days**” means such number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days;

“**d**” means the number of calendar days in the relevant Interest Period;

“**d<sub>o</sub>**” for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

“**i**” means a series of whole numbers ascending from one to d<sub>o</sub>, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

“**n<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

(2) SOFR Observation Shift:

$$\left( \prod_{i=1}^{d_o} \left( 1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”;

“**SOFR Observation Period**” means, in respect of each Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days;

“**d**” means the number of calendar days in the relevant SOFR Observation Period;



“**d<sub>o</sub>**” for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

“**i**” means a series of whole numbers ascending from one to d<sub>o</sub>, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

“**n<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

(3) SOFR Payment Delay:

$$\left( \prod_{i=1}^{d_o} \left( 1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”;

“**Interest Payment Date**” shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Period will be the Maturity Date or, if the Issuer elects to redeem the Notes prior to the Maturity Date, the relevant Optional Redemption Date;

“**Interest Payment Delay Days**” means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

“**d**” means the number of calendar days in the relevant Interest Period;

“**d<sub>o</sub>**” for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

“**i**” means a series of whole numbers ascending from one to d<sub>o</sub>, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

“**n<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Period where SOFR Payment Delay is specified in the applicable Pricing Supplement, the SOFR reference rate for each U.S.

Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant Optional Redemption Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

- (4) SOFR Lockout:

$$\left( \prod_{i=1}^{d_o} \left( 1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”, except that the SOFR for any U.S. Government Securities Business Day “i” in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

“**d**” means the number of calendar days in the relevant Interest Period;

“**d<sub>o</sub>**” for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

“**i**” means a series of whole numbers ascending from one to d<sub>o</sub>, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period; and

“**n<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant Interest Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

- (III) If SOFR Index Average (“**SOFR Index Average**”) is specified as applicable in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left( \frac{SOFR Index_{End}}{SOFR Index_{start}} - 1 \right) \times \left( \frac{360}{d_c} \right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR Index**” means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator’s Website at the

SOFR Index Determination Time on such U.S. Government Securities Business Day, provided that:

- (1) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date have not occurred, the “**SOFR Index Average**” shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded Daily SOFR formula described above in Condition 7(c)(ii)(A)(II) (*Floating Rate Note Provisions – Screen Rate Determination*) “**SOFR Observation Shift**”, and the term “**SOFR Observation Shift Days**” shall mean five U.S. Government Securities Business Days; or
- (2) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the provisions set forth in Condition 7(g) (*Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)*) shall apply as specified in the applicable Pricing Supplement;

“**SOFR Index<sub>End</sub>**” means the SOFR Index value on the date that is the number of SOFR Index<sub>End</sub> Days specified in the applicable Pricing Supplement prior to the Interest Period Date for such Interest Period (or in the final Interest Period, the Maturity Date);

“**SOFR Index<sub>Start</sub>**” means the SOFR Index value on the date that is the number of SOFR Index<sub>Start</sub> Days specified in the applicable Pricing Supplement prior to the first day of the relevant Interest Period;

“**SOFR Index Determination Time**” means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

“**SOFR Observation Period**” means, in respect of each Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days; and

“**d<sub>c</sub>**” means the number of calendar days in the applicable SOFR Observation Period.

- (iii) If Screen Rate Determination Referencing SONIA is specified in the applicable Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (A) SONIA Compounded Index Rate

If SONIA Compounded Index Rate is specified in the applicable Pricing Supplement as being applicable, the Rate of Interest for each Interest Period will, subject to Condition

7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*), be the SONIA Compounded Index Rate as follows, plus or minus (as indicated in the applicable Pricing Supplement) the Margin.

For the purposes of this Condition 7(c)(iii)(A) (*Floating Rate Note Provisions – Screen Rate Determination*):

“**SONIA Compounded Index Rate**” means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards)

$$\left( \frac{SONIA\ Compounded\ Index_{END}}{SONIA\ Compounded\ Index_{START}} - 1 \right) \times \left( \frac{365}{d} \right)$$

provided, however, that and subject to Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*), if the SONIA Compounded Index Value is not available in relation to any Interest Period on the Relevant Screen Page for the determination of either or both of SONIA Compounded Index<sub>START</sub> and SONIA Compounded Index<sub>END</sub>, the Rate of Interest shall be calculated for such Interest Period on the basis of the SONIA Compounded Daily Reference Rate as set out in Condition 7(c)(iii)(B) below (*Floating Rate Note Provisions – Screen Rate Determination*) as if SONIA Compounded Daily Reference Rate with Observation Shift had been specified in the applicable Pricing Supplement and the “**Relevant Screen Page**” shall be deemed to be the “**Relevant Fallback Screen Page**” as specified in the applicable Pricing Supplement,

where:

“**d**” means the number of calendar days in the relevant Observation Period;

“**London Business Day**”, means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Observation Period**” means, in respect of an Interest Period, the period from (and including) the date falling “p” London Business Days prior to the first day of such Interest Period (and the first Observation Period shall begin on and include the date which is “p” London Business Days prior to the Issue Date) and ending on (but excluding) the date which is “p” London Business Days prior to the Interest Payment Date for such Interest Period (or the date falling “p” London Business Days prior to such earlier date, if any, on which the Notes become due and payable);

“**p**” means, for any Interest Period the whole number specified in the applicable Pricing Supplement (or, if no such number is so specified, five London Business Days) representing a number of London Business Days;

“**SONIA Compounded Index**” means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

“**SONIA Compounded Index<sub>START</sub>**” means, in respect of an Interest Period, the SONIA Compounded Index Value on the date falling “p” London Business Days prior to (i) the

first day of such Interest Period, or (ii) in the case of the first Interest Period, the Issue Date;

“**SONIA Compounded Index<sub>END</sub>**” means the SONIA Compounded Index Value on the date falling “p” London Business Days prior to (i) in respect of an Interest Period, the Interest Payment Date for such Interest Period, or (ii) if the Notes become due and payable prior to the end of an Interest Period, the date on which the Notes become so due and payable; and

“**SONIA Compounded Index Value**” means in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised distributors on the Relevant Screen Page on such London Business Day or, if the value of the SONIA Compounded Index cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at [www.bankofengland.co.uk/boeapps/database/](http://www.bankofengland.co.uk/boeapps/database/) (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) on such London Business Day.

(B) SONIA Compounded Daily Reference Rate

If SONIA Compounded Daily Reference Rate is specified in the applicable Pricing Supplement as being applicable, the Rate of Interest for each Interest Period will, subject to Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*), be equal to the SONIA Compounded Daily Reference Rate as follows, plus or minus (if any) (as indicated in the applicable Pricing Supplement) the Margin.

“**SONIA Compounded Daily Reference Rate**” means, in respect of an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards),

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

“**London Business Day**”, “**Observation Period**” and “**p**” have the meanings set out under Condition 7(c)(iii)(A) above (*Floating Rate Note Provisions – Screen Rate Determination*);

“**d**” is the number of calendar days in the relevant:

- (I) Observation Period where Observation Shift is specified in the applicable Pricing Supplement; or
- (II) Interest Period where Lag is specified in the applicable Pricing Supplement;

“**d<sub>o</sub>**” is the number of London Business Days in the relevant:

- (I) Observation Period where Observation Shift is specified in the applicable Pricing Supplement; or
- (II) Interest Period where Lag is specified in the applicable Pricing Supplement;

“ $i$ ” is a series of whole numbers from one to  $d_o$ , each representing the relevant London Business Day in chronological order from, and including, the first London Business Day in the relevant:

- (I) Observation Period where Observation Shift is specified in the applicable Pricing Supplement; or
- (II) Interest Period where Lag is specified in the applicable Pricing Supplement;

“ $n_i$ ”, for any London Business Day “ $i$ ”, means the number of calendar days from and including such London Business Day “ $i$ ” up to but excluding the following London Business Day;

“**SONIA $_i$** ” means, in relation to any London Business Day the SONIA reference rate in respect of:

- (I) that London Business Day “ $i$ ” where Observation Shift is specified in the applicable Pricing Supplement; or
- (II) the London Business Day (being a London Business Day falling in the relevant Observation Period) falling “ $p$ ” London Business Days prior to the relevant London Business Day “ $i$ ” where Lag is specified in the applicable Pricing Supplement; and

the “**SONIA reference rate**”, in respect of any London Business Day, is a reference rate equal to the daily SONIA rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page on the next following London Business Day or, if the Relevant Screen Page is unavailable, as published by authorised distributors on such London Business Day or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at [www.bankofengland.co.uk/boeapps/database/](http://www.bankofengland.co.uk/boeapps/database/) (or such other page or website as may replace such page for the purposes of publishing the SONIA reference rate)

- (C) Subject to Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*), where SONIA is specified as the Reference Rate in the applicable Pricing Supplement and either (i) SONIA Compounded Daily Reference Rate is specified in the applicable Pricing Supplement, or (ii) the SONIA Compounded Index Rate is specified in the applicable Pricing Supplement and Condition 7(c)(iii)(B) above (*Floating Rate Note Provisions – Screen Rate Determination*) applies, if, in respect of any London Business Day, the SONIA reference rate is not available on the Relevant Screen Page or Relevant Fallback Screen Page as applicable, (or as otherwise provided in the relevant definition thereof), such Reference Rate shall be:

- (I) the Bank of England’s Bank Rate (the “**Bank Rate**”) prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or

- (II) if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof),

and, in each case, SONIAi shall be interpreted accordingly.

- (D) If the Rate of Interest cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 7(f) (*Floating Rate Note Provisions – Benchmark Discontinuation*), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Series of Notes become due and payable in accordance with Condition 12 (*Payments – Bearer Notes*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

(d) **ISDA Determination**

If ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) if the Pricing Supplement specifies either “2006 ISDA Definitions” or “2021 ISDA Definitions” as the applicable ISDA Definitions:
  - (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the applicable Pricing Supplement;
  - (B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable Pricing Supplement;
  - (C) the relevant Reset Date (as defined in the ISDA Definitions) is the as specified in the applicable Pricing Supplement;

- (D) if the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the ISDA Definitions), Compounding is specified to be applicable in the applicable Pricing Supplement and:
    - (I) Compounding with Lookback is specified as the Compounding Method in the applicable Pricing Supplement, then (a) Compounding with Lookback is the Overnight Rate Compounding Method; and (b) Lookback is the number of Applicable Business Days (as defined in the ISDA Definitions) specified in the applicable Pricing Supplement;
    - (II) Compounding with Observation Period Shift is specified as the Compounding Method in the applicable Pricing Supplement, then (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Pricing Supplement, and (c) Observation Period Shift Additional Business Days (as defined in the ISDA Definitions), if applicable, are the days specified in the applicable Pricing Supplement; or
    - (III) Compounding with Lockout is specified as the Compounding Method in the applicable Pricing Supplement, then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days (as defined in the ISDA Definitions) specified in the applicable Pricing Supplement, and (c) Lockout Period Business Days (as defined in the ISDA Definitions), if applicable, are the days specified in the applicable Pricing Supplement;
  - (E) if the specified Floating Rate Option is an Index Floating Rate Option (as defined in the relevant ISDA Definitions) and Index Provisions are specified to be applicable in the applicable Pricing Supplement, the Compounded Index Method with Observation Period Shift shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Pricing Supplement and (b) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions), if applicable, are the days specified in the applicable Pricing Supplement; and
  - (F) references in the ISDA Definitions to:
    - (I) **“Confirmation”** shall be deemed to be references to the applicable Pricing Supplement;
    - (II) **“Calculation Period”** shall be deemed to be references to the relevant Interest Accrual Period unless otherwise specified in the applicable Pricing Supplement;
    - (III) **“Termination Date”** shall be deemed to be references to the Maturity Date; and
    - (IV) **“Effective Date”** shall be deemed to be references to the Interest Commencement Date.
- (ii) If the Pricing Supplement specifies “2021 ISDA Definitions” as the applicable ISDA Definitions:
- (A) “Administrator/Benchmark Event” shall be disapplied; and



- (B) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be “Temporary Non-Publication Fallback – Alternative Rate” in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to “Calculation Agent Alternative Rate Determination” in the definition of “Temporary Non-Publication Fallback – Alternative Rate” shall be replaced by “Temporary Non-Publication Fallback – Previous Day’s Rate”.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date”, “Swap Transaction”, “Overnight Floating Rate Option”, “Compounding with Lookback”, “Compounding with Observation Period Shift”, “Compounding with Lockout” “Applicable Business Days”, “Observation Period Shift Business Days”, “Observation Period Shift Additional Business Days”, “Lockout Period Business Days”, “Index Floating Rate Option” and “Compounded Index Method with Observation Period Shift” have the meanings given to those terms in the ISDA Definitions.

(e) **Linear Interpolation**

Where Linear Interpolation is specified in the applicable Pricing Supplement as applicable in respect of an Interest Period, the Rate of Interest for such Interest 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 in the applicable Pricing Supplement as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified in the applicable Pricing Supplement as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period; provided, however, that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Issuer (acting in good faith and in a commercially reasonable manner, and in consultation with an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer) shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(f) **Benchmark Discontinuation**

This Condition 7(f) shall apply unless “**Condition 7(g) (Benchmark Discontinuation (SOFR))**” is specified as applicable in the applicable Pricing Supplement.

Notwithstanding the other provisions of this Condition 7, if the Bank, following consultation with the Calculation Agent, determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply:

- (i) the Bank shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than ten Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the “**IA Determination Cut-Off Date**”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread and any Benchmark Amendments (in

accordance with Condition 7(f)(v) below) for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

- (ii) if (A) the Bank is unable to appoint an Independent Adviser in accordance with this Condition 7(f); or (B) the Independent Adviser appointed by the Bank fails to determine a Successor Rate or, failing which, an Alternative Reference Rate in accordance with this Condition 7(f) prior to the relevant IA Determination Cut-Off Date, the Bank (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and, in either case, an Adjustment Spread itself for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 7(f) applying *mutatis mutandis* to allow such determinations to be made by the Bank without consultation with the Independent Adviser, by no later than five Business Days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the original Reference Rate. For the avoidance of doubt, this Condition 7(f)(ii) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided, in Condition 7(f)(i) above;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods in respect of such Notes (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(f));
- (iv) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be); if the Independent Adviser (following consultation with the Bank) or the Bank, as applicable, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;
- (v) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 7(f) and the Independent Adviser (following consultation with the Bank) or the Bank, as applicable, determines in good faith: (A) that amendments to these Conditions (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Interest Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”); and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Bank and subject to delivery of a notice in accordance with Condition 7(f)(vi) below: (x) the Bank shall vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Agents shall (at the Bank’s expense), without any requirement for the consent or sanction of Noteholders, be obliged to concur with the Bank in effecting such Benchmark Amendments.

For the avoidance of doubt, no Agent shall be liable to the Noteholders or any other person for so acting or relying on such notice, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Noteholder or person;

Notwithstanding any other provision of this Condition 7(f), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer or the Guarantor, the same could reasonably be expected to prejudice the qualification of the Tier 2 Notes as tier 2 capital (in accordance with the applicable requirements of SAMA (or any successor thereto as the relevant regulator of banks in the Kingdom));

- (vi) the Bank shall promptly, following the determination of any Successor Rate, Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Agents and, in accordance with Condition 21 (*Notices*), the Noteholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any). Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Noteholders of the same, the Bank shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Bank:

- (A) confirming: (1) that a Benchmark Event has occurred; (2) the Successor Rate or, as the case may be, the Alternative Reference Rate; (3) the applicable Adjustment Spread and (4) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 7(f); and
- (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate and (in either case) the applicable Adjustment Spread.

The Fiscal Agent shall display such certificate at its specified office, for inspection by the Noteholders at all reasonable times during normal business hours;

- (vii) if, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or the relevant component thereof) on the next succeeding Interest Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Rate of Interest ((applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period). If there has not been a first Interest Payment Date, the Rate of Interest shall be determined using the Reference Rate last displayed on the Relevant Screen Page prior to the relevant Interest Determination Date. For the avoidance of doubt, this Condition 7(f)(vii) shall apply to the relevant immediately following Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 7(f);
- (viii) the Independent Adviser appointed pursuant to this Condition 7(f) shall act and make all determinations pursuant to this Condition 7(f) in good faith and in a commercially reasonable manner and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, neither the Independent Adviser nor the Bank shall have any liability whatsoever to the Fiscal Agent, the Paying Agents, the Noteholders or the Couponholders in connection with

any determination made by it or, in the case of the Independent Adviser, for any advice given to the Bank in connection with any determination made by the Bank pursuant to this Condition 7(f); and

- (ix) without prejudice to the obligations of the Bank under paragraphs (i), (ii), (iii), (iv) and (v) of this Condition 7(f), the original Reference Rate and the fallback provisions provided for in Condition 7(c)(i) (*Floating Rate Note Provisions – Screen Rate Determination*) will continue to apply unless and until a Benchmark Event has occurred.

For the purposes of this Condition 7(f):

**“Adjustment Spread”** means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Bank) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the relevant Reference Rate; or
- (C) (if the Independent Adviser (following consultation with the Bank) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Bank) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or
- (D) (if the Independent Adviser (following consultation with the Bank) determines that there is no such industry standard) the Independent Adviser (following consultation with the Bank) or the Bank (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (iv) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders;

**“Alternative Reference Rate”** means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Bank) determines, in accordance with this Condition 7(f), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes or, if the Independent Adviser or the Bank (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Bank (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

**“Benchmark Event”** means the occurrence of one or more of the following events with respect to the then-current Reference Rate (including any daily published component used in the calculation thereof): (i) the relevant Reference Rate (or such component) ceasing to be published as a result of such benchmark ceasing to be calculated or administered for a period of at least 5

Business Days or ceasing to exist; or (ii) a public statement or publication of information by the administrator of the relevant Reference Rate (or such component) that it has ceased or that it will cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or (iii) a public statement or publication of information by the supervisor of the administrator of the relevant Reference Rate (or such component), that the relevant Reference Rate (or such component) has been or will be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate (or such component) as a consequence of which the relevant Reference Rate (or such component) will be prohibited from being used either generally, or in respect of the Notes or that its use will be subject to restrictions or adverse consequences; or (v) a public statement by the supervisor of the administrator of the relevant Reference Rate (or such component) that the relevant Reference Rate (or such component) is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market or the methodology to calculate such Reference Rate has materially changed; or (vi) it has become unlawful for the Bank, the Issuer, the Calculation Agent or any Paying Agent or any other party to calculate any payments due to be made to any Noteholder using the relevant Reference Rate; provided that the Benchmark Event shall be deemed to occur (a) in the case of paragraphs (ii) and (iii) above, on the date of the cessation of publication of the relevant Reference Rate (or such component) or the discontinuation of the relevant Reference Rate (or such component), as the case may be, (b) in the case of paragraph (iv) above, on the date of the prohibition of use of the relevant Reference Rate (or such component) and (c) in the case of paragraph (v) above, on the date with effect from which the relevant Reference Rate (or such component) will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement;

**“Financial Stability Board”** means the organisation established by the Group of Twenty (G20) in April 2009;

**“Independent Adviser”** means an independent financial institution of international repute or an independent financial adviser of recognised standing with appropriate expertise appointed by the Bank at the Bank’s expense;

**“Relevant Nominating Body”** means, in respect of a Reference Rate: (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the Reference Rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof; and

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

(g) **Benchmark Discontinuation (SOFR)**

This Condition 7(g) shall only apply where “**Condition 7(g) Benchmark Discontinuation (SOFR)**” is specified as applicable in the applicable Pricing Supplement.

(i) **Benchmark Replacement**

If the Bank or its designee determines on or prior to the relevant Reference Time that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) **Benchmark Replacement Conforming Changes**

In connection with the implementation of a Benchmark Replacement, the Bank or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Bank, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 7(g)(ii). Noteholders’ consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Calculation Agent, the Paying Agents, the Registrar or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Bank or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) **Decisions and Determinations**

Any determination, decision or election that may be made by the Bank or its designee pursuant to this Condition 7(g), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Bank, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(iv) **Definitions**

The following defined terms shall have the meanings set out below for the purpose of this Condition 7(g):

“**Benchmark**” means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Bank or its designee determines on or prior to the Reference Time that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then “**Benchmark**” means the applicable Benchmark Replacement;

“**Benchmark Replacement**” means the first alternative set forth in the order below that can be determined by the Bank or its designee as of the Benchmark Replacement Date:

(A) the sum of:

- (I) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
  - (II) the Benchmark Replacement Adjustment;
- (B) the sum of:
  - (I) the ISDA Fallback Rate; and
  - (II) the Benchmark Replacement Adjustment; or
- (C) the sum of:
  - (I) the alternate reference rate that has been selected by the Bank or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and
  - (II) the Benchmark Replacement Adjustment;

**“Benchmark Replacement Adjustment”** means the first alternative set forth in the order below that can be determined by the Bank or its designee as of the Benchmark Replacement Date:

- (A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Bank or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

**“Benchmark Replacement Conforming Changes”** means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Bank or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Bank or its designee decide that adoption of any portion of such market practice is not administratively feasible or if the Bank or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Bank or its designee determines is reasonably necessary);

**“Benchmark Replacement Date”** means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (A) in the case of paragraph (a) or (b) of the definition of “SOFR Benchmark Event”, the later of:
  - (I) the date of the public statement or publication of information referenced therein; and
  - (II) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (B) in the case of paragraph (c) of the definition of “SOFR Benchmark Event”, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

**“designee”** means a designee as selected and separately appointed by the Bank in writing;

**“ISDA Definitions”** means the 2006 ISDA Definitions or 2021 ISDA Interest Rate Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

**“ISDA Fallback Adjustment”** means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

**“ISDA Fallback Rate”** means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

**“Reference Time”** with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded Daily SOFR is specified as applicable in the applicable Pricing Supplement) or SOFR Index Determination Time (where SOFR Index Average is specified as applicable in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Bank or its designee after giving effect to the Benchmark Replacement Conforming Changes;

**“Relevant Governmental Body”** means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and



**“SOFR Benchmark Event”** means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative; and

**“Unadjusted Benchmark Replacement”** means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 7(g) will be notified promptly by the Bank to the Agents and, in accordance with Condition 21 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Noteholders of the same, the Bank shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Bank:

- (A) confirming (x) that a SOFR Benchmark Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 7(g); and
- (B) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

The Fiscal Agent shall display such certificate at its specified office, for inspection by the Noteholders at all reasonable times during normal business hours.

(h) **Maximum or Minimum Rate of Interest**

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the applicable Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(i) **Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(j) **Publication**

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and in the case of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, upon request of the Issuer, as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(k) **Notifications, etc.:**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## **8 Reset Note Provisions**

(a) **Application**

This Condition 8 is applicable to the Notes only of the Reset Note Provisions are specified in the applicable Pricing Supplement as being applicable.

(b) **Accrual of Interest**

Each Reset Note bears interest on its outstanding nominal amount at the Rate(s) of Interest determined in accordance with Condition 8(c) (*Reset Note Provisions – Interest on Reset Notes*), such interest being payable (subject, in the case of Tier 2 Notes only, to Condition 11 (*Loss Absorption Upon the Occurrence of a Non-Viability Event*)) in arrear on each Interest Payment Date provided that if the Specified Currency is Renminbi or Hong Kong dollars and any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) **Interest on Reset Notes**

(i) *Rates of Interest*

Each Reset Note bears interest:

- (A) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Interest Commencement Date), at the rate per annum equal to the Initial Rate of Interest; and
- (B) in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter), at such rate per annum as is equal to the relevant Subsequent Reset Rate, as determined by the Calculation Agent on the relevant Reset Determination Date in accordance with this Condition 8(c)(i),

payable, in each case, in arrear on the Interest Payment Dates(s).

As used in this Condition 8(c)(i):

“**Day Count Fraction**” and related definitions have the meanings given in Condition 2(a) (*Interpretation – Definitions*);

“**Initial Rate of Interest**” means the initial rate per annum specified in the applicable Pricing Supplement;

“**Mid-Market Swap Rate**” means for any Reset Period, the arithmetic mean of the bid and offered rates for the fixed leg, payable with a frequency equivalent to the Fixed Leg Swap Duration specified in the applicable Pricing Supplement during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (a) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (c) has a floating leg based on the Mid-Swap Floating Leg Benchmark

Rate for the Mid-Swap Maturity (as specified in the applicable Pricing Supplement) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

**“Mid-Market Swap Rate Quotation”** means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

**“Mid-Swap Floating Leg Benchmark Rate”** means EURIBOR if the Specified Currency is euro or as otherwise specified in the applicable Pricing Supplement;

**“Mid-Swap Rate”** means, in relation to a Reset Determination Date and subject to Condition 8(d), the applicable semi-annual or annualised (as specified in the applicable Pricing Supplement) mid-swap rate for swap transactions in the Specified Currency (with a maturity equal to that of the relevant Swap Rate Period specified in the applicable Pricing Supplement) as displayed on the Relevant Screen Page at 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date (which rate, if the relevant Interest Payment Dates are other than semi-annual or annual Interest Payment Dates, shall be adjusted by, and in the manner determined by, the Calculation Agent);

**“Reference Bond”** means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the relevant Reset Period;

**“Reference Bond Price”** means, with respect to any Reset Determination Date, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest of such Reference Government Bond Dealer Quotations, or (B) if the Calculation Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

**“Reference Bond Rate”** means the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price, as calculated by the Calculation Agent;

**“Reference Government Bond Dealer”** means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (A) primary government securities dealers, and their respective successors or (B) market-makers in pricing corporate bond issues;

**“Reference Government Bond Dealer Quotations”** means, with respect to each Reference Government Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around 11.00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date quoted in writing to the Calculation Agent by such Reference Government Bond Dealer;

**“Reset Date(s)”** means the date(s) specified in the applicable Pricing Supplement;

**“Reset Determination Date”** means for each Reset Period the date as specified in the applicable Pricing Supplement falling on or before the commencement of such Reset Period on which the rate of interest applying during such Reset Period will be determined;

**“Reset Margin”** means the margin specified in the applicable Pricing Supplement;

**“Reset Period”** means the period from (and including) the first Reset Date to (but excluding) the Maturity Date if there is only one Reset Period or, if there is more than one Reset Period, each period from (and including) one Reset Date (or the first Reset Date) to (but excluding) the next Reset Date up to (but excluding) the Maturity Date;

**“Subsequent Reset Rate”** for any Reset Period means the sum of (i) the applicable Subsequent Reset Reference Rate and (ii) the applicable Reset Margin (rounded down to four decimal places, with 0.00005 being rounded down);

**“Subsequent Reset Rate Screen Page”** has the meaning specified in the applicable Pricing Supplement; and

**“Subsequent Reset Reference Rate”** means either: (a) if **“Mid-Swap Rate”** is specified in the applicable Pricing Supplement, the relevant Mid-Swap Rate or (b) if **“Reference Bond”** is specified in the Pricing Supplement, the relevant Reference Bond Rate.

(ii) *Subsequent Reset Rate Screen Page*

If on any Reset Determination Date the Subsequent Reset Rate Screen Page is not available or the Mid-Swap Rate does not appear on the Subsequent Reset Rate Screen Page, other than in the circumstances provided for in Condition 8(c)(iv), the Issuer shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date.

If two or more of the Reference Banks provide the Calculation Agent with such Mid-Market Swap Rate Quotations, the Subsequent Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations plus or minus (as appropriate) the applicable Reset Margin (if any), all as determined by the Calculation Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation, as provided in the foregoing provisions of this Condition 8(c)(ii), the Mid-Market Swap Rate Quotation will be (a) in the case of each Reset Period other than the first Reset Period, the Mid-Swap Rate in respect of the immediately preceding Reset Period or (b) in the case of the first Reset Period, an amount set out in the Pricing Supplement as the **“First Reset Period Fallback”**.

For the purposes of this Condition 8(c)(ii):

**“Reference Banks”** means the principal office in the Relevant Financial Centre of four major banks in the swap, money, securities or other market most closely connected with the Subsequent Reset Reference Rate as selected by the Issuer on the advice of an investment bank of international repute; and

**“Relevant Financial Centre”** means the financial centre specified as such in the applicable Pricing Supplement.

(iii) *Calculation of Interest Amount*

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Reset Period, calculate the Interest Amount payable in respect of each Reset Note for such Reset Period. The Interest Amount will be calculated by applying the Rate of Interest for such Reset Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(iv) *Notification of Subsequent Reset Rate and Interest Amounts*

The Calculation Agent will cause the Subsequent Reset Rate and each Interest Amount for each Reset Period to be notified to the Issuer and any stock exchange on which the relevant Reset Notes are for the time being listed and notice thereof to be published in accordance with Condition 21 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount as notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment). Any such amendment will be promptly notified to any stock exchange on which the relevant Reset Notes are for the time being listed and to the Noteholders in accordance with Condition 21 (*Notices*). For the purposes of this Condition 8(c)(iv), the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

## **9 Zero Coupon Note Provisions**

(a) **Application**

This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the applicable Pricing Supplement as being applicable.

(b) **Late Payment on Zero Coupon Notes**

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (iii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## 10 Redemption and Purchase

### (a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on the Maturity Date at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12 (*Payments – Bearer Notes*). In the case of Fixed Rate Notes where the Specified Currency is Renminbi or Hong Kong dollars, if the Maturity Date falls on a day which is not a Business Day, the Maturity Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Maturity Date shall be brought forward to the immediately preceding Business Day.

### (b) Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part (but subject, in the case of Tier 2 Notes, to Condition 10(k) (*Conditions to Redemption and Repurchase of Tier 2 Notes*)):

- (i) at any time (if the Floating Rate Note Provisions are specified in the applicable Pricing Supplement as being not applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the applicable Pricing Supplement as being applicable),

on giving not less than 15 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) (1) the Issuer has or will on the occasion of the next payment due under the Notes become obliged to pay additional amounts as provided or referred to in Condition 14 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority or agency thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective (or, in the case of a change in the application or official interpretation, is announced) on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (2) the Guarantor has or (if a demand was made under the Deed of Guarantee) would become obliged to pay additional amounts as provided or referred to in Condition 14 (*Taxation*) or in the Deed of Guarantee or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 14 (*Taxation*) or in the Deed of Guarantee from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Saudi Arabia or any political subdivision or any authority or agency thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

*provided, however, that no such notice of redemption shall be given earlier than:*

- (I) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the

Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Deed of Guarantee were then made; or

- (II) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Deed of Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent to make available at its Specified Office to the Noteholders (1) a certificate signed by two directors of the Issuer or (as the case may be) of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and, in the case of Tier 2 Notes only, the conditions set out in Condition 10(k) (*Conditions to Redemption and Repurchase of Tier 2 Notes*) have been satisfied, and (2) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

**(c) Redemption following a Capital Disqualification Event**

This Condition 10(c) is only applicable to Tier 2 Notes.

Subject to Condition 10(k) (*Conditions to Redemption and Repurchase of Tier 2 Notes*), the Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if the Floating Rate Note Provisions are specified in the applicable Pricing Supplement as being not applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the applicable Pricing Supplement as being applicable),

on giving not less than 15 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 21 (*Notices*), the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Capital Disqualification Event), together with interest accrued (if any) to the date fixed for redemption, if a Capital Disqualification Event has occurred.

Prior to the publication of any notice of redemption pursuant to this Condition 10(c), the Issuer shall deliver to the Fiscal Agent (i) a certificate signed by two directors of the Issuer (or, as the case may be, two authorised signatories of the Guarantor) stating that (A) a Capital Disqualification Event has occurred and cannot be avoided by the Guarantor taking reasonable measures available to it and (B) the conditions set out in Condition 10(k) (*Conditions to Redemption and Repurchase of Tier 2 Notes*) have been satisfied; and (ii) if required by the Capital Regulations at such time, a copy of the notice received from the Financial Regulator to the effect that a Capital Disqualification Event has occurred and approving the redemption of the Notes.

In this Condition 10(c):



**“Capital Disqualification Event”** shall be deemed to have occurred if, as a result of any change in any applicable law (including any Capital Regulations), or in the application or official interpretation thereof, in each such case becoming effective after the Issue Date of the most recent Tranche of Tier 2 Notes, the Bank is notified in writing by the Financial Regulator that the Tier 2 Notes are excluded in full (or, to the extent not prohibited by the Capital Regulations at the time of the proposed redemption, in part) from the Tier 2 Capital of the Bank (save where such exclusion is only as a result of either: (a) any applicable limitation on the amount of such capital; or (b) such capital ceasing to count towards the Bank’s capital base through any amortisation or similar process or any changes thereto (including any amortisation or similar process imposed through any grandfathering arrangement));

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

**“Financial Regulator”** means SAMA or such other governmental authority which assumes or performs the functions of SAMA, as at the Issue Date of the first Tranche of Tier 2 Notes, or such other successor authority exercising primary banking supervision, in each case with respect to prudential matters in relation to the Bank;

**“SAMA”** means the Saudi Central Bank and/or any of its successors or assigns; and

**“Tier 2 Capital”** means capital qualifying as (or which, but for any applicable limitation on the amount of such capital, would qualify as), and approved by the Financial Regulator as, tier 2 capital in accordance with the Capital Regulations.

(d) **Redemption at the Option of the Issuer**

If a call option is specified as being applicable in the applicable Pricing Supplement as being applicable, subject to Condition 10(k) (*Conditions to Redemption and Repurchase of Tier 2 Notes*) in the case of Tier 2 Notes only, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the applicable Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 15 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) **Partial Redemption**

If the Notes are to be redeemed in part only on any date in accordance with Condition 10(d) (*Redemption at the Option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(d) (*Redemption at the Option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the applicable Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(f) **Redemption at the Option of Noteholders**

This Condition 10(f) is only applicable to Senior Notes.

If the Put Option is specified as being applicable in the applicable Pricing Supplement (unless prior to the giving of the relevant Put Option Notice the Issuer has given notice of redemption under Condition 10(b) (*Redemption for Tax Reasons*), Condition 10(c) (*Redemption following a Capital Disqualification Event*) or Condition 10(d) (*Redemption at the Option of the Issuer*), the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(f), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(f), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(g) **No Other Redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.

(h) **Early Redemption of Zero Coupon Notes**

Unless otherwise specified in the applicable Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) **Purchase**

Subject to Condition 10(k) (*Conditions to Redemption and Repurchase of Tier 2 Notes*) in the case of Tier 2 Notes only, each of the Issuer, the Guarantor and their Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons relating thereto are attached thereto or surrendered

therewith) in the open market or otherwise at any price and such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor or any of their respective Subsidiaries, as the case may be, surrendered to the Paying Agent or the Registrar for cancellation.

(j) **Cancellation**

All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

(k) **Conditions to Redemption and Repurchase of Tier 2 Notes**

This Condition 10(k) is applicable only to Tier 2 Notes.

Tier 2 Notes may only be redeemed, purchased or cancelled (as applicable) pursuant to Condition 10(b) (*Redemption for Tax Reasons*), Condition 10(c) (*Redemption following a Capital Disqualification Event*), Condition 10(d) (*Redemption at the Option of the Issuer*), Condition 10(h) (*Early Redemption of Zero Coupon Notes*) or Condition 19 (*Meetings of Noteholders; Modification*), as the case may be, if:

- (i) (except to the extent that the Financial Regulator no longer so requires) the Bank has obtained the prior written approval of the Financial Regulator;
- (ii) (except to the extent that the Financial Regulator no longer so requires) at the time when the relevant notice of redemption is given, the Bank is in compliance with the Applicable Regulatory Capital Requirements; and
- (iii) (except to the extent that the Financial Regulator no longer so requires) immediately following such redemption, the Bank will be in compliance with the Applicable Regulatory Capital Requirements.

In addition, if the Issuer has elected to redeem the Tier 2 Notes of any Series and prior to the redemption a Non-Viability Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Issuer shall give notice thereof to the Noteholders in accordance with Condition 21 (*Notices*) and the Fiscal Agent, as soon as practicable. Further, no notice of redemption shall be given in the period following the occurrence of a Non-Viability Event and the relevant Non-Viability Event Write-down Date.

In these Conditions, “**Applicable Regulatory Capital Requirements**” means the requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Bank, including transitional rules and waivers granted in respect of the foregoing.

## **11 Loss Absorption Upon the Occurrence of a Non-Viability Event**

This Condition 11 is applicable only to Tier 2 Notes.

(a) **Write-down of the Tier 2 Notes**

In the case of Tier 2 Notes only, if a Non-Viability Event occurs at any time on or after the Issue Date of a Series of Notes and prior to the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of the Notes subject to and as provided in this Condition 11:

- (i) the Bank will, no later than the third Business Day following the date on which such Non-Viability Event occurs (or such earlier date as determined by the Financial Regulator), notify the Issuer, the Fiscal Agent and the Noteholders in accordance with Condition 21 (*Notices*) of the

occurrence of such Non-Viability Event (a “**Non-Viability Notice**”). Such Non-Viability Notice shall also (to the extent the relevant information has been received by the Financial Regulator):

- (A) state that a Write-down of the Notes will take place and, following guidance from the Financial Regulator, whether such Write-down will be a full Write-down of the Notes or a partial Write-down of the Notes;
  - (B) specify, in the case of a partial Write-down of the Notes, (1) the outstanding face amount of the Notes that the Financial Regulator has determined to be written-down (such amount being the “**Write-down Amount**”), and (2) the remaining outstanding face amount of the Notes as determined by the Financial Regulator and notified to the Bank;
  - (C) specify, in the case of a full Write-down of the Notes, that the Bank has received written confirmation from the Financial Regulator that the Financial Regulator has determined the outstanding face amount of the Notes to be zero; and
  - (D) specify the date on which the Write-down of the Notes will take place, which date shall be no later than 10 Business Days (or such other date as determined by the Financial Regulator) after the date of such Non-Viability Notice (such specified date, the “**Non-Viability Event Write-down Date**”); and
- (ii) the Notes shall be subject to a Write-down on such Non-Viability Event Write-down Date in accordance with Condition 11(b) (*Write-down of the Notes*).

If the Bank has not received all the information set out in (A) to (D) (inclusive) above prior to the date on which the Non-Viability Notice is given, the Bank shall, as soon as reasonably practicable following receipt of such information from the Financial Regulator, notify the Issuer, the Fiscal Agent and the Noteholders in accordance with Condition 21 (*Notices*).

Following the occurrence of any reduction in the amount due under any Tier 2 Notes pursuant to this Condition 11(a), any reference to any amount due under such Tier 2 Notes, or to the outstanding face amount of such Tier 2 Notes, shall be deemed to mean such amount subject to any applicable reduction pursuant to this Condition 11(a) *mutatis mutandis*.

(b) **Write-down of the Notes**

- (i) If, at any time, the Financial Regulator determines that a full Write-down is required, on the Non-Viability Event Write-down Date:
  - (A) the relevant Redemption Amount shall automatically be written-down to zero and the Tier 2 Notes shall be cancelled;
  - (B) subject to payment of accrued and unpaid Interest Amounts if and only to the extent that such Interest Amounts became due and payable to the Noteholders prior to the date of the Non-Viability Notice (and provided payment of such amounts are not prohibited by the Financial Regulator or the Capital Regulations at such time), all rights of any Noteholder for payment of any amounts under or in respect of the Tier 2 Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Tier 2 Event) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date;
  - (C) the Noteholders will have no further claim against the Bank in respect of any Tier 2 Notes.

(ii) If the Financial Regulator determines that a partial Write-down of the Notes is required and provides the Bank with the information required pursuant to Condition 11(a)(ii), and where a partial Write-down of the Notes is specified in the Non-Viability Notice (or in a subsequent notice in accordance with Condition 11(a) (*Write-down of the Tier 2 Notes*)), on the Non-Viability Event Write-down Date:

- (A) the face amount of each Note shall be written-down in part on a *pro rata* basis in a proportion corresponding to the Write-down Amount, as specified in writing by the Financial Regulator and references in these Conditions to “**face amount**” or “**outstanding face amount**” shall be construed accordingly;
- (B) the rights of the holders of the Tier 2 Notes in the proportion of the face amount so written-down in accordance with this Condition 11(b), shall automatically be deemed to be irrevocably and unconditionally cancelled;
- (C) the relevant Redemption Amount in respect of such Tier 2 Notes shall automatically be written-down by the Write-down Amount; and
- (D) subject to payment of accrued and unpaid Interest Amounts if and only to the extent such amounts became due and payable to the Noteholders prior to the date of the Non-Viability Notice (and provided payment of such amounts is not prohibited by the Financial Regulator or the Capital Regulations at such time), all rights of any Noteholder for payment of any amounts under or in respect of the proportion of the Tier 2 Notes so written-down (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Tier 2 Event) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date.

(c) **Applicable Statutory Loss Absorption Regime**

With effect on and from the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of the Notes, the foregoing provisions of this Condition 11 will lapse and cease to have any effect, except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime. If the Bank becomes Non-Viable on or after such date, the Financial Regulator (or the Bank following instructions from the Financial Regulator) may take such action in respect of the Notes as is required or permitted by such Applicable Statutory Loss Absorption Regime.

(d) **Interpretation**

In these Conditions:

“**Applicable Statutory Loss Absorption Regime**” means a Statutory Loss Absorption Regime that is applicable to the Notes and which, alone or together with any other law(s) or regulation(s), has the effect that Conditions 11(a) (*Write-down of the Tier 2 Notes*) and 11(b) (*Write-down of the Notes*) could cease to apply to the Notes without giving rise to a Capital Disqualification Event;

“**Basel III**” means the set of reforms to the international regulatory capital framework for banks issued by the Basel Committee on Banking Supervision 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);

**“Non-Viability Event”** means that the Financial Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without;

- (i) a Write-down of the Notes (and write-down of any other of the Bank’s other capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital of the Bank that, pursuant to their terms or by operation of law, are capable of being written-down and/or converted into equity); or
- (ii) a public sector injection of capital (or equivalent support) provided that such injection of capital is not made (a) by a shareholder of the Bank or (b) on terms that are more favourable to the Bank than those that would be accepted by private investors in comparable transactions;

**“Non-Viability Notice”** has the meaning given to it in Condition 11(a) (*Write-down of the Tier 2 Notes*);

**“Non-Viable”** means, in the case of the Bank, (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business or (b) any other event or circumstance which is specified as constituting non-viability by the Financial Regulator or in applicable Capital Regulations or any Applicable Statutory Loss Absorption Regime;

**“Statutory Loss Absorption Regime”** means any statutory regime implemented in Saudi Arabia which provides the Financial Regulator with the powers to implement loss absorption measures in respect of capital instruments (such as the Tier 2 Notes), including, but not limited to, any such regime which is implemented pursuant to Basel III and/or The Law on the Treatment of Systemically Important Financial Institutions M/38 dated 25/4/1442H (corresponding to 11 December 2020);

**“Tier 1 Capital”** means capital qualifying as (or which, but for any applicable limitation on the amount of such capital, would qualify as), and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations;

**“Write-down”** means the events described in paragraphs (A) through (C) of Condition 11(b)(i) or paragraphs (A) through (D) of Condition 11(b)(ii), as appropriate; and

**“Write-down Amount”** has the meaning given to it in Condition 11(a)(i)(B) (*Write-down of the Tier 2 Notes*).

## 12 Payments – Bearer Notes

This Condition 12 is only applicable to Bearer Notes.

### (a) Principal

In relation to Bearer Notes not held in the CMU, payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (which expression, as used herein, means the United States and its dependent territories):

- (i) in respect of payments other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency; or
- (ii) in respect of payments in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Holder with a bank in Hong Kong.

(b) **Interest**

In relation to Bearer Notes not held in the CMU, payments of interest shall, subject to paragraph (h) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) **Payments in New York City**

In relation to Bearer Notes not held in the CMU, payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents located outside the United States and its possessions with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) **Payments Subject to Fiscal Laws**

All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 14 (*Taxation*)) law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Deductions for Unmatured Coupons**

If the applicable Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate

amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

(f) **Unmatured Coupons Void**

If the applicable Pricing Supplement specifies that this Condition 12(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for Tax Reasons*), Condition 10(d) (*Redemption at the Option of the Issuer*), Condition 10(f) (*Redemption at the Option of Noteholders*) or Condition 15 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) **Payments on Business Days**

If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) **Payments other than in respect of matured Coupons**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) **Partial Payments**

If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) **Exchange of Talons**

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 16 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

(k) **Renminbi Account**

All payments in respect of any Note or Coupon or the Deed of Guarantee in Renminbi will be made solely by credit to a registered Renminbi account maintained by or on behalf of the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).



(l) **Renminbi Currency Event**

If the Specified Currency of the Notes is Renminbi and a Renminbi Currency Event, as determined by the Issuer or (if applicable) the Guarantor acting in good faith, exists on a date for payment of any principal or interest (in whole or in part) in respect of any Note or Coupon or the Deed of Guarantee, the Issuer's obligation to make a payment in Renminbi under the terms of the Notes or (if applicable) the Guarantor's obligation to make a payment in Renminbi under the terms of the Deed of Guarantee may be replaced by an obligation to pay such amount (in whole or in part) in the Relevant Currency and converted using the Spot Rate for the relevant Determination Date as promptly notified to the Issuer, the Guarantor and the Paying Agents.

Upon the occurrence of a Renminbi Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 21 (*Notices*) stating the occurrence of the Renminbi Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

In such event, any payment of U.S. dollars will be made by transfer to a U.S. dollar-denominated account maintained by the payee with, or by a U.S. dollar-denominated cheque drawn on, a bank in New York City; and the definition of "**Payment Business Day**" shall mean any day which (subject to Condition 16 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; and (B) London and New York City.

For the purpose of this Condition 12 and Condition 13 (*Payments – Registered Notes*):

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in the Principal Financial Centre of the country of the relevant Specified Currency;

"**Determination Date**" means the day which is two Determination Business Days before the due date of the relevant payment under the Notes, other than where the Issuer or (if applicable) the Guarantor properly determines that a Renminbi Currency Event has occurred at any time during the period from and including 10:01 a.m. (Hong Kong time) on the second Determination Business Day preceding the original due date to and including 11:59 p.m. (Hong Kong time) on the original due date, in which case the "**Determination Date**" will be the Determination Business Day immediately following the date on which the determination of the occurrence of a Renminbi Currency Event has been made;

"**Governmental Authority**" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Relevant Currency**" means United States dollars;

"**Renminbi Currency Events**" means any one of Renminbi Illiquidity, Renminbi Non-Transferability and Renminbi Inconvertibility;

"**Renminbi Illiquidity**" means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which it is impossible for the Issuer or (if applicable) the Guarantor to obtain sufficient Renminbi in order to satisfy its obligation to pay interest or principal (in whole or in part) in respect of the Notes or the Deed of Guarantee (as applicable), as determined by the Issuer or (if applicable) the Guarantor acting in good faith and in a commercially reasonable manner following consultation with

two independent foreign exchange dealers of international repute active in the Renminbi exchange market in Hong Kong selected by the Issuer or (if applicable) the Guarantor;

**“Renminbi Inconvertibility”** means the occurrence of any event that makes it impossible for the Issuer or (if applicable) the Guarantor to convert any amount due in respect of the Notes or the Deed of Guarantee (as applicable) into Renminbi on any payment date in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or (if applicable) the Guarantor to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer or (if applicable) the Guarantor, due to an event beyond its control, to comply with such law, rule or regulation);

**“Renminbi Non-Transferability”** means the occurrence of any event that makes it impossible for the Issuer or (if applicable) the Guarantor to transfer Renminbi (a) between accounts inside Hong Kong, (b) from an account inside Hong Kong to an account outside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended) or (c) from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or (if applicable) the Guarantor to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer or (if applicable) the Guarantor, due to an event beyond its control, to comply with such law, rule or regulation); and

**“Spot Rate”** means the spot CNY/U.S.\$ exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the Spot Rate at or around 11:00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by the State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 12 by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agents and all Noteholders.

*In relation to Bearer Notes held in the CMU, payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time.*

*Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution, on the order of the holder of the Bearer Notes, to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.*

### 13 Payments – Registered Notes

This Condition 13 is only applicable to Registered Notes.

#### (a) Principal

In relation to Registered Notes not held in the CMU, payments of principal in respect of Registered Notes shall be made:

- (i) in respect of payments other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); or
- (ii) in respect of payments in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Holder with a bank in Hong Kong, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

#### (b) Interest

In relation to Registered Notes not held in the CMU, payments of interest shall be made:

- (i) in respect of payments other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); or
- (ii) in respect of payments in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Holder with a bank in Hong Kong,

and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

#### (c) Payments Subject to Fiscal 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 14 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 14 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

#### (d) Payments on Business Days

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of

payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 13 arriving after the due date for payment or being lost in the mail.

(e) **Partial Payments**

If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) **Record Date**

Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

(g) **Renminbi Account**

All payments in respect of any Note or the Deed of Guarantee in Renminbi will be made solely by credit to a registered Renminbi account maintained by or on behalf of the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

(h) **Renminbi Currency Event**

If the Specified Currency of the Notes is Renminbi and a Renminbi Currency Event, as determined by the Issuer or (if applicable) the Guarantor, acting in good faith, exists on a date for payment of any principal or interest (in whole or in part) in respect of any Note or the Deed of Guarantee, the Issuer's obligation to make a payment in Renminbi under the terms of the Notes or (if applicable) the Guarantor's obligation to make a payment in Renminbi under the terms of the Deed of Guarantee may be replaced by an obligation to pay such amount (in whole or in part) in the Relevant Currency and converted using the Spot Rate for the relevant Determination Date as promptly notified to the Issuer, the Guarantor and the Paying Agents.

Upon the occurrence of a Renminbi Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 21 (*Notices*) stating the occurrence of the Renminbi Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

In such event, any payment of U.S. dollars will be made by transfer to a U.S. dollar-denominated account maintained by the payee with, or by a U.S. dollar-denominated cheque drawn on, a bank in New York City; and the definition of "**Payment Business Day**" shall mean any day which (subject to Condition 16 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; and (B) London and New York City.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 13 by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agents and all Noteholders.

*In relation to Registered Notes held in the CMU, payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time.*

*Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the CMU for their distribution, on the order of the holder of the Registered Notes, to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.*

## **14 Taxation**

### **(a) Gross Up**

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons or under the Senior Guarantee and the Subordinated Guarantee shall 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 or on behalf of the Cayman Islands or Saudi Arabia or any political subdivision or any authority or agency thereof or therein having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction 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 in respect of any Note or Coupon:

- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of such holder having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

### **(b) FATCA**

Notwithstanding any other provision of these Conditions, in no event will the Issuer or Guarantor be required to pay any additional amounts in respect of the Notes or Coupons or under the Deed of Guarantee for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof.

## 15 Events of Default

### (a) Events of Default for Tier 2 Notes

This Condition 15(a) applies only to Tier 2 Notes.

- (i) Provided that a Winding-Up Proceeding has not occurred, if: (A) default is made and is continuing in the payment of any principal or interest due under the Notes or any of them and the default continues for a period of seven days or more; or (B) default is made and is continuing in any payment due under the Subordinated Guarantee and the default continues for a period of seven days or more (each such default in (A) and (B) above a “**Default**”), then any Noteholder may institute proceedings for the Guarantor to be declared bankrupt or insolvent or for there otherwise to be a Winding-Up Proceeding and prove in the winding-up, dissolution or liquidation of the Guarantor.
- (ii) In the event of a Winding-Up Proceeding, any Noteholder may give written notice to the Issuer and the Guarantor at the Specified Office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Note is due and payable, whereupon the same shall become forthwith due and payable at its principal amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind, subject to the subordination provisions described in Conditions 4(c) (*Subordinated Guarantee*) and 4(d) (*Status of Tier 2 Notes*), the non-viability provisions described in Condition 11 (*Loss Absorption Upon the Occurrence of a Non-Viability Event*) and the provisions described in this Condition 15, and the Noteholder shall be entitled to the remedy set out in Condition 15(a)(iii) below.
- (iii) Other than as set out in this Condition 15(a), no remedy against the Issuer or the Guarantor shall be available to the Noteholders whether for the recovering of amounts owing in respect of the Notes or in respect of any breach by the Issuer or the Guarantor of any other obligation, condition or provision binding on it under the Notes or the Subordinated Guarantee.

### (b) Events of Default for Senior Notes

This Condition 15(b) applies only to Senior Notes.

If any one or more of the following events occurs and is continuing:

- (i) if default is made in the payment of any principal or interest due under the Notes or any of them and the default continues for a period of seven days or more in the case of principal or 14 days or more in the case of interest; or
- (ii) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under or in respect of the Notes or the Deed of Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer and the Guarantor of written notice requiring the same to be remedied; or
- (iii) (A) any Indebtedness or Sukuk Obligation of the Issuer, the Guarantor or any of their respective Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (B) any such Indebtedness or Sukuk Obligation becomes due and payable prior to its stated maturity by reason of default, event of default or the like (however described) or (C) the Issuer, the Guarantor or any of their Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness or Sukuk Obligation, provided that the

amount of Indebtedness and/or Sukuk Obligation referred to in (i) and/or (ii) above and/or the amount payable under any Guarantee referred to in (iii) above individually or in the aggregate exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or

- (iv) any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any of their respective Material Subsidiaries, save in connection with a Permitted Reorganisation; or
- (v) the Issuer, the Guarantor or any of their respective Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save in connection with a Permitted Reorganisation, or the Issuer, the Guarantor or any of their respective Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, or is deemed by a court of competent jurisdiction unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vi) court or other formal proceedings are initiated against the Issuer, the Guarantor or any of their respective Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of their respective Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking, assets or revenues of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking, assets or revenues of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking, assets or revenues of any of them and in any case (other than the appointment of an administrator) is not discharged within 30 days; or
- (vii) the Issuer, the Guarantor or any of their respective Material Subsidiaries (i) declares a moratorium in respect of any of its Indebtedness or Sukuk Obligations or any Guarantee of any Indebtedness or Sukuk Obligation given by it, (ii) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or (iii) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or (iv) any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save, in all cases, in connection with a Permitted Reorganisation; or
- (viii) any event occurs which under the laws of the Cayman Islands or the Kingdom or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above; or
- (ix) at any time it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any or all of its material obligations under or in respect of the Notes, the Deed of Guarantee or any of the material obligations of the Issuer or of the Guarantor thereunder are not or cease to be legal, valid, binding or enforceable; or
- (x) if the Deed of Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or

- (xi) if the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by the Guarantor,

then, any Noteholder may give written notice to the Issuer and the Guarantor at the Specified Office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Note is due and payable, whereupon the same shall become forthwith due and payable at its principal amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind. For the purposes of this Condition 15, “substantial part” means 15 per cent. of the total assets of the Guarantor and its subsidiaries, taken as a whole.

## **16 Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within 10 years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within 10 years of the appropriate Relevant Date.

## **17 Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

## **18 Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the applicable Pricing Supplement. If any additional Agents are appointed in connection with any services, the names of such Agents will be specified in Part B (*Other Information*) of the applicable Pricing Supplement. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or CMU Lodging and Paying Agent or registrar or Calculation Agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar; and
- (b) the Issuer and the Guarantor shall at all times maintain a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU; and
- (c) if a Calculation Agent is specified in the applicable Pricing Supplement, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and



- (d) there will at all times by a Paying Agent in a jurisdiction other than the Cayman Islands or Saudi Arabia; and
- (e) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

## **19 Meetings of Noteholders; Modification**

### **(a) Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings (including by way of telephony or electronic platform or facility) of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes for the time being remaining outstanding. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes for the time being remaining outstanding or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than 75 per cent. or, at any adjourned meeting, 25 per cent., of the aggregate principal amount of the outstanding Notes for the time being remaining outstanding form a quorum. An Extraordinary Resolution may also be passed by consent being given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of the outstanding Notes. Any Extraordinary Resolution duly passed at any such meeting or by way of electronic consent through the relevant clearing system(s) shall be binding on all the Noteholders and Couponholders (whether or not present at the relevant meeting and whether or not they voted on the resolution, including through the clearing system(s)).

In addition, a resolution in writing signed by or on behalf of the Holders of not less than 90 per cent. in principal amount of the Notes who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. 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 Noteholders.

### **(b) Modification**

The Fiscal Agent and the Issuer (on the written instruction of the Guarantor) may agree, without the consent of the Noteholders or Couponholders, to:

- (i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons, the Deed of Guarantee or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

- (ii) any modification of the Notes, the Coupons, the Deed of Guarantee or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 21 (*Notices*) as soon as practicable thereafter.

## **20 Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 20 and forming a single series with the Notes.

## **21 Notices**

### **(a) Bearer Notes**

Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

### **(b) Registered Notes**

Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, in addition, for so long as any Registered Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require such notice will be (i) published in a daily newspaper having general circulation in the place or places required by those rules, or (ii) published on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

### **(c) Notices from Noteholders**

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent or the CMU Lodging and Paying Agent in relation to Notes held in the CMU. Whilst any of the Notes are represented by a global bearer note or global registered note certificate, such notice may be given by any holder of a Note to the Fiscal Agent, or the CMU Lodging and Paying Agent, as the case may be, through Euroclear and/or Clearstream, Luxembourg or the CMU, as the case may be, in such manner as the Fiscal Agent or the CMU Lodging and Paying Agent and Euroclear and/or Clearstream, Luxembourg or the CMU, as the case may be, may approve for this purpose.

## **22 Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## **23 Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## **24 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## **25 Governing Law and Dispute Resolution**

### **(a) Governing Law**

The Notes, the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law except that the provisions of Conditions 4(c) (*Subordinated Guarantee*) and 4(d) (*Status of Tier 2 Notes*) relating to subordination and waiver of set off of the Tier 2 Notes are governed by the laws and regulations of Saudi Arabia.

### **(b) Arbitration**

The Issuer, the Guarantor and the Agents have in the Agency Agreement agreed that (subject as provided therein) any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Coupons or the Deed of Covenant (including any dispute claim, difference or controversy as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them or this Condition 25(b) shall be referred to and finally resolved by arbitration,

with a seat (or legal place) of arbitration in London, England conducted in the English language by three arbitrators pursuant to the arbitration rules of the London Court of International Arbitration (the “**LCIA**”) (the “**Rules**”) (such arbitration to also be administered by the LCIA in accordance with those Rules). The claimant (or claimants jointly) shall nominate one arbitrator for appointment by the LCIA Court. The respondent (or respondents jointly) shall nominate one arbitrator for appointment by the LCIA Court. The third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court. Sections 45 and 69 of the Arbitration Act shall not apply.

(c) **Consolidation**

The Issuer, the Guarantor and the Agents have in the Agency Agreement:

- (i) agreed that the arbitration agreement set out in this Condition 25 and the arbitration agreement contained in each Relevant Agreement shall together be deemed to be a single arbitration agreement; and
- (ii) agreed to the consolidation of any two or more arbitrations commenced pursuant to this Condition 25 and/or the arbitration agreement contained in any Relevant Agreement, subject to and in accordance with the Rules. Notwithstanding anything to the contrary in the Rules, the Issuer, the Guarantor and the Agents have agreed that no arbitrations other than those referred to in this Condition 25(c)(ii) may be consolidated. For the avoidance of doubt, this Condition 25(c)(ii) is an agreement in writing by all parties for the purposes of Article 22.7(i) and Article 22.8(i) of the Rules. The parties to the Agency Agreement have further agreed that:
  - (A) if a tribunal has been constituted in more than one of the arbitrations in respect of which consolidation is sought pursuant to this Condition 25(c)(ii), the tribunal which shall have the power to order consolidation shall be the tribunal appointed first in time; and
  - (B) the requirement in the Rules that a tribunal considering whether to consolidate disputes should give the parties a reasonable opportunity to state their views shall extend to all parties to each of the arbitrations in respect of which consolidation is sought; and
- (iii) to the extent permitted by law, waived any objection, relating to the fact that a dispute has been resolved in a manner contemplated by this Condition 25(c), to the validity and/or enforcement of any arbitral award.

In this Condition 25(c), “**Relevant Agreement**” means each Transaction Document other than the Agency Agreement.

(d) **Service of process**

Without prejudice to any other mode of service allowed under any relevant law, each of the Issuer and the Guarantor has irrevocably appointed Maples and Calder at its registered office at 6th Floor, DUO, 280 Bishopsgate, London EC2M 4RB, United Kingdom as its authorised agent for service of process in England. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

(e) **Waiver of Immunity**

Each of the Issuer and the Guarantor has in the Deed of Covenant, Deed of Guarantee and Agency Agreement explicitly acknowledged that its execution of such documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done

and performed for private and commercial purposes (rather than an act in its or any other sovereign capacity) and has irrevocably and unconditionally waived with respect to any proceedings arising under these Conditions or any of such documents any sovereign or other immunity that it or its property, assets or revenues may have including (without limitation) from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or defence and 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 property, assets or revenues whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings or disputes.

## USE OF PROCEEDS

The net proceeds from each issue of Notes will be lent by the Issuer to the Guarantor and, save in respect of Sustainable Notes, will be used by the Guarantor for its general corporate purposes or as otherwise described in the applicable Pricing Supplement.

In respect of:

- (1) Sustainable Notes identified as Green Notes (“**Green Notes**”), an amount at least equal to the equivalent amount will be allocated by the Bank, in part or in full, to finance and/or refinance loans which have a positive environmental impact (“**Eligible Green Projects**”);
- (2) Sustainable Notes identified as Social Notes (“**Social Notes**”), an amount at least equal to the equivalent amount will be allocated by the Bank, in part or in full, to finance and/or refinance loans which have a positive social impact (“**Eligible Social Projects**”); and
- (3) Sustainable Notes identified as Sustainability Notes (“**Sustainability Notes**”), an amount at least equal to the equivalent amount will be allocated by the Bank, in part or in full, to finance and/or refinance a combination of Eligible Green Projects and Eligible Social Projects.

Eligible Green Projects and Eligible Social Projects together being “**Eligible Sustainable Projects**”, as set out in the sustainable finance framework adopted by the Bank in November 2021 (the “**Sustainable Finance Framework**”) and summarised under “*Business Description of the Bank — Sustainable Finance Framework*” and available on its website.

None of the Sustainable Finance Framework or the contents of any of the above websites are incorporated in or form part of this Offering Circular.

See further “*Risk Factors—Risks relating to the Market Generally—The use of proceeds of any issue of Notes identified as Sustainable Notes in the applicable Pricing Supplement may not meet investor expectations or requirements or be suitable for an investor’s investment criteria*”.

## FORM OF PRICING SUPPLEMENT

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.*

**[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 Notes has led to the conclusion that: (i) the target market for the Notes 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 Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (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 Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]<sup>1</sup>

**[UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]<sup>2</sup>

**[Prohibition of Sales to EEA Retail Investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, “**MiFID II**”)[MiFID II]; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the “**EU PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]<sup>3</sup>

**[Prohibition of Sales to UK Retail Investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or

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<sup>1</sup> Legend to be included following completion of the target market assessment in respect of the Notes.

<sup>2</sup> Legend to be included following completion of the target market assessment in respect of the Notes.

<sup>3</sup> Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>4</sup>

**[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)]**

*[Notice to be included if classification of the Notes is capital markets products other than “prescribed capital markets products” pursuant to Section 309(B) of the SFA]]*

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<sup>4</sup> Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.



## Pricing Supplement dated [●]

### SNB Funding Limited

Legal entity identifier (LEI): 549300PT73WJRNMAKE44

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]

[to be consolidated and form a single series with the existing] [Aggregate Principal Amount of Tranche]

[Title of Notes] issued on [●] (the “Original Notes”)<sup>5</sup>

Guaranteed by The Saudi National Bank

under the U.S.\$10,000,000,000

Euro Medium Term Note 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 Notes (the “**Conditions**”) set forth in the Offering Circular dated 12 December 2024 [and the supplemental Offering Circular[s] dated [●]] which [together] constitute[s] an Offering Circular (the “**Offering Circular**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular in order to obtain all the relevant information.

The Offering Circular and this Pricing Supplement are available for viewing and during normal business hours at the registered offices of the Issuer at c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and the Fiscal Agent (at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom) and copies may be obtained from such offices.

1	(i) Issuer:	SNB Funding Limited
	(ii) Guarantor:	The Saudi National Bank
2	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	[(iii) Date on which the Notes will be consolidated and form a single Series:]	[The Notes will be consolidated and form a single Series with [identify earlier Tranche] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Notes, as referred to in paragraph 22 below, which is expected to occur on or about [date]/[Not Applicable]]
3	<b>Specified Currency or Currencies:</b>	[●]
4	<b>Aggregate Principal Amount:</b>	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	<b>Issue Price:</b>	[●] per cent. of the Aggregate Principal Amount [plus accrued interest from [●] (if applicable)]
6	(i) Specified Denominations:	[●] <sup>6</sup>
	(ii) Calculation Amount:	[●]

<sup>5</sup> Include only for issuance of further Notes in accordance with Condition 20 (*Further Issues*).

<sup>6</sup> CMU Notes can only be denominated and settled in CNY, Hong Kong dollars or USD.

- 7 (i) Issue Date: [●]
- (ii) Interest Commencement Date: [[●]/Issue Date/Not Applicable]
- 8 **Maturity Date:** [●]
- 9 **Interest Basis:** [Fixed Rate Notes/Floating Rate Notes/Zero Coupon/Reset Notes] (further particulars specified at paragraph [14]/[15]/[16]/[17] below)
- 10 **Redemption/Payment Basis:** [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount]
- 11 **Change of Interest or Redemption/ Payment Basis:** [●] / [Not Applicable]
- 12 **Put/Call Options:** [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
- 13 (i) Status of the Notes: [Senior Notes/Tier 2 Notes]
- (ii) Status of the Guarantee: [Senior/Subordinated]
- (iii) [Date of [Board] approval for issuance of Notes [and Guarantee] obtained]: [●] [and [●], respectively]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- 14 **Fixed Rate Note Provisions:** [Applicable]/[Not Applicable]
- (i) Rate(s) of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Interest Payment Date]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [●]]  
[[●]/not adjusted]
- (iii) Fixed Coupon Amount(s): [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] / [Not Applicable]
- (v) Day Count Fraction: [Actual/Actual (ICMA)/ Actual/365/ Actual/ Actual (ISDA)/ Actual/365 (Fixed)/ Actual/365 (Sterling) / Actual/360/ 30/360/ 30/ 360E/ Eurobond Basis]
- (vi) Determination Date(s): [●] in each year / [Not Applicable]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/[●]]
- 15 **Floating Rate Note Provisions:** [Applicable] / [Not Applicable]
- (i) Interest Period(s): [●]<sup>7</sup>/[Not Applicable]
- [The end date of each Interest Period shall be subject to adjustment in accordance with the Business Day

<sup>7</sup> Interest Periods should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded Daily SOFR: SOFR Payment Delay, as in that case each Specified Interest Payment Date will fall after the end of the relevant Interest Period.

	Convention specified in paragraph 15(v) below/ Not subject to any adjustment]
(ii) Specified Interest Payment Dates:	[●] [The [●] Business Day following the final Interest Period Date of each Interest Period; except in respect of the final Interest Period, for which the Specified Interest Payment Date shall be the Maturity Date or any earlier redemption date] <sup>8</sup> [, subject, in each case, to adjustment in accordance with the Business Day Convention specified in paragraph 15(v) below/, not subject to any adjustment] <sup>9</sup>
(iii) First Interest Payment Date:	[●][, subject to adjustment in accordance with the Business Day Convention specified in paragraph 15(v) below/, not subject to any adjustment]
(iv) Interest Period Date:	[●] <sup>10</sup> /[Not Applicable] <sup>11</sup> [, subject, in each case, to adjustment in accordance with the Business Day Convention specified in paragraph 15(v) below/, not subject to any adjustment]
(v) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(vi) Additional Business Centre(s):	[Not Applicable/[●]]
(vii) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/[●]]
(viii) Party responsible for calculating the Rate of Interest and/or Interest Amount (if not the Fiscal Agent):	[●] (the “ <b>Calculation Agent</b> ”)
(ix) Screen Rate Determination not Referencing SOFR or SONIA:	[Applicable /Not Applicable]
• Reference Rate:	[EURIBOR/KIBOR/SHIBOR/HIBOR/CNH HIBOR/KLIBOR/TLREF/EIBOR/TIBOR/SAIBOR/ BBSW/BKBM/QIBOR]
• Interest Determination Date(s):	[●]
• Relevant Screen Page:	[●]
• Relevant Time:	[●]

<sup>8</sup> This text will be included where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded Daily SOFR: SOFR Payment Delay.

<sup>9</sup> Specified Interest Payment Dates will not normally be subject to adjustment where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded Daily SOFR: SOFR Payment Delay.

<sup>10</sup> Interest Period Dates should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded Daily SOFR: SOFR Payment Delay, as in that case Specified Interest Payment Dates will not fall on Interest Period Dates.

<sup>11</sup> Not applicable unless different from Interest Payment Date.

- Relevant Financial Centre: [●]
  - Reference Banks: [●]
- (x) Screen Rate Determination  
Referencing SOFR
- Reference Rate: SOFR
  - Interest Determination Date(s): [[●] U.S. Government Securities Business Days prior to each Interest Period Date]<sup>12</sup> [The Interest Period Date at the end of each Interest Period; except in respect of the final Interest Period, for which the Interest Determination Date will be the SOFR Rate Cut-Off Date]<sup>13</sup>
  - SOFR Benchmark: [Not Applicable/Simple SOFR Average/Compounded Daily SOFR /SOFR Index Average]<sup>14</sup>
  - Compounded Daily SOFR: [Not Applicable/SOFR Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout]<sup>15</sup>
  - Lookback Days: [Not Applicable/[●] U.S. Government Securities Business Day(s)]<sup>16</sup>
  - SOFR Observation Shift Days: [Not Applicable/[●] U.S. Government Securities Business Day(s)]<sup>17</sup>
  - Interest Payment Delay Days: [Not Applicable/[●] U.S. Government Securities Business Day(s)]<sup>18</sup>
  - SOFR Rate Cut-Off Date: [Not Applicable/The day that is the [●] U.S. Government Securities Business Day(s) prior to the end of each Interest Period]<sup>19</sup>
  - SOFR Index<sub>Start</sub> Days: [Not Applicable/[●] U.S. Government Securities Business Day(s)]<sup>20</sup>
  - SOFR Index<sub>End</sub> Days: [Not Applicable/[●] U.S. Government Securities Business Day(s)]<sup>21</sup>

<sup>12</sup> To be included where the Reference Rate is SOFR and the SOFR Benchmark is Compounded Daily SOFR: SOFR Observation Shift, SOFR Lockout or SOFR Lag.

<sup>13</sup> Only applicable where the Reference Rate is SOFR and the SOFR Benchmark is the Compounded Daily SOFR: SOFR Payment Delay.

<sup>14</sup> Only applicable where the Reference Rate is SOFR Benchmark.

<sup>15</sup> Only applicable in the case of Compounded Daily SOFR.

<sup>16</sup> Only applicable in the case of SOFR Lag.

<sup>17</sup> Only applicable in the case of SOFR Observation Shift or Compounded SOFR Index.

<sup>18</sup> Only applicable in the case of SOFR Payment Delay.

<sup>19</sup> Only applicable in the case of Simple SOFR Average, Compounded Daily SOFR: SOFR Payment Delay or Compounded Daily SOFR: SOFR Lockout. This shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days.

<sup>20</sup> Only applicable in the case of SOFR Index Average. This shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days.

<sup>21</sup> Only applicable in the case of SOFR Index Average. This shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days.

• Fallback Provisions:	[Condition 7(f) ( <i>Floating Rate Note Provisions – Benchmark Discontinuation</i> ) <sup>22</sup> /Condition 7(g) ( <i>Floating Rate Note Provisions – Benchmark Discontinuation (SOFR)</i> )]
(xi) Screen Rate Determination Referencing SONIA:	[Applicable/Not Applicable]
• Reference Rate	[SONIA Compounded Index Rate / SONIA Compounded Daily Reference Rate [with Observation Shift] / [with Lag] where “p” is: <i>[specify number]</i> London Business Days <i>[being no less than [5] London Business Days]</i> ]
• Interest Determination Date(s):	The date which is [“p”] London Business Days prior to each Interest Payment Date <sup>23</sup>
• Relevant Screen Page:	[[Bloomberg Screen Page : SONCINDEX] <sup>24</sup> / <i>see pages of authorised distributors for SONIA Compounded Index Rate</i> ] or [Bloomberg Screen Page : SONIO/N Index] <sup>25</sup> / <i>SONIA Compounded Daily Reference Rate as applicable</i> ] [●]
• Relevant Fallback Screen Page:	[[Bloomberg Screen Page : SONIO/N Index] / <i>see pages of authorised distributors for SONIA Compounded Daily Reference Rate as applicable</i> ] [●]] <sup>26</sup>
(xii) ISDA Determination:	[Applicable]/[Not Applicable]
• ISDA Definitions:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
• Floating Rate Option:	[●] <sup>27</sup>
• Designated Maturity:	[●]/[Not Applicable] <sup>28</sup>
• Reset Date:	[●]/[as specified in the ISDA Definitions]/[the first day of the relevant Interest Period, subject to adjustment in accordance with the Business Day Convention set out in paragraph 15(v) above and as specified in the ISDA Definitions]
• Compounding:	[Applicable]/[Not Applicable] ( <i>If not applicable, delete the remaining items of this subparagraph</i> )
• [Compounding Method:	[Compounding with Lookback]

<sup>22</sup> To be included in all cases except where the parties have agreed, in respect of an issuance where the Reference Rate is SOFR, to the inclusion of the Benchmark Discontinuation (SOFR) fallback provisions instead.

<sup>23</sup> The Interest Determination Date should match the last day of the Observation Period.

<sup>24</sup> Where SONIA Compounded Index Rate applies.

<sup>25</sup> Where SONIA Compounded Daily Reference Rate applies.

<sup>26</sup> Only applicable in the case of SONIA Compounded Index Rate.

<sup>27</sup> Ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions) if 2021 ISDA Definitions selected.

<sup>28</sup> A Designated Maturity period is not relevant where the relevant Floating Rate Option is a risk-free rate.

		Lookback: [●] Applicable Business Days]
		[Compounding with Observation Period Shift
		Observation Period Shift: [●] Observation Period
		Shift Business Days
		Observation Period Shift Additional Business
		Days: [●]/[Not Applicable]]
		[Compounding with Lockout
		Lockout: [●] Lockout Period Business Days
		Lockout Period Business Days: [●]/[Applicable
		Business Days]]
	• Index Provisions	[Applicable]/[Not Applicable]
		<i>(If not applicable, delete the remaining items of this</i>
		<i>subparagraph)</i>
	• [Index Method:	Compounded Index Method with Observation Period
		Shift
		Observation Period Shift: [●] Observation Period Shift
		Business Days
		Observation Period Shift Additional Business Days:
		[●]/[Not Applicable]]
	(xiii) Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for
		the [long/short] [first/last] Interest Period shall be
		calculated using linear interpolation ( <i>specify for each</i>
		<i>short or long Interest Period)</i> ]
	(xiv) Margin(s):	[+/-][●] per cent. per annum
	(xv) Minimum Rate of Interest:	[●] per cent. per annum
	(xvi) Maximum Rate of Interest:	[●] per cent. per annum
	(xvii) Day Count Fraction:	[Actual/Actual (ICMA)/ Actual/365/ Actual/ Actual
		(ISDA)/ Actual/365 (Fixed)/ Actual/365 (Sterling)/
		Actual/360/ 30/360/ 30/ 360E/ Eurobond Basis]
16	<b>Zero Coupon Note Provisions:</b>	[Applicable/Not Applicable]
	(i) Accrual Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]
17	<b>Reset Note Provisions:</b>	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[●] per cent. per annum [payable [annually/semi-
		annually/ quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [up to and including the Maturity Date]
	(iii) Day Count Fraction:	[Actual/Actual (ISDA)]
		[Actual/365 (Fixed)]
		[Actual/365 (Sterling)]
		[Actual/360]
		[30/360]

	[30E/360]
	[30E/360 (ISDA)]
	[Actual/Actual (ICMA)]
(iv) Reset Date(s):	[•],[•]
(v) Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(vi) Additional Business Centre(s):	[•]
(vii) Subsequent Reset Reference Rate(s)	[Mid-Swap Rate]/[Reference Bond]
(viii) Reset Margin(s):	[+/-][•] per cent. per annum[ in respect of the first Reset Margin] [[+/-][•] per cent. per annum in respect of the second Reset Margin]
(ix) Relevant Financial Centre:	[•]
(x) Reset Margin:	[•]
(xi) Subsequent Reset Rate Screen Page:	[•]
(xii) Mid-Swap Rate:	[annualised/semi-annual]
(xiii) Swap Rate Periods:	[•]
(xiv) Mid-Swap Floating Leg Benchmark Rate:	[EURIBOR]/[•]
(xv) Mid-Swap Maturity:	[•]
(xvi) Fixed Leg Swap Duration:	[•]
(xvii) Fixed Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions) to (but excluding) the first Reset Date:	[[•] per Calculation Amount]
(xviii) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions):	[[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [•]] [Not Applicable]
(xix) Reset Determination Date:	[•]
(xx) Subsequent Reset Rate Time:	[•]
(xxi) First Reset Period Fallback:	[•]
(xxii) Calculation Agent (if not the Fiscal Agent):	[•]

## PROVISIONS RELATING TO REDEMPTION

18	<b>Call Option:</b>	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount

- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [●] per Calculation Amount
  - (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
- 19 **Put Option:** [Applicable/Not Applicable]
  - (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
  - (iii) Notice period: [●]
- 20 **Final Redemption Amount of each Note:** [●] per Calculation Amount
- 21 **Early Redemption Amount:** [Applicable/Not Applicable]
 

Early Redemption Amount(s) per Calculation Amount payable on redemption for tax reasons or on event of default or other early redemption: [●]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22 **Form of Notes:**

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]]

[Registered Notes:

Registered in the name of [a nominee for a common depositary for Euroclear and Clearstream, Luxembourg] / [the Hong Kong Monetary Authority as operator of the CMU (the "CMU Operator")]

Global Certificate exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Certificate]

*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000]"*



*in excess thereof up to and including [€199,000]".  
Furthermore, such Specified Denomination  
construction is not permitted in relation to any issue  
of Notes which is to be represented on issue by a  
Temporary Global Note exchangeable for Definitive  
Notes)*

- |    |  |   |
|----|--|---|
| 23 | <b>Additional Financial Centre(s):</b>                               | [Not Applicable/[●]]  |
| 24 | <b>Talons for future Coupons to be attached to Definitive Notes:</b> | [Not Applicable/[●]]  |
| 25 | <b>[Consolidation provisions:</b>                                    | Not Applicable/The provisions in Condition 20<br>( <i>Further Issues</i> ) apply] |

### THIRD PARTY INFORMATION

[(*Relevant third-party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of **SNB Funding Limited:**

By: .....  
*Duly authorised*

Signed on behalf of **The Saudi National Bank:**

By: .....  
*Duly authorised*

Signed on behalf of **The Saudi National Bank:**

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1 LISTING

- (i) Listing and admission to trading: [Application [has been made] [is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange's International Securities Market] / [●] with effect from [●].] [Not Applicable.]
- (ii) Estimate of total expenses related to listing and admission to trading: [●]

### 2 RATINGS

- Ratings: [The Notes to be issued [have been] [are expected to be] rated by:
- [Fitch: [●]]
- [S&P: [●]]
- [Each of [●] and][●] is established in the European Economic Area and registered under Regulation (EC) No. 1060/2009, as amended (the “**EU CRA Regulation**”)]
- [Each of [●] and][●] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the “**EU CRA Regulation**”). The ratings [have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and registered under the EU CRA Regulation.]
- [Each of [●] and][●] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the “**EU CRA Regulation**”), but it is certified in accordance with the EU CRA Regulation.
- [Each of [●] and][●] is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK CRA Regulation**”).] [The ratings [have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and is registered under the EU CRA Regulation.]
- [Each of [●] and][●] is not established in the UK and has applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK CRA Regulation**”), although notification of the corresponding registration

decision has not yet been provided by the relevant competent authority.]

[Each of [●] and [●] is not established in the UK and has not applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK CRA Regulation**”) but is certified in accordance with the UK CRA Regulation. ]

[●]

### 3 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

### 4 **Reasons for the Offer**

- (i) Reasons for the offer: [●]  
[See [“Use of Proceeds”] in Offering Circular]<sup>29</sup>
- (ii) Sustainable Notes: [Applicable]/[Not Applicable]
- (iii) Type of Sustainable Notes: [Green Notes]/[Social Notes]/ [Sustainability Notes]

### 5 **[Fixed Rate Notes only – YIELD]**

Indication of yield: [●] per cent. per annum on a [quarterly/[semi-] annual] basis

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 6 **[Floating Rate Notes only – HISTORIC INTEREST RATES]**

Details of historic [EURIBOR/KIBOR/SHIBOR/HIBOR/CNH HIBOR/KLIBOR/TLREF/EIBOR/TIBOR/SAIBOR/BBSW/BKBM/QIBOR/SOFR/SONIA] rates can be obtained from [Reuters].]

### 7 **OPERATIONAL INFORMATION**

- (i) ISIN Code: [●]
- (ii) Common Code: [●]
- (iii) CFI: [[See/[*include code*]<sup>30</sup>, as updated, as set out on] the website of the Association of National Numbering Agencies (“ANNA”) or alternatively sourced from the responsible national numbering agency that assigned the ISIN/Not Applicable/Not Available]
- (iv) FISN: [[See/[*include code*]<sup>31</sup>, as updated, as set out on] the website of ANNA or alternatively sourced from the

<sup>29</sup> If climate bond certification obtained, this should be specified here.

<sup>30</sup> The actual code should only be included where the issuer is comfortable that it is correct.

<sup>31</sup> The actual code should only be included where the issuer is comfortable that it is correct.

- responsible national numbering agency that assigned the ISIN/Not Applicable/Not Available]
- (v) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [CMU / Not Applicable/[●]]  
[The Notes will be cleared through CMU. CMU Instrument Number: [●].]  
[Persons holding a beneficial interest in the Notes through Euroclear or Clearstream, Luxembourg will hold their interests through an account opened and held by Euroclear or Clearstream, Luxembourg (as applicable) with the CMU Operator.]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): [●]

## 8 DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/[●]]
- (iii) Stabilisation Manager(s) (if any): [Not Applicable/give name]
- (iv) If non-syndicated, name of Dealer: [Not Applicable/[●]]
- (v) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes potentially constitute “packaged” products and no key information document will be prepared, or the Issuer and the Guarantor wish to prohibit offers to EEA retail investors for any other reason, the selling restriction should be specified to be “Applicable”)*

- (vi) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes potentially constitute “packaged” products and no key information document will be prepared, or the Issuer and the Guarantor wish to prohibit offers to UK retail investors for any other reason, the selling restriction should be specified to be “Applicable”)*

- (vii) U.S. Selling Restrictions: Reg. S Compliance Category 2  
[TEFRA C/TEFRA D/TEFRA not applicable]

- |   |   |
|---|---|
| (viii) Additional selling restrictions:   | [Not Applicable/[●]]  |
| (ix) Hong Kong SFC Code of Conduct <sup>32</sup>  |   |
| (a) Rebates:  | [A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMI otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable] |
| (b) Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: | <i>[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – Overall Coordinators to provide]</i> / [Not Applicable]   |
| (c) Marketing and Investor Targeting Strategy:  | <i>[if different from the programme OC]</i>   |

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<sup>32</sup> If paragraph 21 of the Hong Kong SFC Code of Conduct applies to a drawdown pursuant to the Programme, parties should consider preparing and circulating the Preliminary Pricing Supplement to investors prior to pricing or including the same in a BBG announcement to investors.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

### Clearing System Accountholders

For so long as any of the Notes is represented by a Global Note or Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg and/or the CMU, each person (other than Euroclear or Clearstream, Luxembourg or the CMU) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or of the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or the CMU as to the nominal amount of such Notes 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 Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes (other than CMU Notes), for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Certificate shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

In relation to CMU Notes, while a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the rules and procedures of the CMU shall be the only person(s) entitled (or, in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of CMU Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Subject to the CMU rules and procedures, each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of CMU Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

### Conditions applicable to Global Notes

Each Global Note and Global Certificate will contain provisions which modify the Conditions as they apply to the Global Note or Global Certificate. The following is a summary of certain of those provisions:

**Payments:** All payments in respect of the Global Note or Global Certificate which, according to the Conditions, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

**Payment Business Day:** In the case of a Global Note, or a Global Certificate, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

**Payment Record Date:** Each payment in respect of a Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business. In relation to CMU Notes, while a Global Note or a Global Certificate is held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the CMU Business Day immediately prior to the date for payment (where “**CMU Business Day**” means a day on which the CMU is operating and open for business) and, save in the case of final payment, no presentation of the relevant Global Note or Global Certificate shall be required for such purpose.

**Exercise of put option:** In order to exercise the option contained in Condition 10(f) (*Redemption at the Option of Noteholders*), the bearer of the Permanent Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent (or in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

**Partial exercise of call option:** In connection with an exercise of the option contained in Condition 10(d) (*Redemption at the Option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or of the CMU (to be reflected in the records of Euroclear and Clearstream, Luxembourg or of the CMU as either a pool factor or a reduction in principal amount, at their discretion).

**Notices:** Notwithstanding Condition 21 (*Notices*), whilst all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Certificate is, (i) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (other than the CMU, in respect of which see (ii) below), notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, or (ii) deposited with a sub-custodian for the CMU, notices to Noteholders may be given by delivery of the relevant notice to the CMU and any such notice shall be deemed to have been given to Noteholders in accordance with Condition 21 (*Notices*) on the day on which such notice is delivered to the CMU.

## **Exchange**

The option for Global Notes to be exchangeable for Definitive Notes by giving notice should not be expressed to be applicable under paragraph 22 (*Form of Notes*) in Part A of the applicable Pricing Supplement if the relevant Notes have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.



## SELECTED FINANCIAL INFORMATION

*The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements.*

### Consolidated statement of financial position data

The table below shows the Group's interim condensed consolidated statement of financial position data as at 30 September 2024 and its consolidated statement of financial position data as at 31 December 2023, 31 December 2022 and as at 31 December 2021.

	As at 30 September (unaudited)	As at 31 December		
	2024	2023	2022	2021
		(SAR million)		
<b>Assets</b>				
Cash and balances with central banks, net <sup>(1)</sup>	58,572	47,499	41,611	52,197
Due from banks and other financial institutions, net .....	27,520	34,563	16,497	40,446
Investments, net .....	290,462	269,129	258,292	242,561
Financing and advances, net .....	655,308	601,527	545,311	497,568
Positive fair value of derivatives .....	23,152	21,304	20,574	8,910
Investments in associates, net .....	246	246	246	320
Property, equipment and software, net .....	11,655	11,000	9,993	8,875
Goodwill .....	34,007	34,007	34,007	34,007
Intangible assets .....	5,947	6,562	7,383	8,227
Right of use assets, net .....	991	1,039	1,534	1,802
Other assets .....	16,748	10,204	10,049	19,234
<b>Total assets .....</b>	<b>1,124,608</b>	<b>1,037,081</b>	<b>945,496</b>	<b>914,147</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks, Saudi Central Bank and other financial institutions <sup>(2)</sup> .....	165,934	211,666 <sup>(3)</sup>	150,995	117,565
Customers' deposits .....	634,195	590,051	568,283	588,574
Debt securities issued and term loans <sup>(4)</sup> .....	95,553	13,889 <sup>(3)</sup>	12,987	6,112
Negative fair value of derivatives .....	21,705	20,145	19,420	9,410
Other liabilities .....	23,381	24,701	27,033	29,716
<b>Total liabilities .....</b>	<b>940,768</b>	<b>860,452</b>	<b>778,719</b>	<b>751,378</b>
<b>Equity</b>				
<i>Equity attributable to equity holders of the Bank</i>				

	As at 30 September (unaudited)	As at 31 December		
	2024	2023	2022	2021
		(SAR million)		
Share capital .....	60,000	60,000	44,780	44,780
Share premium.....	63,702	63,702	63,702	63,702
Treasury shares .....	(2,099)	(2,203)	(2,028)	(2,138)
Statutory reserve .....	41,171	41,115	36,020	31,262
Other reserves (cumulative changes in fair values) .....	(1,391)	(3,718)	(7,808)	884
Employees' share based payments reserve .	417	415	409	348
Retained earnings .....	14,078	9,157	21,966	17,242
Foreign currency translation reserve.....	(7,985)	(7,750)	(6,556)	(6,069)
<b>Equity attributable to shareholders of the Bank.....</b>	<b>167,892</b>	<b>160,717</b>	<b>150,486</b>	<b>150,010</b>
Tier 1 sukuk.....	15,188	15,188	15,488	12,188
<b>Equity attributable to equity holders of the Bank.....</b>	<b>183,080</b>	<b>175,905</b>	<b>165,973</b>	<b>162,198</b>
Non-controlling interests .....	760	724	804	572
<b>Total equity .....</b>	<b>183,839</b>	<b>176,629</b>	<b>166,778</b>	<b>162,770</b>
<b>Total liabilities and equity.....</b>	<b>1,124,608</b>	<b>1,037,081</b>	<b>945,496</b>	<b>914,147</b>

Notes:

- (1) This line item was referred to as 'Cash and balances with SAMA' in the Annual Financial Statements.
- (2) This line item was referred to as 'Due to banks and other financial institutions' in the Annual Financial Statements.
- (3) In the comparative financial information as at 31 December 2023 in the Interim Financial Statements, the Group reclassified SAR 30,523 million from 'Due to banks, Saudi Central Bank and other financial institutions' to 'Debt securities and term loans'. The equivalent figures for 'Due to banks, Saudi Central Bank and other financial institutions' and 'Debt securities and term loans' in the comparative financial information as at 31 December 2023 in the Interim Financial Statements were SAR 181,142 million and SAR 44,412 million, respectively.
- (4) This line item was referred to as 'Debt securities issued' in the Annual Financial Statements.

**Interim condensed consolidated statement of income data**

The table below shows the Group's interim condensed consolidated statement of income data for each of the nine-month periods ended 30 September 2024 and 30 September 2023.

	Nine months ended 30 September (unaudited)	
	2024	2023
	(SAR million)	
Special commission income.....	42,960	36,184

	<b>Nine months ended 30 September (unaudited)</b>	
	<b>2024</b>	<b>2023</b>
	<i>(SAR million)</i>	
Special commission expense.....	(22,134)	(16,048)
<b>Net special commission income .....</b>	<b>20,827</b>	<b>20,136</b>
Fee income from banking services	5,366	4,648
Fee expense from banking services	(1,852)	(1,516)
<b>Fee income from banking services, net.....</b>	<b>3,514</b>	<b>3,131</b>
Exchange income, net .....	1,401	1,527
Gain from fair value through income statement (FVIS) financial instruments, net .....	2,060	1,657
Gains/income on non-FVIS financial instruments, net .....	422	516
Other operating expenses, net .....	(1,173)	(1,003)
<b>Total operating income .....</b>	<b>27,050</b>	<b>25,965</b>
Salaries and employee-related expenses .....	3,655	3,549
Rent and premises-related expenses.....	389	414
Depreciation/amortisation of property, equipment, software, and right of use assets .....	1,294	1,048
Amortisation of intangible assets .....	615	615
Other general and administrative expenses .....	2,331	2,186
<b>Total operating expenses before expected credit losses .....</b>	<b>8,284</b>	<b>7,812</b>
Impairment charge for expected credit losses, net .....	1,002	492
<b>Total operating expenses.....</b>	<b>9,286</b>	<b>8,303</b>
<b>Income from operations, net .....</b>	<b>17,764</b>	<b>17,661</b>
Other non-operating income/(expense), net .....	(327)	(399)
<b>Income for the period before zakat and income tax.....</b>	<b>17,437</b>	<b>17,262</b>
Zakat and income tax expense .....	(1,863)	(2,088)
<b>Net income for the period .....</b>	<b>15,574</b>	<b>15,174</b>
<b>Net income for the period attributable to:</b>		
Equity holders of the Bank.....	15,636	15,047
Non-controlling interests.....	(63)	128
<b>Net income for the period .....</b>	<b>15,574</b>	<b>15,174</b>

### Consolidated statement of income data

The table below shows the Group's consolidated statement of income data for each of 2023, 2022 and, 2021. Reflecting the fact that the merger took place on 1 April 2021, information for the three months ended 31 March 2021 relates to NCB only.

	2023	2022	2021
		(SAR million)	
Special commission income.....	49,857	34,393 <sup>(1)</sup>	25,439
Special commission expense.....	(22,848)	(8,106) <sup>(2)</sup>	(3,231)
<b>Net special commission income.....</b>	<b>27,009</b>	<b>26,287<sup>(1)(2)</sup></b>	<b>22,208</b>
Fee income from banking services, net.....	3,925	3,736 <sup>(2)</sup>	3,059
Exchange income, net.....	1,945	1,580	1,588
Gain from fair value through income statement (FVIS) financial instruments, net.....	2,416	1,694	1,528
Gains/income on non-FVIS financial instruments, net.....	594	774	1,035
Other operating expenses, net.....	(1,300)	(1,067) <sup>(2)</sup>	(1,181)
<b>Total operating income.....</b>	<b>34,589</b>	<b>33,005<sup>(1)</sup></b>	<b>28,236</b>
Salaries and employee-related expenses.....	4,662	4,310	4,167
Rent and premises-related expenses.....	549	531 <sup>(1)</sup>	517
Depreciation/amortisation of property, equipment, software and right of use assets.....	1,459	1,435	1,108
Amortisation of intangible assets.....	820	845	689
Other general and administrative expenses.....	2,867	2,664	3,081
<b>Total operating expenses before expected credit losses.....</b>	<b>10,357</b>	<b>9,785<sup>(1)</sup></b>	<b>9,562</b>
Net impairment charge for expected credit losses.....	923	1,685	3,961
<b>Total operating expenses.....</b>	<b>11,280</b>	<b>11,470<sup>(1)</sup></b>	<b>13,523</b>
<b>Income from operations, net.....</b>	<b>23,310</b>	<b>21,534</b>	<b>14,713</b>
Other non-operating expenses, net.....	(537)	(258)	(259)
<b>Income for the year before zakat and income tax.....</b>	<b>22,773</b>	<b>21,277</b>	<b>14,454</b>
Zakat and income tax expenses.....	(2,664)	(2,548)	(1,670)
<b>Net income for the year.....</b>	<b>20,109</b>	<b>18,729</b>	<b>12,784</b>
<b>Net income for the year attributable to:</b>			
Equity holders of the Bank.....	20,010	18,581	12,668
Non-controlling interests.....	99	148	116
<b>Net income for the year.....</b>	<b>20,109</b>	<b>18,729</b>	<b>12,784</b>

Notes:

- (1) In the 2023 Financial Statements, reclassifications of financial information for 2022 reported under 'special commission income' and 'rent and premises-related expenses' in the comparative financial information for 2022

resulted in 'special commission income' for 2022 being SAR 1,101 thousand higher and 'rent and premises-related expenses' for 2022 being SAR 1,101 thousand higher, in each case in the 2023 Financial Statements compared to the amount reported in the 2022 Financial Statements. The sub-totals indicated were impacted accordingly.

- (2) In the 2023 Financial Statements, reclassifications of financial information for 2022 reported under 'special commission expense', 'fee income from banking services, net' and 'other operating (expenses), net' in the comparative financial information for 2022 resulted in 'special commission expense' for 2022 being SAR 40 thousand lower, 'fee income from banking services, net' for 2022 being SAR 31,769 thousand higher and 'other operating (expenses), net' for 2022 being SAR 31,809 thousand higher, in each case in the 2023 Financial Statements compared to the amount reported in the 2022 Financial Statements, and the sub-totals were impacted accordingly.

### Interim condensed consolidated statement of comprehensive income data

The table below shows the Group's interim condensed consolidated statement of comprehensive income data for each of the nine-month periods ended 30 September 2024 and 30 September 2023.

	Nine months ended 30 September (unaudited)	
	2024	2023
	(SAR million)	
<b>Net income for the period</b> .....	15,574	<b>15,174</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that cannot be reclassified to the consolidated statement of income in subsequent periods:</i>		
Revaluation losses on equity instruments at fair value through other comprehensive income .....	(365)	(3,342)
<i>Items that are or may be reclassified to the consolidated statement of income in subsequent periods:</i>		
	(348	
Net movement in foreign currency translation reserve losses .....	)	(1,807)
<i>FVOCI debt instruments:</i>		
Net change in fair values .....	2,834	(592)
Net amounts transferred to the consolidated statement of income .....	5	49
<i>Cash flow hedges:</i>		
Effective portion of changes in fair values .....	(424)	(165)
Net amounts transferred to the consolidated statement of income .....	508	271
<b>Total other comprehensive income/(loss)</b> .....	<b>2,210</b>	<b>(5,587)</b>
<b>Total comprehensive income for the period</b> .....	<b>17,783</b>	<b>9,588</b>
<b>Attributable to:</b>		
Equity holders of the Bank .....	18,086	9,970
Non-controlling interests .....	(303)	(382)
<b>Total comprehensive income for the period</b> .....	<b>17,783</b>	<b>9,588</b>

## Consolidated statement of comprehensive income data

The table below shows the Group's consolidated statement of comprehensive income data for each of 2023, 2022 and 2021. Reflecting the fact that the merger took place on 1 April 2021, information for the three months ended 31 March 2021 relates to NCB only.

	2023	2022	2021
	(SAR million)		
<b>Net income for the year</b> .....	<b>20,109</b>	<b>18,729</b>	<b>12,784</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that cannot be reclassified to the consolidated statement of income in subsequent years:</i>			
Net gains/(losses) of movement in fair value through other comprehensive income in equity instruments and actuarial valuation.....	(2,666)	(1,801)	727
<i>Items that are or may be reclassified to the consolidated statement of income in subsequent years:</i>			
Net movement in foreign currency translation reserve (losses) .....	(1,767)	(704)	(1,399)
<i>FVOCI debt instruments:</i>			
Net changes in fair values .....	1,470	(6,025)	(736)
Net amounts transferred to the consolidated statement of income.....	58	(179)	(596)
<i>Cash flow hedges:</i>			
Effective portion of changes in fair values.....	(110)	(649)	(150)
Net amounts transferred to the consolidated statement of income.....	432	20	(38)
<b>Total other comprehensive loss</b> .....	<b>(2,582)</b>	<b>(9,337)</b>	<b>(2,193)</b>
<b>Total comprehensive income for the year</b> .....	<b>17,526</b>	<b>9,392</b>	<b>10,592</b>
<b>Attributable to:</b>			
Equity holders of the Bank.....	17,894	9,359	10,916
Non-controlling interests.....	(368)	33	(324)
<b>Total comprehensive income for the year</b> .....	<b>17,526</b>	<b>9,392</b>	<b>10,592</b>

### Interim condensed consolidated statement of cash flows data

The table below summarises the Group's interim condensed consolidated statement of cash flows data for each of the nine-month periods ended 30 September 2024 and 30 September 2023 (extracts).

	Nine months ended 30 September (unaudited)	
	2024	2023
	(SAR million)	
Net cash (used in)/generated from operating activities .....	(17,923)	28,955
Net cash used in investing activities .....	(18,880)	(13,895)
Net cash generated from financing activities .....	40,838	2,430
Cash and cash equivalents at the beginning of the period.....	40,480	20,158
Cash and cash equivalents at the end of the period.....	44,074	37,091

### Consolidated statement of cash flows data

The table below summarises the Group's consolidated statement of cash flows data for each of 2023, 2022 and 2021 (extracts). Reflecting the fact that the merger took place on 1 April 2021, information for the three months ended 31 March 2021 relates to NCB only.

	2023	2022	2021
	(SAR million)		
Net cash generated from/(used in) operating activities .....	39,079	(4,239)	18,070
Net cash used in investing activities .....	(9,376)	(28,550)	(503)
Net cash (used in)/generated from financing activities .....	(8,741)	727	(5,698)
Cash and cash equivalents at the beginning of the year ....	20,158	52,873	41,892
Cash and cash equivalents at the end of the year .....	40,480	20,158	52,873

### Selected consolidated ratios and APMS

The table below shows selected consolidated ratios and APMS for the Group as at, and for the nine-month period ended, 30 September 2024 and as at, and for the years ended, 31 December 2023 and 31 December 2022.

	As at/nine months ended 30 September 2024	As at/year ended 31 December 2023	As at/year ended 31 December 2022
	(percentage)		

### Performance measures

Return on average tangible assets <sup>(1)</sup> .....	2.0	2.1	2.1
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	As at/nine months ended 30 September 2024	As at/year ended 31 December 2023	As at/year ended 31 December 2022
		(percentage)	
Return on average tangible equity <sup>(2)</sup> .....	16.3	16.7	16.6
Cost to income ratio <sup>(3)</sup> .....	28.4	27.6	27.1
<b>Financial ratios</b>			
Net special commission income margin <sup>(4)</sup> .....	3.0	3.1	3.2
Commission yield <sup>(5)</sup> .....	6.3	5.7	4.2
<b>Asset quality</b>			
NPFA ratio <sup>(6)</sup> .....	1.13	1.21	1.6
NPFA coverage ratio <sup>(7)</sup> .....	149.9	139.6	127.0
Liquidity coverage ratio <sup>(8)</sup> .....	283.9	258.1	277.6
Regulatory loans to deposits ratio <sup>(9)</sup> .....	79.8	83.9	82.6
<b>Other ratios</b>			
Common Equity Tier 1 Capital (CET1) ratio <sup>(10)</sup> .....	16.7	17.3	16.1
Core capital (Tier 1) ratio <sup>(10)</sup> .....	18.6	19.4	18.3
Core and supplementary capital (Tier 1 and Tier 2) ratio <sup>(10)</sup> .....	19.4	20.1	19.0
Leverage ratio <sup>(10)</sup> .....	12.0	12.4	12.9

Notes:

- (1) Net income for the period attributable to equity holders of the Bank (annualised in the case of the interim period) divided by average total tangible assets for the period (calculated as the sum of total tangible assets as at the start and end of the period divided by two). Total tangible assets equals total assets excluding goodwill and intangible assets.
- (2) Net income for the period attributable to equity holders of the Bank (annualised in the case of the interim period) less the Tier 1 sukuk related costs (annualised in the case of the interim period) divided by average equity attributable to equity holders of the Bank for the period less intangible assets and goodwill (with average equity attributable to equity holders of the Bank less intangible assets and goodwill calculated as the sum of equity attributable to equity holders of the Bank less intangible assets and goodwill at the start and end of the period divided by two).
- (3) Total operating expenses before expected credit loss excluding amortisation of intangible assets divided by total operating income.
- (4) Net special commission income for the period (annualised in the case of the interim period) divided by average special commission earning assets for the period (with average special commission earning assets calculated as the sum of special commission earning assets at the start and end of the period divided by two). Special commission earning assets comprise due from banks and other financial institutions, net, financing and advances, net and investments, net.



- (5) Special commission income for the period (annualised in the case of the interim period) divided by average special commission earning assets for the period (with average special commission earning assets calculated as the sum of special commission earning assets at the start and end of the period divided by two).
- (6) Non-performing financing and advances as a percentage of total financing and advances (excluding purchased or originated credit impaired financings), in each case at the end of the period.
- (7) ECLs in respect of financing and advances as a percentage of non-performing financing and advances, in each case at the end of the period.
- (8) High quality liquid assets divided by net cash outflow (three-month average). Determined in accordance with SAMA requirements.
- (9) Financing and advances, net, divided by weighted deposits. In accordance with SAMA requirements, weighted deposits consist of customers' deposits, repo, debt securities and Tier 1 sukuk and SAMA's eligible deposits due to banks and other financial institutions.
- (10) Calculated in accordance with the requirements of Basel IV as adopted by SAMA.

For the purposes of these Notes, “annualised” means dividing by nine and multiplying by 12 and are presented for comparison purposes only. The table below discloses the non-annualised numbers for the nine months ended 30 September 2024 and the corresponding annualised numbers along with the ratios where they are used:

	<b>For the period ended 30 September 2024</b>	<b>Annualised</b>	<b>Ratio</b>
			<i>(SAR million)</i>
Net income for the period attributable to Equity holders of the Bank (NI) .....	15,636	20,848	Return on average tangible assets
Tier 1 Sukuk related costs .....	614	819	Return on average tangible equity
NI adjusted for Tier 1 Sukuk related costs .....	15,022	20,030	Return on average tangible equity
Special commission income .....	42,960	57,280	Commission yield
Net special commission income .....	20,827	27,769	Net special commission income margin

## SUMMARY OPERATING PERFORMANCE AND FINANCIAL REVIEW

Set out below is a brief discussion of the Group's consolidated operating performance and financial position as at 30 September 2024, and for the nine-month periods ended, 30 September in each of 2024 and 2023 and as at, and for the years ended, 31 December in each of 2023, 2022 and 2021.

### **Operating performance**

#### **Nine month periods ended 30 September in each of 2024 and 2023**

##### ***Total operating income***

The Group's total operating income increased by SAR 1,086 million, or 4.2 per cent., to SAR 27,050 million for the nine months ended 30 September 2024 from SAR 25,965 million for the corresponding period in 2023. The increase was driven by an SAR 691 million, or 3.4 per cent. increase in net special commission income, an SAR 403 million, or 24.3 per cent., increase in gain from FVIS financial instruments, net, and an SAR 383 million, or 12.2 per cent. increase in fee income from banking services, net. The increase in net special commission income principally reflected an increase in the Group's average earning assets as at and for the nine months ended September 2024, partially offset by an increase in the cost of funds driven by the higher interest rates. The increase in gain from FVIS financial instruments, net principally reflected an increase in the domestic trading portfolio. The increase in fee income from banking services, net principally reflected strong activity in wholesale and capital markets segments which was partially offset by lower fee income from international and retail segments. The increases were principally offset by lower other operating expenses, net and lower exchange income, net.

##### ***Total operating expenses before expected credit losses***

Total operating expenses before expected credit losses increased by SAR 472 million, or 6.0 per cent., in the nine months ended 30 September 2024 compared to the corresponding period in 2023. This increase was mainly due to higher staff expenses, depreciation cost and other general and administrative expenses and was partially offset by lower rent and premises cost. The cost-to-income ratio stood at 28.4 per cent. for the nine months ended 30 September 2024, an increase of 63 basis points compared to 27.7 per cent. for the corresponding period in 2023, driven by hyperinflation in Turkey that affected the Group's cost-to-income ratio despite an improvement in the domestic cost-to-income ratio.

##### ***Impairment charge for expected credit losses, net***

The Group's impairment charge for expected credit losses, net increased by SAR 510 million, or 103.7 per cent., to SAR 1,002 million in the nine months ended 30 September 2024 from SAR 492 million in the corresponding period of 2023. This increase principally reflected an SAR 385 million impairment charge for expected credit losses, net in the wholesale operating segment in the nine months ended 30 September 2024 compared to an SAR 225 million reversal of impairment charge for expected credit losses, net in the corresponding period of 2023, which movement was mainly due to higher expected credit losses in the wholesale operating segment. In addition, the retail operating segment recorded an SAR 128 million, or 25.9 per cent., increase in impairment charge for expected credit losses, net in the nine months ended 30 September 2024 compared to the corresponding period of 2023, which was mainly due to growth in the retail portfolio that resulted in higher credit impairment which was partially offset by higher recoveries in the nine months ended 30 September 2024. These increases were offset by a reversal of impairment charge for expected credit losses, net of SAR 4 million in the international operating segment in the nine months ended 30 September 2024 compared to an impairment charge for expected credit losses, net of SAR 221 million in the corresponding period of 2023, which movement was mainly due to lower credit impairment that was partially offset by lower recoveries in the nine months ended 30 September 2024.

### ***Net income for the period***

Reflecting the above factors, the Group's net income for the period increased by SAR 399 million, or 2.6 per cent., to SAR 15,574 million for the nine months ended 30 September 2024, from SAR 15,174 million for the corresponding period in 2023.

### **Financial position**

#### ***Total assets***

The Group's total assets increased by SAR 87,526 million, or 8.4 per cent., to SAR 1,124,608 million as at 30 September 2024 from SAR 1,037,081 million as at 31 December 2023. The main drivers for this increase were (i) an SAR 53,780 million, or 8.9 per cent., growth in financing and advances, net, which reflected SAR 34,420 million, or 12.3 per cent., growth in wholesale financing (corporate, international and others) and SAR 19,361 million, or 6.0 per cent., growth in retail financing (consumer and credit card), and (ii) an SAR 21,333 million, or 7.9 per cent., increase in investments, net, mainly of fixed rate securities held at amortised cost.

#### ***Investment securities portfolio***

The Group's investments, net increased by SAR 21,333 million, or 7.9 per cent., to SAR 290,462 million as at 30 September 2024 from SAR 269,129 million as at 31 December 2023. The main drivers for this increase were increases of SAR 20,291 million, or 12.9 per cent., in investments held at amortised cost, net and SAR 2,956 million, or 13.4 per cent., in investments held at FVIS. These increases were partially offset by a decrease of SAR 1,914 million, or 2.1 per cent. in investments held at FVOCI, net.

### **Years ended 31 December in each of 2023, 2022 and 2021**

#### ***Total operating income***

The Group's total operating income increased by SAR 1,585 million, or 4.8 per cent., to SAR 34,589 million for the year ended 31 December 2023 from SAR 33,005 million for the year ended 31 December 2022 and by SAR 4,769 million, or 16.9 per cent., to SAR 33,005 million for the year ended 31 December 2022 from SAR 28,236 million in the year ended 31 December 2021.

The increase in the year ended 31 December 2023 compared to the year ended 31 December 2022 was driven by a 2.8 per cent. increase in net special commission income, to SAR 27,009 million, resulting from two main factors. First, an SAR 15,464 million, or 45.0 per cent., growth in special commission income driven by growth in financing and advances, net and sound credit quality which was only partly offset by the carefully contained SAR 14,742 million, or 181.9 per cent., increase in special commission expense. Second, net growth in fee income from banking services, net and all other items of total operating income (excluding net special commission income) was SAR 863 million, or 12.8 per cent., reaching SAR 7,580 million in the year ended 31 December 2023, supported by higher international income driven by growth in financing and investment-related income and partially offset by lower domestic fees from banking services.

The increase in the year ended 31 December 2022 compared to the year ended 31 December 2021 was primarily due to balance sheet expansion and SAR 4,078 million, or 18.4 per cent., higher net special commission income and SAR 689 million, or 11.4 per cent., net growth in fee income from banking services, net and all other items of total operating income (excluding net special commission income).

#### ***Operating expenses***

Operating expenses before expected credit losses, excluding amortisation of intangible assets, increased by SAR 597 million, or 6.7 per cent., in the year ended 31 December 2023 compared to the year ended 31 December 2022 and by SAR 66 million, or 0.7 per cent. in the year ended 31 December 2022 compared to the year ended 31 December 2021.

The increase in the year ended 31 December 2023 compared to the year ended 31 December 2022 was mainly due to inflationary pressures in Turkey. Domestic operating expenses remained largely stable. The cost-to-income ratio stood at 27.6 per cent. for 2023, an increase of 48 basis points compared to 27.1 per cent. for 2022, driven by inflationary pressures in Turkey offset by a disciplined cost management in the domestic business.

#### ***Credit impairments and cost of risk***

The Group's net impairment charge for expected credit losses declined by SAR 763 million, or 45.3 per cent., to SAR 923 million in the year ended 31 December 2023 from SAR 1,685 million in the year ended 31 December 2022 and declined by SAR 2,275 million, or 57.4 per cent., from SAR 3,961 million in the year ended 31 December 2021 to SAR 1,685 million in the year ended 31 December 2022.

The decline in the year ended 31 December 2023 was due to an SAR 679 million, or 50.3 per cent., lower net impairment charge for expected credit losses in the Group's domestic operating segments (being the retail, wholesale and capital markets operating segments) as a result of increased wholesale recoveries due to higher collection activities related to legacy portfolios, and an SAR 83 million, or 24.9 per cent., decrease in net impairment charge for expected credit losses in the Group's international operating segment.

The decline in the year ended 31 December 2022 was due to SAR 2,311 million, or 63.1 per cent., lower net impairment charge for expected credit losses in the Group's domestic operating segments from increased wholesale recoveries across the portfolio in addition to the reassessment of certain purchased or originated credit impairment portfolios which was offset by an SAR 36 million, or 11.9 per cent., increase in net impairment charge for expected credit losses in the Group's international operating segment.

#### ***Net income for the year***

Reflecting the above factors, the Group's net income for the year increased by SAR 1,380 million, or 7.4 per cent., to SAR 20,109 million for the year ended 31 December 2023, from SAR 18,729 million for the year ended 31 December 2022 and by SAR 5,945 million, or 46.5 per cent., from SAR 12,784 million in the year ended 31 December 2021 to SAR 18,729 million for the year ended 31 December 2022.

### **Financial position**

#### **Assets**

The Group's total assets increased by SAR 91,585 million, or 9.7 per cent., to SAR 1,037,081 million as at 31 December 2023 from SAR 945,496 million as at 31 December 2022. The main driver for this increase was an SAR 56,217 million, or 10.3 per cent., growth in financing and advances, which reflected SAR 29,066 million, or 11.5 per cent., growth in wholesale financing (corporate, international and others) and SAR 27,151 million, or 9.3 per cent., growth in retail financing (consumer and credit card). Other asset classes also increased, notably due from banks and other financial institutions, net (which is a volatile category reflecting the short-term nature of the lending), investments, net and cash and balances with SAMA.

The Group's total assets increased by SAR 31,349 million, or 3.4 per cent., to SAR 945,496 million as at 31 December 2022 from SAR 914,147 million as at 31 December 2021. The main driver for this increase was an SAR 47,743 million, or 9.6 per cent., growth in financing and advances, which reflected SAR 15,388 million, or 6.5 per cent., growth in wholesale financing (corporate, international and others) and SAR 32,355 million, or 12.4 per cent., growth in retail financing. Investments, net also grew although these increases were offset principally by declines in cash and balances with SAMA due from banks and other financial institutions, net.

#### ***Geographical breakdowns of financing and advances, net***

The geographical breakdown of the Group's financing and advances, net is only published in the Annual Financial Statements. The table below shows the geographical breakdown of the Group's financing and advances, net as at 31 December 2023.

**Investment securities portfolio**

The Group's investments, net increased by SAR 15,731 million, or 6.5 per cent., to SAR 258,292 million as at 31 December 2022 from SAR 242,561 million as at 31 December 2021. The main driver for this increase was an SAR 19,665 million, or 14.3 per cent., increase in investments held at amortised cost, net, which was partially offset by declines of SAR 2,325 million, or 2.7 per cent., in investments held at FVOCI, net and SAR 1,609 million, or 8.6 per cent., in investments held at FVIS.

The geographical breakdown of the Group's investment securities portfolio is only published in the Annual Financial Statements. The table below shows the geographical breakdown of the Group's investments, net as at 31 December 2023.

## Customers' deposits

Customers' deposits decreased by SAR 20,291 million, or 3.4 per cent., to SAR 568,283 million as at 31 December 2022 from SAR 588,574 million as at 31 December 2021, driven mainly by growth in current and call accounts.

## 153

The geographical split of the Group's customers' deposits is only published in the Annual Financial Statements. The table below shows the geographical breakdown of the Group's customers' deposits as at 31 December 2023.

	Saudi Arabia	GCC and Middle East	Europe	Turkey	North America	Other countries	Total
				(SAR million)			
Current and call accounts.....	408,375	1,319	6	7,220	119	30,469	447,507
Time .....	94,082	3,184	208	15,213	—	7,331	120,019
Others .....	20,767	1	—	1,410	—	348	22,525
<b>Customers' deposits.....</b>	<b>523,224</b>	<b>4,504</b>	<b>214</b>	<b>23,842</b>	<b>119</b>	<b>38,148</b>	<b>590,051</b>

The maturity breakdown of the Group's customers' deposits is only published in the Annual Financial Statements. The table below shows the maturity breakdown of Group's customers' deposits as at 31 December 2023 based on remaining contractual maturities.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
			(SAR million)			
Current and call accounts.....	447,507	—	—	—	—	447,507
Time .....	—	104,229	20,381	4,894	37	129,541
Others .....	22,507	—	—	—	—	22,507
<b>Customers' deposits.....</b>	<b>470,014</b>	<b>104,229</b>	<b>20,381</b>	<b>4,894</b>	<b>37</b>	<b>599,555</b>

## BUSINESS DESCRIPTION OF THE BANK

### Overview

The Bank is the entity resulting from the merger between NCB and Samba which became effective on 1 April 2021 when all of the assets and liabilities of Samba were transferred to NCB, Samba was liquidated and NCB was renamed The Saudi National Bank.

The Group provides both conventional and *Shari'a*-compliant banking services. The principal business groups through which the Group conducts its operations are Retail Banking, Wholesale Banking (which includes corporate, treasury and global markets), SNB Capital, and International (see “—*Business*” below). Conventional products offered by the Bank include deposits, term loans, trade financing, structured solutions, cash management, foreign exchange and money remittance. The Bank’s Islamic financing products span all business groups and include most wholesale banking products and most of the retail products offered by the Bank’s branch network. The primary Islamic modes used include tawarruq, murabaha, ijara, istisna and wakala. These products are supervised by the Shariah Committee (see “—*Business—Islamic Banking—Shariah Committee*” below).

As at 30 September 2024, the Bank operated through 476 domestic branches, which is one of the largest banking sector branch networks in the Kingdom, four overseas branches (in Bahrain, the UAE, Qatar and Singapore) and two representative offices overseas (in Seoul and Shanghai). It also has two majority-owned banking subsidiaries: TFKB, a Turkish participation bank which provides *Shari'a*-compliant banking services in Turkey, and SBL, a bank incorporated in Pakistan which provides *Shari'a*-compliant banking services in Pakistan. The Bank’s other principal subsidiary is SNB Capital, which is the Kingdom’s largest investment bank in terms of revenue and the region’s largest asset manager in terms of assets under management and which provides corporate finance, investment banking, asset management and brokerage services in the Kingdom. In July 2021, the former investment banking subsidiaries of NCB and Samba merged to create SNB Capital.

The Bank’s domestic branch network is supported by one of the Kingdom’s largest networks of ATMs, POS terminals and QuickPay remittance centres with 2,995 ATMs as at 30 September 2024, 348,710 POS terminals as at 30 September 2024 and 95 QuickPay remittance centres as at 30 September 2024.

As at 30 September 2024, the Bank had 8,333 employees, 99.3 per cent. of which were citizens of the Kingdom.

As at 30 September 2024, the principal shareholder of the Bank was the Government through the PIF, which owns 37.24 per cent. of the Bank’s shares.

As at 30 September 2024, the Group had total assets of SAR 1,125 billion, total customer deposits of SAR 634 billion and total equity attributable to equity holders of the Bank of SAR 183 billion. As at 30 September 2024, the Group’s tier 1 and total capital adequacy ratios, calculated in accordance with Basel III as implemented in Saudi Arabia, were 18.6 per cent. and 19.4 per cent., respectively. In the nine months ended 30 September 2024, the Group had total operating income of SAR 27 billion and income for the period before zakat and income tax of SAR 17 billion. In 2023, the Group had total operating income of SAR 35 billion and income for the year before zakat and income tax of SAR 23 billion.

As at the date of this Offering Circular, the Bank’s long-term corporate ratings were “A-” with a stable outlook from S&P, “A-” with a stable outlook from Fitch, “Aa3” with a stable outlook from Moody’s and “A+” with a positive outlook from Capital Intelligence.

## History

The Bank is a Saudi Joint Stock Company formed pursuant to Cabinet Resolution No. 186 on 30 March 1997 and Royal Decree No. M/19 on 31 March 1997 when NCB converted from a general partnership into a Saudi Joint Stock Company. The Bank's head office and registered office is The Saudi National Bank Tower, King Fahd Road, 3208 Al Aqeeq District, Unit No. 778, Riyadh 13519 – Additional No. 6676, Saudi Arabia and the switchboard telephone number is +966 9 2000 1000.

NCB was originally founded in 1938 as the “Saleh and Abdulaziz Kaki and Salem Bin Mahfouz Company” and commenced business as a general partnership under a registration certificate authenticated by Royal Decree on 15 May 1950. By Royal Decree No. 3737 on 26 December 1953, the Saleh and Abdulaziz Kaki and Salem Bin Mahfouz Company changed its name to “The National Commercial Bank” and became the first officially recognised bank in the Kingdom. At that time, NCB had only nine domestic retail branches and two overseas branches. In May 1999, the Government, through the PIF, acquired a 50.00 per cent. stake in NCB together with management control from the Bin Mahfouz family (which had previously owned 98.00 per cent. of NCB).

In late 2001, the remaining shares of NCB still owned by the Bin Mahfouz family were purchased by the Government (through the PIF) and other nationals and companies in the Kingdom, which increased the Government's ownership stake in NCB at the time to 79.29 per cent., consisting of 69.29 per cent. owned by the PIF and 10.00 per cent. owned by the General Organisation for Social Insurance (“GOSI”).

In March 2008, NCB acquired a 60 per cent. controlling interest in the Turkish participation bank TFKB. This equity stake has since been increased to 67.03 per cent. (as at 30 September 2024) through additional capital subscriptions.

Following an initial public offering in late 2014, NCB's (and subsequently, the Bank's) shares have been traded on Tadawul since 12 November 2014.

The merger between NCB and Samba became effective on 1 April 2021 with the transfer of all the assets and liabilities of Samba to NCB and the subsequent liquidation of Samba. Samba was established in February 1980. It was formed under the name “Saudi American Bank” for the purpose of taking over the existing branches of Citibank, N.A. (“**Citibank**”) in Riyadh and Jeddah following the issue of a directive by the Government in 1976 that required all foreign banks operating in Saudi Arabia to sell majority equity interests to Saudi nationals.

Pursuant to the directive, 44.5 per cent. of Samba's shares were sold to the Saudi public for cash and an additional 15.5 per cent. of the equity was sold for cash to a selected group of 60 Saudi nationals, including the original Saudi members of Samba's board of directors. The remaining 40 per cent. was retained by Citibank, which over time, reduced its holding in the Bank to nil.

In 1999, Samba merged with United Saudi Bank, creating one of the largest financial institutions in the Middle East. In 2008, Samba acquired a majority shareholding in Crescent Commercial Bank in Pakistan, now branded as Samba Bank Limited.

## The merger

The merger realised synergies and cost benefits that exceeded the Bank's initial expectations and had a significant and positive impact on its business operations in 2022. The strategic opportunities presented included greater cross selling, economies of scale in capital allocation and asset gathering, the sharing of best practice among teams in both the front and back offices and accelerated digital automation. The merger constituted the largest and fastest corporate merger in the history of the region.



The Bank estimates that the final cost synergies of the merger have exceeded SAR 1.5 billion as at 31 December 2023. The cost of integrating the two institutions, at SAR 884 million, is well below the original budget of SAR 1.1 billion.

The merger has resulted in a significantly larger and more diverse institution with the scale and ambition to achieve not only greater penetration of attractive and profitable segments, but also an even stronger reputation as the Kingdom's national banking champion and one of the most important financial powerhouses in the region.

## **Competition and competitive strengths**

### **Competition**

Based on SAMA's website, there are 37 commercial banks licensed to operate in the Kingdom, of which 10 are still to commence business, although two are in a pilot phase of operation. Of the 27 operating licensed banks, 11 are incorporated in the Kingdom, six are branches or subsidiaries of banks based in other GCC countries (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Bank Muscat, Qatar National Bank and First Abu Dhabi Bank) and 10 are international banks (namely Deutsche Bank, BNP Paribas, J.P. Morgan Chase, N.A., National Bank of Pakistan, T.C. Ziraat Bankası A.Ş., Industrial and Commercial Bank of China, MUFG Bank, Ltd., UBS AG (previously Credit Suisse), Standard Chartered Bank and National Bank of Iraq). The two banks in a pilot phase of operation, STC Bank and D360 Bank, are both digital banks.

All 11 local operational Saudi banks provide a broad range of retail and wholesale banking products and services. Al Rajhi Bank, Bank Albilad, Bank AlJazira and Alinma Bank provide *Shari'a*-compliant products and services only. The remaining seven banks provide a combination of *Shari'a*-compliant and conventional banking products and services.

All segments of the financial services markets in the Kingdom are highly competitive. The Bank is a major participant in all segments and competition arises across all products and services. The Bank's primary competitors are Al Rajhi Bank, Arab National Bank, Banque Saudi Fransi, Riyadh Bank and Saudi Awwal Bank. In addition, there are a number of "fintech" start-ups in the Kingdom providing limited banking services such as e-wallets enabling merchant payments, remittances and inter-bank transfers.

As at 30 September 2024, the Bank had the largest corporate lending book, the largest investment portfolio, the most assets and the most customer deposits in the Kingdom based on the published financial statements of 10 of the 11 local banks in the Kingdom. As at 30 September 2024, the Bank has:

- a 24.1 per cent. market share in bank wide financing with its closest competitor at 23.9 per cent.;
- a 19.4 per cent. market share in commercial financing with its closest competitor at 13.6 per cent.;
- a 33.5 per cent. market share in investment portfolios with its closest competitor at 18.5 per cent.;
- a 27.4 per cent. market share of total assets with its closest competitor at 22.0 per cent.; and
- a 23.3 per cent. market share in total customer deposits with its closest competitor at 22.9 per cent.

### **Competitive strengths**

Management believes that the Bank's competitive strengths are:

***Regional leadership in product innovation:*** the Bank considers itself to be a regional market leader in product design and innovation, particularly in relation to its Islamic product design capabilities. It has previously launched innovative Islamic products, including the world's first Islamic automobile leasing product. Its *Shari'a* division acts as a catalyst for *Shari'a*-compliant product development in each of its businesses, including

advising on the development of hedging products for Global Markets and new residential financing products for the Retail Bank. Additionally, the Bank approved the first Islamic double wa'ad repurchase transaction, in which corporate clients are offered collateralised lending options.

**Broad distribution:** the Bank has one of the largest banking sector branch networks in the Kingdom (with 482 branches as at 30 September 2024) and has strong alternative distribution channels, such as ATMs, telephone and internet banking, mobile phone systems, smart phone and tablet applications and SMS messaging, which enable it to service its existing customer base and attract new customers.

**Government ownership and support:** the Government, indirectly through the PIF, owns 37.24 per cent. of the Bank's shares as at 30 September 2024, and a significant proportion of the Bank's deposits are made by the Government and/or its departments or agencies. The Bank's management believes that the Government's interests in the Bank enhance the Bank's reputation as a stable and secure institution with which to do business, for both retail depositors and corporate customers, as well as other counterparties.

**Experienced Saudi management team:** the Bank has a strong management team with extensive knowledge of the banking sector in the Kingdom and the wider MENA region and significant experience in leading international financial institutions.

**Large, stable customer base:** the Bank has an existing customer base of approximately 11.9 million customers in Saudi Arabia as at 31 December 2023, which provides the Bank with access to a large and stable deposit base with a variety of maturity and re-pricing profiles. The Bank capitalises on this strong customer base to cross-sell products and services across its financing, investment and takaful businesses.

**Strong capitalisation:** the Group's tier 1 capital adequacy ratio and total capital adequacy ratio are strong, at 18.6 per cent. and 19.4 per cent., respectively, as at 30 September 2024, which exceeds the minimum Pillar 1-based capital ratio requirement of 12.2 per cent. as at the same date. The Bank believes that the Group's capital buffers are sufficiently solid to withstand possible credit-related losses, even under an adverse scenario. The Bank conducts regular stress tests in line with its internal policies and in compliance with applicable regulatory requirements. These tests are performed in relation to all quantified risks and are designed to evaluate the Group's ability to withstand the effects of a range of improbable but plausible scenarios. In all stress tests performed, the Group has maintained its capital adequacy and liquidity ratios at levels above the regulatory minimum. The Bank believes that the strength of its balance sheet and its robust capital and liquidity position give it operational and financial flexibility and enable it to optimise its return on equity.

**Solid funding and liquidity position:** the Group has a solid funding and liquidity profile, supported by a well-established local deposit franchise. The Group has consistently maintained low regulatory loans to deposit ratios (in the range of 70.7 per cent. to 83.9 per cent. in the five-year period to 30 September 2024). As at 30 September 2024, 50.0 per cent. of the Group's funding (customers' deposits, due to banks, Saudi Central Bank and other financial institutions and debt securities issued and term loans) was from relatively low cost and stable call and current customers' deposits. The proportion of its low-cost current and call customers' deposits was 70.6 per cent. of its total deposits as at 30 September 2024. The Group benefits from a stable and substantial balance of non-interest-bearing deposits. These deposits are primarily sourced from retail clients, public institutions, large corporates, and key strategic account holders with long relationships with the Group. These strengths are, however, moderated by relatively high deposit concentrations, a feature common to all Saudi banks. The bulk of such concentrations relate to Government and quasi-Government institutions, but historically have been stable. See "Risk Factors—Risks relating to the Bank and its ability to fulfil its obligations under the Notes or the Deed of Guarantee—The Group's customer financing portfolio, investment securities portfolio and customers' deposits are concentrated in the Kingdom" and "Risk Factors—Risks relating to the Bank and its ability to fulfil its obligations under the Notes or the Deed of Guarantee—The Group has significant customer and sector concentrations". The Group also has limited reliance on market funding.

The Bank also believes that the Group's robust liquidity profile positions it to withstand short-term deposit volatility. The Group's ratio of net financing and advances to customers' deposits (including Tier 1 sukuk as permitted by SAMA) was 79.8 per cent. as at 30 September 2024, which provides it with scope to further expand its loan book before it reaches the regulatory maximum net loans to customers' deposits ratio of 90.0 per cent.

**Brand Equity:** the Bank believes that its brand continues to benefit from the fact that both NCB and Samba had strong franchises. NCB was a pervasive and strong Saudi Arabian brand with a 70-year heritage in banking, which was bolstered by a strong corporate social responsibility presence in the Kingdom. Samba had a strong overall domestic franchise and a leading brand name in domestic high-net-worth consumer/private banking as well as strong positions in both the ladies and salaried customer segments.

**Strong domestic corporate business:** the Bank has a well-established corporate banking business, with strengths in corporate lending, cash management and treasury products. In addition, corporate clients are offered specialised corporate finance products, including syndications, project finance and structured finance. The Bank is also a Saudi government bond primary dealer. This corporate banking business is complemented by a wide range of products and services offered by SNB Capital, which include investment banking (advising on and arranging transactions across equity and debt capital markets and mergers and acquisitions), asset management (comprising public funds, private funds and discretionary portfolio management) and brokerage. The strength of the corporate banking business and the SNB Capital's franchise have enabled the development of long-lasting and deep relationships with corporate clients across the Kingdom.

The Group's retail, wholesale, capital market and international reporting segments contributed 39.8 per cent., 52.4 per cent., 8.1 per cent. and minus 0.3 per cent., respectively, of its income for the period before zakat and income tax in the nine months ended 30 September 2024.

## Strategy

The Bank is committed to fulfilling its vision to be the premier financial services group in the region. Its strategy aspires to achieve and maintain the leading position in revenue and profit, to be the best digital bank, to provide the best customer service, and to be the employer of choice.

The Bank's overall strategy is built on five pillars:

- grow domestic market share in financing and current and savings accounts;
- optimisation of costs and funding, and wholesale value capture;
- fortify digital leadership through digitisation, zero back office and digital ventures;
- grow value contribution from subsidiaries; and
- foster human capital.

This overall strategy revolves around the retail banking and wholesale businesses, each of which has its own strategy to drive and deliver the overall aspirations.

For the retail banking business, the strategy is to:

- grow current accounts with a key focus on improving the product and coverage value proposition of the high net worth segment;
- continue to grow residential financing by strengthening channel partnerships and digitising the customer journey;

- grow business banking by expanding the Bank's coverage and digitising service and product journeys;
- expand the branch network by increasing the mix of small and lean branches;
- digitise all sales journeys and underpin them with advanced analytics and digital marketing;
- continue to improve customer experience, with a focus on upskilling staff and the application of technologies such as artificial intelligence, robo-advisory and robotics process automation; and
- optimise operating costs through digitalisation and by commissioning targeted cost reduction projects.

For the wholesale banking business, the strategy is to:

- continue optimising the cost of funds by tapping a diversified investor base and international markets;
- maintain its leading position as a market maker of SAR-based derivatives;
- achieve the leading position in global transaction banking in the Kingdom and compete with regional institutions;
- generate greater value out of the Bank's loan book through optimal pricing, capturing ancillary revenue and maximising return on capital;
- leverage opportunities presented to the corporate banking sector by Saudi Vision 2030;
- maintain the liquidity and yields of the Bank's investment book and optimise its risk-adjusted returns;
- foster a "One SNB" culture where the focus is on cross-selling the Bank's products to corporate clients in order to achieve higher quality ancillary revenues; and
- leverage the Bank's international branches in serving new segments of wholesale clients, such as non-bank financial institutions and Saudi corporates with overseas operations.

## **Sustainable Finance Framework**

From time to time and pursuant to the Programme, the Bank may procure the Issuer to issue Sustainable Notes in respect of which it will apply the equivalent amount to fund and/or refinance, in whole or in part, a portfolio of Eligible Sustainable Projects as set out in the Bank's Sustainable Finance Framework.

The Sustainable Finance Framework envisages that the Sustainable Notes may comprise Notes where the equivalent amount is used either to finance or refinance Eligible Green Projects, Eligible Social Projects or a combination thereof as described below.

Eligible green projects comprise (i) loans related to the development, construction and installation of wind and solar energy generation facilities and/or to energy transmission, distribution projects and smart metering systems with the purpose of connecting wind and solar energy production units or (ii) loans related to tree planting, management, operation, maintenance and research and development in connection with FSC/PEFC certified afforestation activities. Eligible social projects comprise (i) financing to the micro, small and medium-sized enterprises, women-owned SMEs (as defined below), and/or to new businesses and start-ups with the objective of reducing unemployment and (ii) investments in the provision of affordable housing and shelter to disadvantaged populations, the renovation, maintenance and improvements of existing social housing projects and eligible governing housing programmes (such as the Developing Housing Program and the Defaulters Support Program). The equivalent amount in relation to Sustainable Notes will not be used in cases where the main purpose of the financing is related to fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping and/or tobacco.

To ensure that the equivalent amount of each issue of Sustainable Notes is allocated to eligible green projects and/or eligible social projects, the details of these projects will be entered into the Sustainable Financing Register. If, during the term of any Sustainable Notes, any relevant eligible green project and/or eligible social project is found to no longer be eligible for entry on the Sustainable Financing Register, the details of the relevant project will be removed. The proceeds allocated to projects which are no longer eligible will be re-allocated to another eligible green project or eligible social project.

If the equivalent amount of any issue of Sustainable Notes cannot be immediately and fully allocated, or in the event of any early repayment, any unallocated amount will be held in cash or short-term marketable securities until allocation to Eligible Sustainable Projects.

The Bank intends to allocate the equivalent amount of each issue of Sustainable Notes to Eligible Sustainable Projects originated no more than three years prior to the issuance. The equivalent amount will be allocated within two years from the date of issue of the relevant Sustainable Notes.

On an annual basis, the Bank will publish on its website an allocation report and an impact report on its Sustainable Notes and any other sustainable funding obtained. The first report will be published within one year from the date on which the first such funding is received. These reports will be subject to external verification by an external reviewer and will be updated annually until no such funding is outstanding. The external reviewer's reports will also be published on the Bank's website.

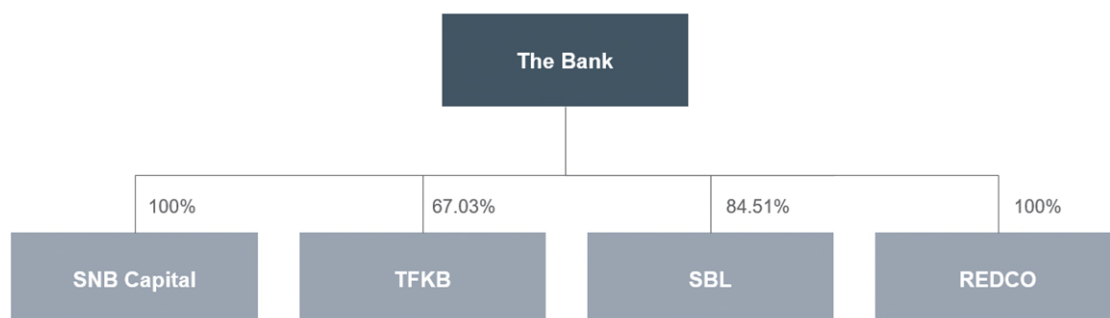
The Bank has appointed S&P Global to provide an external review of its Sustainable Finance Framework and confirm its alignment with the ICMA Green Bond Principles, the ICMA Social Bond Principles and the ICMA Sustainable Bond Guidelines, each as published by the International Capital Markets Association from time to time. This opinion is available on the Bank's website at <https://www.alahli.com/-/media/project/snb/snb-web/about-us/02-1-investor-relations/sustainable-finance-framework/snb-sustainable-finance-framework-15-11-2021-v2.pdf>.

None of the Sustainable Finance Framework, the ICMA Green Bond Principles the ICMA Social Bond Principles, the ICMA Sustainable Bond Guidelines or any of the above reports, verification assessments or the contents of any of the above websites are incorporated in or form part of this Offering Circular.

See also *“Risk Factors—Risks relating to the Notes—The use of proceeds of any issue of Notes identified as Sustainable Notes in the applicable Pricing Supplement may not meet investor expectations or requirements or be suitable for an investor's investment criteria”*.

## Group structure

The chart below sets out details of the Bank and certain of its subsidiaries described elsewhere in this Offering Circular as at the date of this Offering Circular. Percentage figures refer to the Bank's effective ownership share.



## Shareholders

The table below shows the shareholders which owned more than 5.0 per cent. of the Bank's share capital as at 30 September 2024.

Shareholder	Number of shares	Percentage of issued share capital
PIF.....	2,234,280,000	37.24%
Remaining shareholders .....	3,765,720,000	62.76%
	<b>6,000,000,000</b>	<b>100.00%</b>

The PIF is a Government-controlled entity, giving the Government an indirect holding of 37.24 per cent. of the Bank's shares as at 30 September 2024.

Samba had a foreign shareholder (whose shareholding resulted from a previous merger) that owned 1.22 per cent. of Samba as of 31 March 2021. Upon the merger of Samba into the Bank on 1 April 2021, this shareholder became a shareholder in the Bank (with a shareholding of less than 0.5 per cent. of the Bank's shares). This shareholder is subject to international sanctions. Its holding is entirely passive and it has no control or input on the Bank's management or operations.

## Business

### Overview

The Group has four principal reporting segments which correspond to its core businesses. These are:

- **Retail:** The retail business provides banking services, including lending, deposit taking and remittance services, in addition to products in compliance with *Shari'a* rules which are supervised by the Shariah Committee, to individuals and private banking and affluent customers in the Kingdom.
- **Wholesale:** The wholesale business provides banking services including all conventional credit-related products and *Shari'a*-compliant financing products to small-sized businesses, medium and large establishments and companies as well as trade finance, cash management and a full range of treasury and correspondent banking products and services, including money market and foreign exchange, to the Group's clients. In addition, the wholesale business carries out investment and trading activities (local and international) and manages liquidity risk, market risk and credit risk (related to investments).
- **Capital Markets:** The capital markets business, which comprises SNB Capital, provides wealth management, asset management, investment banking and brokerage services (local, regional and international).
- **International:** The international business comprises banking services provided outside the Kingdom, including through TFKB and SBL.

The table below shows certain income statement data for each of the Group's reporting segments for the nine months ended 30 September 2024 and for the year ended 31 December 2023.

	<b>Retail</b>	<b>Wholesale</b>	<b>Capital Markets</b>	<b>Internation al</b>	<b>Total</b>
			(per cent.)		
<b>Nine months ended 30 September 2024</b>					
Total operating income .....	47.0	41.1	7.1	4.7	<b>100.0</b>
Net income <sup>(1)</sup> .....	39.8	52.4	8.1	(0.3)	<b>100.0</b>
<b>Year ended 31 December 2023</b>					
Total operating income .....	45.9	39.9	5.2	9.0	<b>100.0</b>
Net income <sup>(2)</sup> .....	38.2	52.6	5.1	4.1	<b>100.0</b>

Note:

(1) Income for the period before zakat and income tax.

(2) Net income for the year before zakat and income tax.

## Retail

### Overview

The Bank's retail banking business, which is headed by the CEO of Retail Banking and accounted for 47.0 per cent. of the Group's total operating income and 39.8 per cent. of its income before zakat and income tax in the nine months ended 30 September 2024, comprises:

- consumer banking, which delivers sales and services through the branch network, manages the complete product suite of liabilities, provides residential finance, personal finance, cards and auto lease services, and delivers banking services to business banking customers;
- high net worth banking, which delivers sales and services, including advisory services, to private banking and affluent banking customers; and
- QuickPay, which delivers remittance banking services largely targeting the expatriate market.

These operational businesses are supported by a retail operations unit that manages the delivery of product fulfilment, customer care, collections and operational administration, and a retail strategy and analytics unit that enables all retail businesses with strategy development, marketing services, sales analytics and customer analytics.

The Bank conducts almost all its financial transactions with its retail customers through the following alternative distribution channels: ATMs, telephone and internet banking, mobile phone systems, and smartphone and tablet applications. These channels enable the Bank to deliver many of its products in a more secure, cost-effective and user-friendly manner, often using the customer's own hardware.

Personal banking is highly competitive in the Kingdom, with the Bank's main competitors being Al Rajhi Bank, Bank Albilad, Saudi Awwal Bank and Riyad Bank. The Bank distinguishes itself from its competitors through its reach, product development expertise, solid balance sheet, brand value, customer loyalty and holistic approach to providing banking services across all client segments and businesses. As at 30 June 2024, the Bank was the second largest local bank in the Kingdom in terms of consumer financing (source: published financial statements of all local banks in the Kingdom), with a market share of 29.17 per cent.

### *Consumer and business banking*

The Bank's consumer and business banking customers are served through its branch network and alternative channels. As at 30 September 2024, the Bank had the second largest banking branch network in the Kingdom at 482 branches. The Bank aims to achieve a fully Islamic retail bank by focusing on migrating conventional products to Islamic alternatives.

The Bank offers a broad suite of consumer banking products to customers through both its branches and partnership channels. The key products offered are:

- personal loans, principally payroll loans which are loans that are secured by an assignment of the borrower's salary, with loan repayments being deducted directly from periodic salary payments;
- deposit solutions, including savings accounts, time deposits and structured deposits;
- credit and pre-pay cards, which comprise both conventional and *Shari'a*-compliant cards, with loyalty features designed to attract and retain customers (including air-miles rewards and cash-back rewards). The cards offered include the Alfursan Visa credit card as well as the full range of classic, gold, titanium and platinum cards (which are offered in partnership with Mastercard). Customers can also take advantage of pre-pay cards (to which users can credit funds and which can then be used at ATMs or POS terminals without the need for an account with the Bank);
- residential finance, which is offered through mortgage specialists at the Bank's branches. A full range of product solutions is offered, which includes murabaha, ijara, equity release, multi-family dwelling, near-completion projects, construction finance, off-plan finance and "land loan" finance. The Bank aims to grow its market share in real estate financing through an emphasis on customer-focused mortgage planning (which involves guiding customers through the mortgage and lending process) and partnerships with property brokers and developers; and
- leasing, which is an ijara-based facility provided to individuals buying passenger vehicles. This involves the Bank, at the request of the customer, acquiring a car of the customer's choice and leasing it to the customer for a maximum period of five years. The Bank has representatives in the showrooms of all leading automobile dealers in the Kingdom and works collaboratively with automobile dealers on joint marketing initiatives.

The Bank offers business banking services to clients owning a micro or small business with a turnover up to SAR 40 million per year ("SMEs"). These clients are served by relationship managers operating within the branch network providing a full suite of products, including current accounts, digital banking, Saudi government-backed financing for SMEs under the Kafala programme, cash management and trade finance, to assist them in running their businesses.

The Bank also offers card-acquiring facilities to a significant number of merchants.

### *High net worth banking*

The Bank's high net worth customers include both private banking customers (those with personal financial assets of greater than SAR 5 million) and affluent banking customers (those with personal financial assets of between SAR 100,000 and SAR 5 million or with a salary of SAR 20,000 or greater per month).

The private banking service leverages the expertise of the Group to develop a strategy tailored to the clients' specific requirements and banking needs.

The Bank offers its private banking clients borrowing solutions against their investments, specialised treasury products, time deposit account options, exclusive debit cards, credit facilities, professional trading facilities for



local shares and sophisticated deposit and hedging solutions. All private banking customers are also provided with a dedicated relationship manager and a wealth manager.

The Bank also utilises its strong relationships with private banking customers to cross-sell other Group products, in particular treasury and SNB Capital products. Through SNB Capital, wealth managers provide clients with a range of services such as financial planning, investment advice, asset allocation, comprehensive portfolio management and retirement planning. In addition, personal relationship managers are assigned to private banking customers to manage individual portfolios and provide clients with one-to-one support.

The Bank's affluent banking programme provides qualifying retail customers with priority services in the "Wessam Lounges", an exclusive lounge within the majority of the Bank's branches. The "Wessam Program" provides affluent banking customers with a personalised service and offers exclusive privileges to its members, who are classified as either platinum or gold status. These include the service of dedicated tellers, merchant offerings or the waiver of banking transaction fees (100 per cent. for platinum members and 50 per cent. for gold members), exclusive fees-free credit cards and dedicated relationship managers who can also be reached through the Bank's digital channels and wealth managers.

Products targeted to affluent banking customers include credit cards, takaful insurance, mutual funds, residential mortgage financing and auto leasing. These products and services are provided by dedicated relationship managers, who cater to the customer's overall personal banking and investment needs.

#### *QuickPay*

QuickPay serves the remittance needs of the Kingdom's large expatriate labour market. As at 30 September 2024, the Bank had 95 QuickPay remittance centres, which represented a market share of 17.42 per cent. of the distribution market in the Kingdom and served a total of over 1.1 million active customers. These remittance centres are a vital channel for the Bank through which customers, particularly expatriate workers, can remit funds overseas, thereby providing financial services to a previously under-served segment.

### **Wholesale**

#### *Overview*

The Bank's wholesale business, which accounted for 41.1 per cent. of the Group's total operating income and 52.4 per cent. of its income before zakat and income tax in the nine months ended 30 September 2024, comprises two coverage areas: Corporate Banking Group and Group Treasury. The Corporate Banking Group covers, among others, the global corporates division, the large corporates division, the corporate banking division, the commercial banking division and the corporate finance division. The Corporate Banking Group also covers financial institutions clients, public sector (comprising government and quasi-government entities) and certain international branches. Group Treasury undertakes the asset and liability management and manages the Group's liquidity and regulatory ratios and covers global markets and certain international branches. The principal strategies team under Group Treasury continues to manage the fixed-income investment portfolio while the private markets team under Group Treasury manages the equity investments in funds portfolio.

The wholesale business services more than 11,000 corporate customers across various sectors and has four dedicated corporate service centres in Jeddah, Riyadh and Dammam, which are designed as "one-stop" service centres and aim to provide a superior quality of service to the Bank's corporate customers across the Kingdom.

The Bank's wholesale business aims to be the preferred provider of financial solutions to its clients. Its strategy for expansion is to provide its corporate clients with the full range of financial products and services and to attract and develop new customer relationships from targeted market segments, as well as to enhance relationships with existing customers. The strategy aims to increase market share by focusing on all the three

major regions (central, western and eastern) of the Kingdom. Target customers are determined by the type of company, industry in which it operates, potential fee income and perceived risk.

### ***Corporate Banking Group***

The Corporate Banking Group consists of, amongst others, the following:

#### *Global corporates, large corporates and corporate finance*

Global corporates division: The global corporates division services selected clients that generate sales turnover of SAR 800 million and above. Reflecting the Bank's value-focused strategy, this division services the Bank's top 50 to 70 clients with the objective of being closer to the customer through relationship managers dedicated to each customer. This division offers a wide range of corporate banking services, as well as trade finance and global market services (both conventional and *Shari'a*-compliant solutions).

Large corporates division: The large corporates division services remaining clients that generate sales turnover of SAR 800 million and above. This division offers a wide range of corporate banking services, as well as trade finance and global market services (both conventional and *Shari'a*-compliant solutions).

Corporate finance: The corporate finance division offers clients specialised financing products. Through its corporate finance division, the Corporate Banking Group is also active in domestic project finance, participates in Government oil, petrochemical, power, mining and water-related projects and actively leads and arranges large corporate and contractor financing transactions in the Kingdom with other banks.

The Bank offers a comprehensive suite of products to its global corporate and large corporate customers, including deposit taking, overdraft facilities, term loans, participation loans, securitised loans, bills discounting, commodity sales, cash management and risk management solutions. It also offers a range of *Shari'a*-compliant products and has enlisted the services of product development specialists to focus specifically on *Shari'a*-compliant product development.

#### *Corporate banking and commercial banking*

Corporate banking: The corporate banking division services medium and large corporate clients that generate an annual sales turnover between SAR 200 million and SAR 800 million. This division principally offers *Shari'a*-compliant products and services (including *Shari'a*-compliant business banking, murabaha, musharaka, ijara and tawarruq), cash management, structured finance and trade finance solutions to its approximately 880 customers. It also offers dividend distribution, business-to-business solutions, escrow and cash collection services and a payroll and card service.

Commercial banking: The commercial banking division provides coverage to clients that generate sales turnover between SAR 40 million and SAR 200 million. This division services approximately 1,518 customers. Its financing options include funded and non-funded facilities as well as cash management and treasury products. Tayseer AlAhli is the funding product used to finance working capital and capital expenditure needs. A variety of trade products are also offered to customers of this unit, such as standby LCs, documentary LCs and all types of letters of guarantee. Cash management products (point of sale, dividend distribution and SWIFT services) and global market products (interest rate and foreign currency hedging and structured deposits) are also available.

The corporate banking and commercial banking divisions also manage the Bank's existing and prospective impaired corporate loans and work closely with corporate customers that have financial, operational or other business difficulties to find solutions that best protect the Bank's exposure while helping the client overcome financial difficulties.

The Bank is a leading lender through the Government's Kafala loan guarantee programme, a collaboration between the Ministry of Finance, represented by the Saudi Industrial Development Fund, and banks in the Kingdom, which aims to promote financing to SMEs within the Kingdom (the "**Kafala Programme**"). Through the Kafala Programme, banks offering finance to customers of up to SAR 15 million receive a guarantee from the Kafala Programme, covering up to 90 per cent. of the financing amount. As at 30 September 2024, the Bank had provided approximately 90 per cent. of the total Kafala funds outstanding.

#### *Financial Institutions, Public Sector and certain international branches*

Financial institutions: The financial institutions division provides coverage to approximately 761 banking and non-banking financial institutions .

Public sector: The public sector division provides coverage to more than 3,009 public sector entities, including Government and quasi-Government entities.

The Corporate Banking Group also manages certain of the Bank's international branches and, along with Group Treasury, is responsible for delivering the Bank's strategy of servicing its clients overseas and exposing the Bank to international depositors to strengthen its liability base. Additionally, the Corporate Banking Group is responsible for:

- establishing and maintaining the Bank's relationships with a wide network of regional and global banks, offering a full range of products and services including payments, trade finance and treasury activities; and
- managing the Bank's international branch in the UAE.

#### *Global transaction banking*

The global transaction banking product area provides the Bank's wholesale customers with tailored products and services, which include (a) payments, collections and cash management solutions, mainly through electronic channels and (b) trade finance responsibilities that look after clients' overall trade utilisation. Global transaction banking also offers these services through the Bank's corporate service centres. The product area is also responsible for digital innovation for corporate and public sector clients.

#### *Group Treasury*

The Bank's Group Treasury product area is responsible for:

- managing the Bank's liquidity and ensuring that the Bank can meet its financial obligations at all times. This includes overseeing all liquidity sources, pricing and managing short-term and long-term funding and ensuring the Bank's compliance with applicable regulatory ratios and limits;
- managing the Bank's fixed income and equity investment portfolios. To do this, it provides superior asset allocation, balance sheet optimisation and direct investment management expertise and seeks to protect the Bank's balance sheet from abnormal profit rate movements, enhance yields/income and contribute to the maintenance of adequate liquidity coverage within defined risk limits; and
- managing the Bank's international branches in Bahrain and Singapore and its representative offices in Seoul and Shanghai.

Group Treasury manages the Bank's liquidity and funding operations in accordance with pre-determined limits set by the asset and liability committee (the "**ALCO**") in relation to net outflows, stress scenarios, projected cash flows, and regulatory liquidity ratios. The stability and behaviour of the Bank's deposit base is analysed by its risk group (see further "*Risk Management*") using historical and simulated data and statistical interval analysis. The results of such analyses, the Bank's funding limits, potential funding issues and pricing history

and mechanics are discussed by the ALCO. Any changes to pricing strategy and environment are communicated to the ALCO through the head of Group Treasury.

The Bank's excess liquidity is deployed in investment portfolios, primarily in high quality liquid assets and in other asset classes in line with the overall risk appetite with an objective to achieve the targeted risk-adjusted return while complying with risk management requirements approved by the Bank's board of directors (the "**Board**"). The Bank's Risk Group closely monitors the investment portfolios to ensure compliance with risk limits.

Group Treasury has an established limit structure, which includes sophisticated risk management and measurement tools such as Murex and Moody's systems, which consolidate credit, price and liquidity risk limit information and manage the data in real-time across all instrument types, thereby enabling risk managers to exercise real-time oversight and control of credit and market risk exposures.

### *Global markets*

The global markets trading team provides solutions, pricing and execution of commission rate derivative products at the request of clients. It provides competitive market quotes for banks and financial institutions within defined profit and risk parameters. It also analyses the client's commission rate exposure and provides case-by-case solutions. Further, it manages the commission rate trading book by trading on a proprietary basis while applying rigorous risk management techniques to efficiently absorb the flow and generate the required profitability. The team also provides solutions, pricing and execution of vanilla commodities products, including spot, swaps and forwards, and manages all market risk associated with commodities transactions. It also executes clients' orders, analyses clients' requirements in relation to physical commodities and ensures that clients' needs are met.

Global markets also designs standard and customised *Shari'a*-compliant structured products (including approved Islamic alternatives) for the Bank's client base. Any risks to which the Bank may be exposed in connection with offering these products are hedged by Group treasury.

Global markets also aims to execute its foreign exchange trading business in a profitable and efficient manner by adding value to the execution service through proprietary trading that is accompanied by strict controls. It also manages the Bank's foreign exchange exposures by ensuring sufficient banknotes are available to meet client demands.

### **Capital Markets (via SNB Capital)**

SNB Capital is the Kingdom's largest investment bank in terms of revenue and the MENA region's largest asset manager in terms of assets under management. The Capital Markets segment accounted for 7.1 per cent. of the Group's total operating income and 8.1 per cent. of its income before zakat and income tax in the nine months ended 30 September 2024.

SNB Capital is licensed by the CMA to carry out dealing, as principal and agent, as well as underwriting, managing, arranging, advising and custody services, with respect to securities. Its head office is in Riyadh.

SNB Capital's paid-up capital is SAR 1 billion and it is a wholly-owned subsidiary of the Bank.

SNB Capital operates five business lines: Asset Management, Wealth Management, Investment Banking, Securities and Principal Investments.

### *Asset Management*

The Asset Management business is responsible for launching and managing *Shari'a*-compliant and conventional mutual funds, closed-ended funds and separately managed accounts across the following asset classes: money market and fixed income, local and international equities, multi-asset, and alternatives

(including private equity, real estate and private credit). As at 30 September 2024, SNB Capital's client assets under management stood at SAR 247.7 billion of assets.

#### *Wealth Management*

The Wealth Management business serves SNB Capital's increasingly sophisticated institutional, high net worth, affluent and retail clients, offering them investment advisory services, as well as access to SNB Capital's market-leading asset management offerings. In addition, the Wealth Management business also offers employee savings programmes to the Kingdom's leading public and private sector employers, positioning SNB Capital as the Kingdom's largest employee savings fiduciary/provider.

#### *Investment Banking*

The Investment Banking business offers public and private sector clients the full range of investment banking services, including equity capital markets (such as initial public offerings, rights issues and private placements), debt capital markets, mergers and acquisitions and debt advisory services.

#### *Securities*

The Securities business offers local and international cash and margin brokerage services through multiple trading channels to SNB Capital's institutional, high net worth, affluent and retail clients. In addition, the Securities business also offers on-the-ground equity research coverage of a broad range of sectors, local and global custody and other market-leading securities services, including employee share plan programmes. As at 30 September 2024, SNB Capital was the Kingdom's largest broker by market share, with a market share of 19.537 per cent. based on Tadawul's data.

#### *Principal Investments*

The Principal Investments business is responsible for managing SNB Capital's liquidity (in line with its business requirements and applicable regulations) and investments (across a broad range of asset classes). In addition to delivering appropriate risk-adjusted returns, the Principal Investments business is also responsible for providing for the funding requirements of SNB Capital's different business lines as needed.

### **International**

The international business principally comprises the Bank's majority investments in two banks: TFKB in Turkey and SBL in Pakistan. The International segment accounted for 4.7 per cent. of the Group's total operating income and minus 0.3 per cent. of its income before zakat and income tax in the nine months ended 30 September 2024.

#### *Türkiye Finans Katılım Bankası A.Ş., Turkey*

The Bank has a 67.03 per cent. shareholding in TFKB, a Turkish participation (or *Shari'a*-compliant) bank, which operates by attracting current accounts and profit-sharing investment accounts. It provides those funds to retail and corporate clients in the form of *Shari'a*-compliant finance, lease and profit/loss sharing partnerships.

TFKB's key strategic objective is to improve productivity, grow Turkish lira deposits, increase the share of retail banking in its total loan book and expedite its digital transformation programme, which includes the expansion and improvement of digital capabilities and digital channels to meet customer needs, strengthen the bank's liquidity profile, diversify its funding structure, strengthen underwriting, improve collections and increase automation. TFKB had 292 branches in Turkey as at 30 September 2024 and its alternative distribution channels include ATMs, POS, telephone banking and online banking.

TFKB is the fifth largest participation bank in Turkey and the fifteenth largest bank in Turkey based on total assets as at 30 June 2024.

As at 30 September 2024, TFKB's total assets amounted to TRY 277.4 billion (SAR 30.4 billion) and its net loss for the nine months ended 30 September 2024 was TRY 1.7 billion (SAR 195 million).

#### *Samba Bank Limited, Pakistan*

The Bank has an 84.51 per cent. shareholding in SBL. SBL principally offers its customers corporate and investment banking, retail banking and commercial banking services from its network of 47 branches across Pakistan and through a range of electronic channels. Products offered include a range of financing and deposits, cash management and investment banking solutions. SBL also undertakes treasury operations, such as foreign exchange, fixed income and equities trading.

As at 30 September 2024, SBL's total assets amounted to PKR 175.6 billion (SAR 2.4 billion) and its net income after tax for the nine months ended 30 September 2024 was PKR 766 million (SAR 10.8 million).

### **Subsidiaries**

In addition to TFKB, SBL and SNB Capital, the Bank has a number of other subsidiaries, of which the most significant is Real Estate Development Company ("REDCO"), which is wholly owned. REDCO's objectives primarily include (i) maintaining and managing asset and real estate transfers to the Bank and third parties as guarantees; (ii) purchasing, accepting and transferring properties; (iii) purchasing land and properties and investing in their development by selling and leasing on cash or instalment terms; (iv) real estate management and development; (v) accepting, discharging, effecting and executing mortgages and applying for discharge and acceptance of the mortgages; and (vi) purchasing and selling off-plan housing units and operating through residential financing.

### **Islamic banking**

#### **Shariah Committee**

The Shariah Committee functions as an independent body carrying out its duties under a mandate from the Board. The Shariah Committee is responsible for reviewing and approving each Islamic product and service presented to the Bank's customers in accordance with the Shariah Committee Charter. The Shariah Committee comprises prominent scholars in the fields of *Shari'a*, Islamic economics and applied aspects of modern Islamic banking and finance. See "*Management and employees*".

#### **Shari'a division**

The *Shari'a* division supports the Bank's objectives and plans to expand and increase the Islamic services and products provided to the Bank's customers. The *Shari'a* division also supervises and controls the Bank's Islamic banking business and aims to ensure full compliance with Islamic law, including by verifying the implementation of all the Shariah Committee's resolutions and requirements in all of the Bank's policies and procedures, product programmes, electronic systems and training programmes.

The *Shari'a* division supports working groups across the Bank which aim to create innovative Islamic products that satisfy the growing needs of the money market for new Islamic solutions. In addition, the *Shari'a* division supervises the issuance of *Shari'a*-compliant sukuk by reviewing and approving their structures, executing documents and the related policies and procedures and conducting periodic auditing to ensure the sukuk remain compatible with the *Shari'a* approvals.

Internationally, the *Shari'a* division co-operates with reputable legislative bodies and international organisations (including the Islamic Financial Services Board, the Accounting and Auditing Organisation for Islamic Financial Institutions, the International Islamic Financial Market and the General Council for Islamic Banks and Financial Institutions) interested in developing an appropriate Islamic banking environment by

assisting with the development of (i) the legislative environment, (ii) Islamic standards and (iii) liquidity and risk management products.

In addition, the Bank organises an annual symposium that discusses the future of Islamic banking with the participation of a group of *Shari'a* scholars, economists and Islamic banking experts as part of the Bank's strategy to develop and grow the Islamic banking industry. The 15th meeting of this symposium was held in 2023, hosting over 500 attendees.

### **Internal audit**

The Bank has an independent internal audit function (the “**Internal Audit Group**”), which reports directly to the audit committee of the Board (the “**Audit Committee**”). Its main role is to deliver independent, objective and value-added assurance and advisory services to enhance and protect the Bank's values.

The Internal Audit Group helps the Bank to accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The nature of the internal audit work encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Bank's corporate governance framework, risk management and system of internal controls as well as the quality of management actions and performance in carrying out their assigned responsibilities to achieve the Bank's stated goals and objectives. It also assesses and makes appropriate recommendations for improving the governance process and seeks to:

- promote appropriate ethics and values within the Bank;
- ensure effective organisational performance management and accountability;
- communicate risk and control information to appropriate areas of the Bank; and
- co-ordinate the activities of, and communicate information among, the Board, external and internal auditors and management.

The internal audit, subject to risk assessments, takes into account the need to provide the widest possible coverage of the Bank over a cycle of four years so as to ensure that a culture of organisational ethics, good governance, risk management and control is promoted and practised throughout the Bank. The internal audits cover all activities, departments and legal entities in the Bank and are risk-assessed periodically to determine the frequency and priority of the audits. The results of the audits, with detailed recommendations for improvements, are tracked to ensure full resolution. All significant and material findings from Internal Audit Group audits and corrective actions are reported to senior executive management and the Audit Committee.

The Internal Audit Group comprises six specialised divisions: Wholesale Banking Audit, Retail Banking Audit, Control and Support Services Audit, Technology Audit, Saudi Central Bank (SAMA) Audit and Audit Centre of Excellence which includes audit quality assurance. To ensure that the internal audit services are provided in a professional manner and in accordance with best international practices, the Internal Audit Group has adopted the International Professional Practices Framework (IPPF), issued by the Institute of Internal Auditors (the “**IIA**”).

The Internal Audit Group maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme includes both internal and external assessments. The external quality assessment is performed by an external independent body every five years. The Internal Audit Group was awarded ratings of “General Conformance” following an external assessment conducted by IIA Quality Services during 2019, with the next assessment planned for 2025. This is the top rating and means the assessor or assessment team has concluded that the relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the IIA Code of Ethics in all material respects.

## **Compliance**

The Bank defines compliance risks as risks that result in or lead to the application of regulatory, legal or administrative penalties, or incurring serious financial losses or damage to its reputation, as a result of its non-compliance with the rules and regulations and regulatory and ethical standards applicable to its banking activities.

The Bank's compliance function (the "**Compliance Group**") is an independent function at the first managerial level of executive management reporting directly to the Group Chief Executive Officer ("**GCEO**"). The role of the Compliance Group is to identify, evaluate, advise, monitor, train and report on the risks of non-compliance in the Bank related to its exposure to regulatory, legal or administrative penalties or financial losses or damage to its reputation because of its failure to comply with applicable rules, regulations and standards.

The Compliance Group manages the Bank's responsibilities towards combating money laundering and terrorist financing. It organises anti-money laundering and anti-terrorist financing training within the Bank, monitors and reports transactions, receives internal reports on suspicious activities and makes official reports on suspicious activities to SAMA and relevant law enforcement agencies.

The Bank has stringent customer identification policies which apply to all new customers and on an ongoing basis to existing customers. The Bank also uses reliable and independent sources to verify its customers' information.

The Bank screens its new and existing customers against international sanctions lists, including those of the United Nations and the U.S. Office of Foreign Assets Control, and local sanctions lists provided by SAMA. The Bank's sanctions compliance programme governs and informs all facets of the Bank's operations to ensure robust controlling measures. The programme creates a sanctions compliance framework to ensure compliance and effectively manage risk and it also addresses sanctions-related components of the Bank's policies and procedures.

In case of on-boarding and maintaining the relationship with local and foreign politically exposed persons or persons otherwise indicated as high risk, the Bank requires an approval from the GCEO or another authorised officer.

The Compliance Group manages the Bank's responsibilities towards financial fraud through fraud prevention and risk assessment and fraud detection policies and procedures, investigating and prosecuting fraud and social engineering cases, bribery and corruption cases and insider information cases, investigating personal account dealing, designating whistle blowing channels to receive reports from employees, customers, vendors and the public in relation to fraud and malpractice and organising anti-fraud awareness campaigns for both employees and customers.

The Compliance Group reports directly to the GCEO and has the right to directly reach the Board of Directors, its chairman and/or the Audit Committee, as and when necessary.

## **Information technology**

The Bank owns and operates two data centres, one in the Jeddah metropolitan area and one in King Abdullah Economic City, which contain operating equipment and systems in a climatically controlled environment. The two data centres are constantly monitored to ensure service availability and delivery according to the agreed service levels of the Bank.

In 2019, the Bank completed a comprehensive plan to further modernise its technology platform. It introduced a new core banking information system that replaced many of the Bank's existing software systems and provided a new foundation for the Bank's core banking needs. The new system allows for accelerated system growth and change and supports the Bank's entire core banking operations across all channels including



branches, ATMs and digital channels. In 2021, the Bank implemented a state-of-the-art data centre in King Abdullah Economic City.

The Bank places particular emphasis on data protection. For example, it encrypts data both at rest and during transmission while regulating data traffic using multi-layers of controls including firewalls to prevent system breaches. It employs dedicated controls against malicious activities, and ethical hacking is conducted on all new internet-based business applications and for subsequent changes. The Bank's IT infrastructure is backed up by its data centres. In addition, the Bank has built redundancy interruption and protection and recovery into its primary IT infrastructure with the use of automatic backup and mirroring facilities.

## RISK MANAGEMENT

### Risk governance

In line with Basel guidance, the Bank believes that effective risk management involves the strategic implementation of three lines of defence as the first principle of the risk management framework. The first line of defence is the business units which have primary responsibility for day-to-day risk management and internal controls. The second line of defence is the Risk Group, which partners with the business units to formulate the Bank's risk appetite and provides oversight support, monitoring and reporting. The third line of defence is the internal audit function which provides independent and objective assurance on the overall effectiveness of the Bank's risk governance framework.

Risk at the Bank is governed through the Board and its delegated committees, namely the Executive, Risk and Audit committees (see "*Management and employees—Corporate governance—Board committees*"). At the management level, the Risk Group is an independent control group headed by the Group Chief Risk Officer (the "**GCRO**"). The GCRO reports directly to the Group Chief Executive Officer (the "**GCEO**") and has direct engagement and interaction with the Board and its committees throughout the year. Further, the GCRO is the chairman of the management-level Operational Risk Committee and a member of the following management-level committees: Higher Management Committee, ALCO, Credit and Remedial Management Committee, Information Security Committee, Business Continuity Committee, Micro, Small and Medium Enterprises Committee and Anti-Fraud Governance Committee. The GCRO also acts as the Secretary to the Board Risk Committee.

The Board is constantly informed and updated regarding the risk status of the Bank through (i) quarterly risk reports submitted to the Board Risk Committee, which provide a concise overview of key regulatory ratios and thresholds, capital adequacy, asset quality and provision coverage, risk adjusted return, liquidity position of the Bank, market risk due to the trading activities, interest rate risk in the banking book, major operational risk incidents and mitigating actions, and an information security update, (ii) stress testing which is reported in the quarterly risk report and is part of the internal capital adequacy assessment process ("**ICAAP**") referred to below and (iii) the ICAAP (which conducts a risk assessment of the Bank on a forward looking basis based on the business plan and growth aspirations and provides a complete overview of existing capital adequacy and future capital requirements to the Board and the senior management, which aids the long-term capital management process in the Bank) and the internal liquidity adequacy assessment processes (which documents the Bank's liquidity risk management framework, including identifying the critical liquidity and funding risks to which the Bank is exposed, explaining how these risks are identified, monitored and measured, and describing the approaches and resources used to manage and mitigate these risks).

The Bank, through the risk governance arrangements and organisational structure described below, manages its major risks through well-established processes, policies, and tools that meet applicable regulatory requirements and are in line with industry best practice.

### Risk organisational structure

The organisational structure of the Risk Group is built around its responsibilities of managing different types of risks, including credit, market, liquidity, information security and operational risks. Each risk management activity is governed by a specific policy to assess and control the risks. The Risk Group comprises six divisions: Retail Risk Management, Wholesale Credit Risk Management, Enterprise Risk Management, Treasury Risk Management, Information Security Management and Operational Risk Management. The Risk Group operates closely with all the core functions of the Bank to ensure overall risk governance. Risk management is ensured through management and Board level committees and aims to ensure that the Bank acquires assets with an

acceptable risk-return profile in the interest of generating sustainable earnings, whilst maintaining healthy capital adequacy and liquidity to secure a strong credit rating.

### **Retail Risk Management division**

The Retail Risk Management division comprises four departments:

- two separate Credit Policy departments, for the secured and unsecured portfolios, respectively, with the secured department covering residential finance and auto-leases, and the unsecured department covering personal finance, credit cards and business banking. These departments develop and enforce credit policies to manage risks in retail finance, ensuring that lending practices align with the Bank's strategic goals and regulatory requirements to enhance profitable portfolio growth. The departments proactively design policies to minimise potential risks while maintaining the Bank's competitive edge;
- the Portfolio & Strategy department, which has three segments: portfolio management, collection strategies and analytics, and employer relationships. The department leads the integration and optimisation of risk management strategies across all retail lending portfolios, utilising advanced analytics and artificial intelligence to enhance decision-making and portfolio performance. It focuses on developing risk analyses and monitoring frameworks for the credit initiation and collection stages, facilitating the tailored adjustment of credit policies, and providing strategic guidance to exceed financial targets in collections while insuring the portfolio is behaving within the approved risk appetite; and
- the Quality and Governance department, which has two segments: quality and governance. The department aims to ensure the highest standards of quality and governance in retail risk processes, maintains compliance with all regulatory requirements and internal policies and strengthens the risk control functions by conducting periodic reviews to ensure the proper implementation of policies and compliance with approved programmes lending risk acceptance criteria.

### **Wholesale Risk Management division**

The Wholesale Risk Management division comprises the following departments:

#### *Wholesale Credit Risk Management department*

Wholesale credit risk is the risk that a customer or counterparty of the Bank fails to meet its obligations under the relevant agreed terms causing the Bank to incur a financial loss. The Bank manages credit exposure relating to its wholesale financing and investment activities by monitoring credit limits, entering collateral arrangements with customers and counterparties in appropriate circumstances and by managing duration and exposure limits.

#### *Wholesale Credit Policy and Controls department*

The Wholesale Credit Policy and Controls department ensures that appropriate credit policies are maintained at a high level of standards and applied consistently across the Group, works closely with business units on amendments to, and adoption of new, credit policies and ensures the full understanding and proper implementation of these policies. The Early Warning Signals unit is a dedicated unit within the Wholesale Credit Policy and Controls department and aims to enhance the existing monitoring and reporting activities carried out by the business and risk functions by providing the business and risk personnel managing an account with the insights generated from early warning signals. The Bank believes that the sooner a problem is identified, the more effective its existing monitoring and classification process will be in employing corrective action measures and managing the potential risks.

The early warning signals framework seeks to support the Bank's existing credit monitoring and classification process to enable the Bank to identify customers with potential or emerging credit deterioration. It is an internal

tool for the Bank to pro-actively monitor its portfolio and discreetly approach the borrower to help remediate potential credit concerns.

### **Enterprise Risk Management division**

Enterprise risk management is an overarching function within the Risk Group and the Enterprise Risk Management division is responsible for Bank-wide independent risk management practice. Its functions are discussed in more detail under “*Enterprise risk management*” below.

### **Treasury Risk Management division**

Market risk is the risk that changes in market prices, such as special commission rate, credit spreads (not relating to changes in the obligor’s credit standing), equity and commodity prices and foreign exchange rates, will affect the Bank’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Bank’s exposure to market risk is governed by risk management policies, which define the limits which the Bank should maintain for its investment and trading portfolios.

The Treasury Risk Management division mainly manages, monitors, measures, analyses and reports market risks related to investments and proprietary trading book positions covering interest rate, foreign exchange, equities and commodities related instruments.

It is also responsible for monitoring and overseeing the Bank’s ALM risk and treasury middle office functions, including funding instruments and the Bank’s hedging strategies. The Treasury Risk Management division also monitors private markets, hedge funds and the Bank’s collective investment portfolios. The risks arising from these instruments are managed and mitigated by adherence to the investment portfolio plan and risk limits and guidelines approved by the Board in line with the Bank’s risk appetite. In addition, this division ensures compliance with both internal and regulatory requirements with respect to market and liquidity risks and related reporting requirements.

### **Information Security Management division**

The Information Security Management division is responsible for the establishment and ongoing management of the Bank’s information security policies, which set out how the Bank protects its information technology assets from attack and misuse. It manages the education and mentoring of the Bank’s staff to train them in safe information security practices and the external partners engaged by the Bank to monitor global information security threats. See further “*Information security management*” below.

### **Operational Risk Management division**

The Operational Risk Management division seeks to ensure that operational losses do not cause material damage to the Bank. Operational risk exposures are managed through a consistent management process that drives risk identification, assessment, control, and monitoring. See further “*Operational risk*” below.

### **Credit risk management**

Credit risk is the risk that a customer or counterparty of the Group fails to meet its obligations in accordance with the relevant agreed terms causing the Group to incur a financial loss. The Group’s credit exposures arise principally in credit-related risk that is embedded in financing and advances and investments, but also in off-balance sheet financial instruments, such as trade-finance related products, derivatives and financing commitments.

The Group seeks to manage credit exposure relating to its financing activities by monitoring credit limits, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group’s risk management policies are designed to identify risks and to set appropriate risk

limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on a daily basis. The Group also manages its credit risk exposure through the diversification of financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. It takes security when appropriate and seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant financing and advances. The Group monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement and Group's policy.

The Group seeks to manage the credit exposure relating to its trading activities by monitoring credit limits, entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation and the Group assesses counterparties using the same techniques as for its financing activities to control the level of credit risk taken.

### **Credit risk governance**

Credit risk is managed through a Board-approved framework of policies and procedures covering the approval, measurement and management of credit risk. All credit limits are approved within a defined credit approval authority framework. The Bank manages its credit exposures following the principle of diversification across products, country limits, industries, client and customer segments, and through continuous assessment of the counterparties' creditworthiness.

- **Wholesale credit** - The wholesale credit risk function principally comprises (i) undertaking independent reviews and approval of corporate credit proposals and (ii) developing and maintaining the Bank's credit policy. The wholesale credit risk function, led by the Head of Wholesale Credit Risk, includes senior credit officers based regionally with industry specialisations. These senior officers fulfil an essential role in the risk approval and control process given their expertise and independence from business line management. They objectively scrutinise and approve credit proposals within limits set by the Bank's credit policy. The approval of the Executive Committee and/or the Board is required to extend facilities to customers above certain risk-based thresholds and to fulfil certain governance requirements.
- **Retail credit** - The retail risk function is led by the Head of Retail Risk Management who, with the support of a team of four department heads (being the heads of the secured credit policy, the unsecured credit policy, portfolio and strategy and quality and governance departments), manages the overall risk profile of the retail finance business..

### **Credit risk policy standards**

The Bank has two main credit risk management policies:

#### ***Wholesale credit policy manual***

The wholesale credit policy manual covers core credit policies for identifying, measuring, approving, managing and reporting credit risk, including Islamic banking risks, in the wholesale bank business. In addition, within the wholesale credit policy manual, the specialised corporate banking credit policy manual covers:

- credit programmes used to approve a series of credit proposals where the facility type and associated risks are homogenous in character or for transaction types that require a specific set of target markets or risk acceptance criteria, such as real estate financing and project finance; and

- credit procedures which are mainly addressed through credit bulletins and appendices approved by the Head of Wholesale Credit Risk when the processes are substantially controlled by Wholesale Risk Management. Procedures that are substantially controlled by other business or support units are written by those units and reviewed by other stakeholders, including Wholesale Credit Risk Management.

Under the wholesale credit policy manual, the financial institutions credit policy is a specialised policy designed to be consistent with sound and prudent bank lending practices in use elsewhere in the world. The manual's purpose is to provide all personnel with a comprehensive understanding of how credit to financial institutions and countries' respective government entities/sovereign exposure is to be extended by the Bank.

### ***Retail credit policies***

The retail credit policies comprise the following:

- the retail credit policy is the core credit policy for identifying, measuring, approving and reporting credit risk for the retail financing portfolio. It provides the definition of processes covered by policy documents, broad process descriptions and responsibilities, and the definition of risk measurement and credit decision-making approaches (for example, scoring). It also includes the discretionary credit authorities granted to senior risk officers for credit decision making. The retail credit policy is owned by the Retail Risk Management division and approved by the Board;
- the credit policy manual defines detailed credit policies for auto leases, credit cards, personal finance, and residential finance at the product level, including authorities at the operational level, product level portfolio management and processes, risk acceptance criteria and score cut-offs. The development, approval and custodianship of the credit policy manual remains with the Retail Risk Management division. Any amendment to, or addition of, policies is communicated through credit bulletins to all stakeholders and incorporated in the credit policy manual on its annual revision. The credit policy manual is approved annually upon expiry; and
- the retail finance collections policy defines the collections policies, strategies and governance covering both the collections and recovery functions. Collections and recoveries functions are considered to be essential to consumer finance operations because they are crucial in preserving the quality of the retail asset portfolio, controlling past-due bucket inventories, and minimising credit losses. The policy covers the collections strategy and guidelines from early- to late-stage collections and post write-off recovery. It also covers the tracking mechanism and dashboard required to measure the effectiveness and efficiency of the collections processes and outlines the delegation of authority granted to the Collections Head for activity-based discretionary authority through an authority matrix, financial concessions through negotiated settlement discounts, and re-aging and forbearance schemes. The document also sets the governance framework to manage third-party collections agencies through the Bank's various units and departments.

### **Credit risk assessment and monitoring tools**

The table below shows the Bank's maximum exposure to credit risk without taking account of any collateral or other credit enhancements as at 31 December in each of 2023 and 2022.

	As at 31 December 2023	As at 31 December 2022
	(SAR million)	
Due from banks and other financial institutions, net.....	34,563	16,497

	As at 31 December 2023	As at 31 December 2022
Investments.....	239,665	230,659
Financing and advances, net.....	601,527	545,311
Other assets – margin deposits against derivatives and repos.....	2,775	3,557
<b>Total assets</b> .....	<b>878,531</b>	<b>796,024</b>
Contingent liabilities and commitments, net.....	96,749	88,671
Derivatives – positive fair value of derivatives, net.....	21,304	20,574
<b>Total maximum credit exposure</b> .....	<b>996,584</b>	<b>905,270</b>

The Bank strives to maintain the credit quality of its financing assets through effective risk management practices to manage loss provisioning, defaults and write-offs which, in turn, help the Bank to achieve its financial targets within the overall strategy. The Bank has distinct risk assessment and monitoring tools both for corporate and retail risk management. The key features of the credit risk assessment and monitoring tools are:

- **target market and risk acceptance criteria:** When originating a credit relationship and during regular reviews of the relationship, the Bank sets a carefully screened target market and an appropriate set of risk acceptance criteria to determine the type of client/segment and type of exposure. The principle of overall risk acceptance considers, among other things, two important risk factors, namely (i) macroeconomic risk (which is carefully assessed through the annual review of industry trends and short and medium term impact assessments are also conducted by the Bank’s economics department) and (ii) concentration risk, which is relevant in the corporate credit portfolio and is managed through specific guidelines that focus on maintaining a diversified portfolio to avoid excessive concentration of risk implemented through customer and sector limit structures. The Bank’s risk and business functions conduct alignment review sessions to continuously monitor the portfolio and segment limits and concentrations. Further, all interrelated companies controlled by the same management and/or ownership structure are treated as one entity/group;
- **monitoring and early warning:** The Bank’s exposures are continuously monitored through a set of triggers and early-warning signals aimed at detecting adverse symptoms that could result in deterioration of credit risk quality. The triggers and early-warning systems are supplemented by facility utilisation and collateral valuation monitoring together with market intelligence to enable timely corrective action by management;
- **risk assessment tools:** These are used to measure and manage the risk in all the Bank’s portfolios. Exposures to both corporate and retail customers are subject to risk rating models and scorecards which have been developed by the Bank independently. Corporate relationships are assessed by using the obligor risk rating models and scorecards, while retail customers are assessed by employing both application and behavioural scorecards. For investments and financial institutions, the Bank employs external ratings provided by S&P, Moody’s and Fitch. In addition to the rating models and scorecards, the Bank has also implemented loss given default models both for corporate and retail; and
- **risk-based pricing:** The Bank has implemented risk-adjusted return on capital (“**RAROC**”) as an important assessment tool. Particularly for corporate financing, the relationship RAROC is estimated at origination and forms a part of the credit evaluation. In addition, on an ex-post basis, the relationship

RAROC is measured and communicated to all relationship managers to help them assess their respective clients on an ongoing basis.

See note 33.2(a) to the 2023 Financial Statements for tables that set out information about the credit quality of the Bank's financial assets measured at amortised cost and FVOCI debt investments as at 31 December in each of 2023 and 2022. In addition, the same note contains tables analysing the ageing of the Bank's performing financing and advances as at the same dates.

### **Credit risk mitigation**

The Bank uses a wide variety of techniques to optimise the credit risk on its lending. One important credit risk mitigation technique is accepting guarantees and collateral with the appropriate coverage.

The Bank ensures that its collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depend on the nature of the collateral involved. The types of collateral that are acceptable to the Bank include time and other cash deposits, financial guarantees, equities, real estate, other fixed assets and salary assignment in the case of individuals.

The Bank's collateral is held mainly against commercial and individual financings and is managed against relevant exposures at its net realisable values. The Bank monitors the market value of its collateral and requests additional collateral in accordance with the underlying agreements. Whenever possible, financings are secured by acceptable forms of collateral to mitigate credit risk.

The Bank's policy is to lend against the cash flow of an operating commercial entity as the first and primary source of repayment. Collateral and guarantees provided by the customer are considered only as a secondary source for repayment.

### **Management of restructured exposures**

As part of its ongoing credit risk management, the Bank has adopted restructuring as a remedial management tool to manage clients that are experiencing difficulties in meeting their financial commitments. The Bank manages its restructuring activities through Board-approved policy standards.

A restructuring or forbearance occurs on a transactional basis when:

- a counterparty is experiencing financial difficulties in meeting its financial commitments; and
- the Bank grants a concession that it would not otherwise consider.

The following circumstances qualify as financial difficulties that could potentially trigger a restructuring:

- the counterparty is currently past due on any of its material exposures;
- the counterparty is not currently past due, but it is more probable that the counterparty will be past due on any of its material exposures in the foreseeable future without the concession;
- the counterparty's outstanding securities have been delisted;
- the Bank forecasts that all the counterparty's committed/available cash flows will be insufficient to service all of its loans or debt securities;
- the counterparty is in non-performing status or would be categorised as non-performing without the concession; and
- the counterparty cannot obtain funds from other sources.



Concessions are special contractual terms and conditions provided by the Bank to a counterparty facing financial difficulties. The main characteristic of these concessions is that the Bank would not extend loans or grant commitments to the counterparty on such terms and conditions under normal market conditions. When a borrower is assessed as experiencing financial difficulties, examples of potential concessions are:

- extending the loan term/tenor;
- rescheduling the due dates of principal or interest/profit payments;
- granting new or additional periods of non-payment (grace period);
- reducing the interest rate, resulting in an effective interest rate below the current interest rate that counterparties with similar risk characteristics could obtain from the Bank or other institutions in the market;
- capitalising arrears;
- forgiving, deferring or postponing principal, interest or relevant fees;
- changing an amortising loan to an interest payment only loan;
- releasing collateral or accepting lower levels of collateralisation;
- allowing the conversion of debt to equity of the counterparty;
- deferring recovery/collection actions for extended periods of time; and
- easing of covenants.

The following policy rules generally apply with respect to restructurings:

- the restructuring may apply to single payment or multiple payment obligations being extended for more than 90 days beyond the maximum period approved for the facility;
- the restructuring requires the approval of senior credit officers, corporate region heads, and business division heads as per the policy defined approval matrix;
- a formal assessment of the performance standing of the obligation/obligor should be completed and signed by the approvers; and
- in the case of a non-performing financing, the restructuring does not automatically ensure an upward reclassification, which should only be made if and when there is sufficient evidence of adherence to the payment terms of the restructuring agreement. Such evidence would include at least 12 months of timely repayments of both principal and commission/interest under the restructuring agreement.

### **Classification of financings and advances**

Credit classifications are standard categories that indicate the degree of risk in individual credit exposures. The purpose of the classification process is to establish a consistent approach to problem recognition, labelling, remediation, and the setting of provisions for credit exposures that are managed on a judgmental basis. All obligors are classified into five categories. Each category implies a certain level of severity of the credit position and risk to the Bank's capital.

The Bank has adopted SAMA definitions of these categories to communicate classification categories to internal and external parties. The starting two categories, which are Standard and Special Mention, are for performing loans/assets, while the remaining three categories, Substandard, Doubtful and Loss, are against non-performing

exposures. For information on the Group's performing and non-performing financing and advances as at 31 December in each of 2023 and 2022, see note 7.1 to the 2023 Financial Statements.

The definitions of each category are:

***Standard – No Evidence of Weakness***

Loans/assets in this category are performing and have sound fundamental characteristics such as the borrower's overall financial conditions, resources and cash flows, credit history and primary or secondary sources of repayment. The Standard classification should be given to all loans that exhibit neither actual nor potential weaknesses. Standard loans/assets are considered as "performing" credits.

***Special Mention – Evidence of Weakness***

A Special Mention loan/asset is defined as having potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects for the loan/asset. These loans/assets are normally current and up to date in terms of principal and commission income payments.

***Substandard – Potential Loss***

Loans in this category have well-defined weaknesses, where the current financial soundness and paying capacity of the obligor is not assured. Orderly repayment of the debt may be in jeopardy. A Substandard loan/asset is inadequately protected by future cash flows, the obligor's current net worth or by the collateral pledged, if any. An important indicator is that a portion of commission/income or principal or both are already more than, or are likely to become, 90 days past due. The 90 days past due rule will generally apply unless the Bank has strong documentary evidence to support a different classification.

***Doubtful – Value Impaired***

An asset classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation of the principal and contractual commission/income in full, based on currently existing facts, conditions, and values, highly questionable and improbable. An important indicator is that a portion of commission/income or principal or both already are more than or likely to become 180 days past due. The 180 days past due rule will generally apply unless the Bank has strong documentary evidence to support a different classification.

***Loss***

A loan/asset classified as Loss is considered uncollectable in the ordinary course of business. The Loss category does not mean that the asset has absolutely no recovery or salvage value, but rather that it is prudent to establish a provision for the entire loan not covered by collateral. Loans/assets where principal or commission/income are past due for more than 360 days should be included in this classification. The 360 days past due rule will generally apply unless the Bank has strong documentary evidence to support a different classification.

**Market risk**

Market risk is the risk that changes in market prices, such as special commission rate, credit spreads (not relating to changes in the obligor's credit standing), equity prices and foreign exchange rates, will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Bank separates its exposure to market risk between trading and banking books. The trading book includes positions arising from market making and proprietary position taking, together with financial assets and

liabilities that are managed on a fair value basis. Market risk on banking book positions mainly arises from the special commission rate, foreign currency exposures and equity price changes.

Overall authority for market risk is vested in the Board. The Risk Group is responsible for the development of detailed risk management policies (subject to review and approval by the Board) and for the day-to-day review of their implementation.

The principal tool used to measure and control market risk exposure within the trading book is Value at Risk (“**VaR**”). The VaR of a trading position is the estimated loss that will arise on the position over a specified time period (or holding period) from an adverse market movement with a specified probability (or confidence level). The Bank’s VaR model is based upon a 99 per cent. confidence level and is computed daily (i.e. with a one-day holding period), except for FVIS investments which are computed monthly. The model computes volatility and correlations using relevant historical market data.

The Bank uses VaR limits for total market risk embedded in its trading activities including derivatives related to foreign exchange and special commission rates. The overall structure of VaR limits is subject to review and approval by the Board. VaR limits are allocated to the trading book. The daily reports of utilisation of VaR limits are submitted to senior management and regular summaries about various risk measures are submitted to the Board Risk Committee.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based gives rise to certain limitations, including:

- a one-day holding period assumes that it is possible to hedge or dispose of positions within a one-day horizon. This is considered to be a realistic assumption in most cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- a 99 per cent. confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 1 per cent. probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- the use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- the VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading book. In addition, the Bank uses stress tests to model the financial impact of exceptional market scenarios on individual trading book and the Bank's overall trading position.

Note 34.1 to the 2023 Financial Statements contains a table showing the VaR arising from special commission rate, foreign currency exposure and equity exposure held at FVIS in each of 2023 and 2022.

### **Special commission rate risk**

Special commission rate risk is the risk to earnings or capital attributed to the movement of interest rates. It generally arises from:

- repricing risk – a timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long term positions;

- basis risk – hedging exposure to one special commission rate with exposure to another rate which reprices under slightly different conditions;
- yield curve risk – changes in the slope and the shape of the yield curve; and
- option risk – options, including embedded options.

### ***Special commission rate risk governance***

The Board directs and oversees the asset and liability management activities, including special commission rate risk, to maximise shareholder value, and protect the Bank from significant financial losses. The Board Risk Committee provides oversight to the ALCO, which has overall responsibility for special commission rate risk monitoring and management to optimise the Bank's earnings and net asset values and sets the DV01 limit.

Group Treasury is responsible for the day-to-day execution of the special commission-rate strategy. Group Treasury's task is to protect the Bank's earnings from adverse movements in special commission rates and to enhance net special commission income through appropriate action and anticipation of the extent of directional shifts in special commission rates. Group Treasury manages special commission rate risk through:

- clear definition of authorised investments, permissible hedging and position-taking strategies with Group Treasury appointed as the execution body;
- identification of the frequency and methodology for measuring special commission rate risk; and
- the setting of quantitative limits in line with the risk appetite.

### ***Special commission rate risk policy standards***

The asset-liability management policy sets out guidelines on the governance and management of the asset-liability structure and the key components of asset and liability management as they relate to the Bank. One of the primary business objectives underpinning the asset and liability management policy is to consider special commission rate risk/hedging/return strategy for the Bank to ensure the optimisation of its balance sheet structure.

### ***Special commission rate risk assessment and monitoring tools***

Special commission rate risk is calculated and reported to the ALCO monthly. The measures and methodologies used to manage special commission rate risk include:

*IRRBB – Interest Rate Risk in the Banking Book* – which refers to the current or prospective risk to the Bank's capital and earnings and economic value arising from an adverse movement in special commission rates that affect the Bank's banking book position. It is an important tool for the Bank to identify, measure, monitor and control special commission rate sensitive assets, liabilities and off-balance sheet items that can adversely affect the Bank's financial position.

*Maturity/repricing schedule* – the Bank measures maturity mismatch by creating a schedule that distributes assets and liabilities into time buckets according to their final maturity (if fixed rate) or time remaining to their next repricing (if they are floating rate). Sensitivity analysis is utilised to assess the impact of special commission rate movements on the Bank's net earnings and capital at risk. Assets and liabilities that do not have contractual re-pricing intervals or maturities are assigned to re-pricing buckets based on the Bank's assessment.

*Interest rate limits* – the Bank has a monitoring process for special commission rate exposure.

*Interest rate risk mitigation* – earning sensitivity to a parallel shift in the yield curve is calculated and reported to ALCO monthly.

*DV01* – is calculated and reported to ALCO monthly.

*Hedging* – is used as appropriate to manage interest rate risk.

Note 34.2.1 to the 2023 Financial Statements contains tables showing (i) the Bank's sensitivity due to reasonably possible changes in special commission rates in each of 2023 and 2022 and (ii) the special commission rate sensitivity of the Bank's assets, liabilities and off-statement of financial position items as at 31 December in each of 2023 and 2022.

### **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 manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Board has set limits on positions by currency. Positions are monitored daily and hedging strategies are used to ensure positions are maintained within established limits.

Note 34.2.2 to the 2023 Financial Statements contains further information on the Bank's significant net exposures in foreign currencies and its exposure to currency risk, in each case as at 31 December in each of 2023 and 2022.

### **Equity price risk**

Equity price risk is the risk that the fair value of equities decreases because of changes in the levels of equity index and the value of individual stocks. Note 34.2.3 to the 2023 Financial Statements contains further information on the Bank's exposure to equity price risk in 2023 and 2022.

### **Liquidity risk**

The Bank defines liquidity risk as a scenario when it cannot meet its net funding requirements as they fall due, which can be caused by systemic and/or idiosyncratic events. In accordance with the Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA of 7 per cent. of average demand deposits and 4 per cent. of average savings and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20 per cent. of the deposit liabilities, in the form of cash, Saudi Government bonds or assets which can be converted into cash within a period not exceeding 30 days.

### **Liquidity risk management policy**

The Bank's liquidity risk is managed through an approved policy to ensure that the Bank maintains a strong liquidity position, making it more resilient to short-term and long-lasting funding shocks and enabling the Bank to manage and maintain liquidity within the approved risk appetite. The policy defines the Bank's objectives for managing liquidity risk and sets conditions for the calculation of the minimum size of the liquidity buffer and the funding needed to support an adequate liquidity buffer. The policy's objective is to strike a prudent balance between liquidity and profitability for all currencies to maintain a strong liquidity position, which would sustain the confidence of investors, regulators and rating agencies and improve both funding costs and availability. The policy has the following objectives:

- ensuring the Bank's ability to generate or obtain cash or cash equivalent (collateral) in a timely and cost-efficient manner so that obligations can be met as they become due in both normal and stressed periods;
- knowing the Bank's position at any point in time, by currency and by maturity, to replace maturing obligations when they fall due, fund assets at appropriate maturities and rates, and support credit ratings and the Bank's profitability; and

- ensuring that profitable business opportunities can be pursued in all market environments for an extended period without liquidating assets at undesirable times or terms or raising additional unsecured funding on an unreasonable scale.

### **Asset liability management (“ALM”) policy**

The purpose of the ALM policy is to set out the governance and management of the asset-liability structure and the critical components of ALM as they are relevant to the Bank. The ALM policy is designed to assist in optimising the balance sheet structure and ensure that banking operations are conducted in line with the Bank’s strategy, risk appetite, prudential controls and limits as defined within the budget process. The primary objectives underpinning the ALM policy are:

- linking liquidity, funding, and capital strategy to short-term and long-term liquidity needs and cash flow requirements, including considering the impact of financial distress, disturbance or significant financial loss situations; and
- considering interest rate risk/hedging/return strategy for the Bank to ensure an optimal balance sheet structure within the Bank.

A vital component of the ALM policy is liquidity management, which focuses on the prudent management of the asset-liability structure from a solvency standpoint and ensuring the continued viability and funding of the Bank in a time of crisis.

### **Liquidity management practices within the Bank**

The Bank manages its liquidity risks through well-established policies, processes and tools that meet the necessary regulatory requirements and industry best practices. Liquidity risk management at the Bank involves forecasting funding requirements and maintaining sufficient capacity to meet the Bank’s needs and accommodate fluctuations in asset and liability levels due to changes in business operations or unanticipated events. The major liquidity risk assessment and monitoring tools employed at the Bank are:

- **balance sheet analysis by currency:** a comprehensive analysis is conducted on all major currencies in which the Bank is active to ensure adequate coverage. The main ratios considered include the loans to deposits ratio (both simple and regulatory), the Basel III recommended liquidity coverage ratio and net stable funding ratio, and the statutory liquidity ratio;
- **liquidity cushion:** in addition to diversifying the Bank’s asset book, the investment portfolio provides an avenue to allocate the Bank’s assets towards a high proportion of readily marketable securities (including Government debt and Government and other investment grade securities). This approach is commensurate with the High Quality Liquid Assets calculations for the Basel III liquidity coverage ratio;
- **funding concentration:** the ALCO monitors funding concentrations (including current, call and time deposits) to ensure there is no excessive reliance on a particular product or a few customers without proper safeguards. Liability diversification is also examined through the nature of the fund provider (that is, individuals, corporations and financial institutions), funding instruments (secured and unsecured and foreign exchange swaps and spot), maturity and currency;
- **intraday liquidity:** Group Treasury manages intraday liquidity efficiently through ongoing cash flow and position monitoring in conjunction with the relevant wholesale operations teams. The Bank’s limit with SAMA is built into the electronic funds transfer system to include a maximum short position that is sufficient to accommodate intraday movements. This is done to safeguard the Bank from mismatches occurring during the clearing time when receipts and payments are staggered over several hours. The system includes all interbank, customer and SAMA-specific SAR credits and debits to provide a clear picture of the Bank’s position on a real-time basis;

- **maximum cumulative outflow:** maximum cumulative outflow (“**MCO**”) analyses the Bank’s balance sheet maturities and estimates cumulative net cash outflows. The Bank has in place MCO assumptions by different time buckets and by currency, considering the current market depth and its ability to tap the market through various instruments. These assumptions are intended to control the absolute level of liquidity shortfalls at different periods of time for each significant individual currency in which the Bank operates. The MCO provides a useful analysis to ascertain the Bank’s liquidity position based on expected inflows and outflows. The Bank intends to continue to enhance the MCO process and institute MCO limits and targets, as appropriate, to manage and report absolute level of liquidity shortfalls at various tenors;
- **collateral management:** the Bank manages its collateral positions through active margining and overall margin maintenance in compliance with Basel recommendations;
- **monitoring of liquidity positions:** a Bank-wide liquidity risk management framework is in place to monitor and manage the liquidity position across various horizons. Group Treasury monitors the liquidity position through daily cash flow reports, considering all known cash flows resulting from all known contractual commitments. The report is prepared for all major currencies to assess the adequacy of the liquidity position by ensuring future cash flows are only mismatched to the extent that it would not interrupt normal business operations. The Finance Group produces an analysis that breaks down various assets and liabilities, including the off-balance sheet items. The output allows multiple comparisons of the key balance sheet items to identify any problems before they arise;
- **stress testing:** the Bank runs scenario tests to forecast different situations from a liquidity standpoint, including LCR and NSFR stress scenarios. The results help in recognising the potential liquidity sources and strains and are used to adjust the liquidity management strategies, policies and positions appropriately to ensure the current exposures remain within the Bank’s established liquidity risk tolerance; and
- **funds transfer pricing:** funds transfer pricing (“**FTP**”) is an internal measurement and allocation process that assigns a profit contribution value to funds raised and lent or invested by the Bank. The Bank’s FTP framework aims to ensure effective balance sheet management and optimisation of profitability by accurately incorporating liquidity premium into pricing. The main objective of the FTP is to compute the total cost of liquidity consumed by all business activities for given maturities. The FTP framework implements a methodology for computing the FTP components (that is, the base rate and liquidity premium) across different tenors and for major currencies. Governance around the computation and usage of FTP has been laid down by the Bank’s FTP policy to ensure the framework is robust and effective. FTP has been adopted in portfolio performance and pricing of prospective relationships through an account profitability model.

Note 35 to the 2023 Financial Statements provides an analysis of (i) the Bank’s consolidated financial liabilities based on contractual undiscounted repayment obligations and (ii) the Bank’s consolidated assets and liabilities analysed according to when they are expected to be recovered or settled, in each case as at 31 December in each of 2023 and 2022.

## **CAPITAL ADEQUACY**

The table below shows the composition of the Group’s regulatory capital and its capital ratios as at 30 September 2024 and as at 31 December in each of 2023 and 2022, determined in accordance with (i) Basel III as implemented in Saudi Arabia (in the case of the regulatory capital and capital ratios as at 31 December 2022) and (ii) Basel IV as implemented in Saudi Arabia (in the case of the regulatory capital and capital ratios as at 30 September 2024 and 31 December 2023).

	As at 30 September 2024	As at 31 December 2023	As at 31 December 2022
	<i>(SAR million)</i>		
<b>Risk-weighted assets</b>			
Credit risk.....	714,093	646,192	619,906
Operational risk.....	39,310	37,283	61,289
Market risk.....	19,162	20,381	14,887
<b>Total pillar 1 risk-weighted assets.....</b>	<b>772,565</b>	<b>703,856</b>	<b>696,082</b>
Common Equity Tier 1 Capital (CET1)	129,372	121,993	111,851
Core capital (tier 1) .....	143,760	136,385	127,339
Supplementary capital (tier 2).....	6,487	5,352	5,213
<b>Core and supplementary capital (tier 1 and tier 2) ....</b>	<b>150,247</b>	<b>141,737</b>	<b>132,552</b>
	<i>(per cent.)</i>		

#### Capital adequacy ratio (pillar 1)

Common Equity Tier 1 Capital (CET1) ratio	16.7	17.3	16.1
Core capital (tier 1 ratio) .....	18.6	19.4	18.3
Core and supplementary capital (tier 1 and tier 2 ratios)	19.4	20.1	19.0

#### Contingency funding plan

To mitigate the risk of, and effectively prepare for, a funding crisis, a contingency funding plan (“CFP”) has been established by the Bank. The CFP is the compilation of policies, procedures and action plans for assessing and responding to severe disruptions to the Bank’s ability to fund some of or all its activities in a timely manner and at a reasonable cost. In essence, it combines early warning indicators and advance preparation for potential high severity/low probability liquidity risk. The CFP framework aims to ensure that the Bank is resilient to funding shocks, continues to operate, as normally as possible, during a funding crisis to protect its franchise value, does not need forced additional funding or equity at an unacceptable cost and is able to return to a business as normal position as soon as possible.

#### Operational risk

Operational risk is identified as the risk of loss (direct, indirect and near misses) resulting from inadequate or failed internal processes, human behaviour, systems or external events.

#### Operational risk governance

The Board approves, monitors and reviews the operational risk appetite, framework, policies and practices, ensuring proper development, implementation and maintenance of a fully integrated framework into the Bank’s overall risk management processes.

Business group heads are actively involved in evaluating exposure to operational risks associated with their business through the Operational Risk Committee (“ORC”). A network of divisional operational risk managers within business units assists management with the monitoring and mitigation of operational risks. Material



operational risks are addressed to the senior management of the individual business units, escalated to the operational risk department and to the ORC when necessary.

### **Operational risk policy standards**

The operational risk policy document describes the proposed governance structure, rules and responsibilities for managing operational risk as a distinct category at the Bank level and across its divisions and business units. The policy provides a consistent approach to managing operational risk across the organisation and a high-level overview of roles and responsibilities related to operational risk management to ensure that gaps and overlaps in activities are avoided and that key tasks are performed and undertaken most efficiently.

### **Operational risk assessment and monitoring tools**

The principal operational risk assessment and monitoring tools used by the Bank are:

- **system and loss data collection** – the Statistical Analysis System (“**SAS**”) Operational Risk Monitor is used to collect operational risk losses within the Bank. The tool is the industry’s prime tool for operational risk losses collection. From this system, the Bank can record and consider major operational risks and incidents and effectively determine the appropriate measures to mitigate and manage the exposure to these risks. Recorded events are rigorously monitored and analysed for further escalation. As a result, a comprehensive loss data collection for managing, tracking and reporting risk information is effectively in place;
- **risk and control self-assessment (“RCSA”)** – a qualitative and quantitative risk assessment is conducted within the Bank using an identified universe of operational risks in the RCSA framework. The assessment is conducted at the business unit level and is subject to treatment and escalation to group heads, which set out the operational risk exposure that the Bank is willing to tolerate. The Operational Risk department conducts the RCSA exercise across the Bank covering both core and support functions to ensure an active comprehensive operational risk register for the Bank is held; and
- **key risk indicators** – to ensure that the Bank is compliant with Basel III requirements, the operational risk department uses its risk management and control system to provide a reliable and effective reporting mechanism. Key risk indicators (“**KRIs**”) are used as a monitoring tool to provide early warnings of operational problems or highlight failures. KRI reports generated by businesses are reviewed quarterly and monitored by the operational risk department for effective management.

### ***Business Continuity Management***

The Bank has established a Business Continuity Management (“**BCM**”) programme to enhance its resilience and to ensure the continuity and availability of its critical operations and services. The programme is compliant with the International Standards Organisation’s ISO 22301 certification.

In 2017, SAMA issued its BCM Framework. The Bank complies with this framework and participates in the BCM regulatory committee which was set up by SAMA.

The Bank’s BCM management committee charter was approved by its Board. The committee has executive management representation. It leads the BCM programme, reviews the programme performance on a periodic basis, approves key initiatives and supports continued improvements.

Impact analysis and recovery strategies are reviewed and updated annually and annual tests are performed to simulate different disruption scenarios (both technology and non-technology incidents). A set of procedure manuals have been developed to respond to different types of incidents and crisis events.

The key BCM programme elements are governance, impact analysis and risk assessment, planning, simulation exercises and awareness.

## **Enterprise risk management**

Enterprise risk management (“**ERM**”) acts as the independent risk management practice within the Risk Group and assumes the role of an overarching risk function in the Bank. ERM regularly partners with the frontline business groups, other risk management units, and the Finance Group to fulfil enterprise-wide risk objectives. Key functions pertaining to ERM include:

**Risk appetite and strategy** – ERM plays an important role in contributing to the overall strategy and business plan of the Group. Based on the Group’s strategy and the business plan, ERM is responsible for setting the risk appetite statement with targets and tolerances for key risk parameters. Upon approval from the Board’s Risk Committee, these targets are cascaded to business groups and product levels. Subsequently, ERM conducts periodic monitoring of the risk appetite parameters and syndicates appropriately with business groups before reporting to the Board Risk Committee.

**Risk capital analytics** – ERM is responsible for estimating the Bank’s regulatory capital on a periodic basis. Regulatory capital is estimated on a consolidated basis in line with SAMA guidelines. As part of its risk capital function, ERM is also responsible for the ICAAP, the internal liquidity adequacy assessment process and Pillar 2 risk assessment every quarter. In addition to the capital computation, ERM has also adopted the approach to optimal usage of capital by employing a RAROC framework as a performance evaluation tool – both at the business level and at the transaction level. RAROC is considered an essential directional tool to aid business decisions to ensure optimal usage of risk capital on a sustainable basis.

**Stress testing** – ERM is responsible for Group-wide stress testing quarterly as part of its sound internal risk management practices as well as to comply with semi-annual SAMA requirements. The Bank’s stress testing framework is comprehensive in nature and considers all Group portfolios and major risks under different stressed scenarios to assess the resilience of capital adequacy, liquidity and other key indicators. Further, the stress testing framework, in conjunction with the ICAAP, supplements the forward-looking capital assessment guidance.

**Risk tools** –ERM is responsible for developing and maintaining rating/scoring models as well as other applicable risk assessment and monitoring tools (such as loss given default, credit conversion factor and RAROC models). These tools are employed by the frontline business groups and credit risk units to assess and monitor risk on an ongoing basis. All risk rating and scoring models are subject to a model governance policy and undergo periodic internal validation and comprehensive external validation, as and when deemed necessary.

**Credit concentration risk management** – ERM has established a credit concentration risk management framework that facilitates effective management of credit concentration at the Bank-wide level. The framework defines concentration risk as any single credit exposure or group of exposures with the potential to produce losses large enough to threaten the Bank’s ability to maintain its financial performance. The framework aims to identify, assess, control, and mitigate concentration risk by:

- setting parameters which identify sources of concentration risk;
- determining measurement methods and acceptable levels of concentration;
- establishing concentration risk monitoring and reporting mechanisms; and
- developing a mitigation plan in order to treat deviations of acceptable concentration levels in light of the Bank’s strategy and future plans.

The main objective of the credit concentration policy is to maintain well-diversified financing and investment portfolios. This entails determining adequate compensation for acceptable concentration levels.

Concentration risk parameters are defined in parallel with the Bank's overall strategy, risk appetite and normal course of credit risk management. These parameters include, but are not limited to, business segments, economic sectors, loan products, lending currencies and maturities.

The Bank carries out regular analysis of its portfolio and exposures and takes the results of these analyses into account when setting limits for identified material concentration parameters, thresholds or similar concepts for concentration risk management. Subsequently, limits are monitored against actual exposures through:

- collecting and aggregating input data relevant to identified concentration parameters;
- analysing data and measuring the current concentration levels against the approved concentration limits;
- reporting the status of the credit portfolio in comparison to the concentration limits;
- assessing the results of the report and analysing the rationale of the movements within the portfolio; and
- determining whether any actions are needed in cases of breaches or non-breaches.

The credit concentration risk management policy ensures that a corrective action plan is communicated to an adequate level of authority. The aim is to instil accountability and enforceability of action plans in a timely manner.

## **Information Security Management**

The Information Security Management division protects and secures the Bank's systems, media and facilities that process and maintain information vital to its operations. It maintains effective security programmes adequate to the operational complexity of the Bank and ensures the safety and privacy of customers' financial information. It comprises the following departments which are responsible for carrying out the core security functions in the Bank.

**Information Security Governance, Risk & Compliance** manages all elements and functions related to the governance of information security within the Bank, in addition to assessing and monitoring the cyber security risks impacting the confidentiality, integrity and availability of the Bank's critical information assets. This department is also responsible for ensuring compliance with applicable national and international cyber security regulations.

**Cybersecurity Fraud** is responsible for leading cyber fraud assessment and cyber fraud investigation to reduce the Bank's cyber fraud risk and to optimise its cyber security strategy. This includes leading the development, implementation and maintenance of the necessary controls (at the process, people and technology level) and training required to protect the Bank from cyber fraud by preventing, monitoring, detecting, investigating, responding to and reporting on cyber fraud.

**Cyber Security Intelligence** is responsible for protecting the Bank from cyber threats through constant monitoring of the Bank's network, identifying any suspicious activities and taking all necessary actions to maintain the highest levels of protection of the Bank's critical information assets. This includes the activities associated with threat management and security architecture review.

**Information Protection Office** is responsible for defining the required guidelines and standards to maintain the confidentiality of the Bank's critical information assets during the various phases of the information lifecycle following a structured approach for information classification. In addition, it evaluates and tests controls to prevent leakage of information using various techniques and latest technologies.

**Identity & Access Management** is responsible for ensuring that access to critical information is provided based on need-to-know only and with the least privilege to maintain the confidentiality, integrity and availability of the Bank's critical information assets.

### ***Shari'a* product-related risks**

*Shari'a*-compliant risk mitigation techniques are applied to all *Shari'a* products, which are inspected in light of the following risks:

**Credit risk** – which arises from receivables associated with sales contracts such as Murabaha, Istisnaa and Tawaruq contracts, or lease receivables associated with Ijara contracts (whether it is an Ijara of an existing asset or an Ijara of an asset to be provided in the future), or investment in Sukuk held in the banking book. This risk is mitigated by detailed analysis in accordance with the Bank's standard process, documentation establishing the Bank's claim and collateral if required.

**Equity investment risk** – which is the risk of entering into a partnership to participate in business activity under agreed conditions. The Bank is exposed to this risk in its equity investments based on Musharaka or Mudaraba agreed conditions, and under Islamic private equity investments. The Bank recognises that these equity investments could give rise to volatility in earnings as they are profit-sharing investments and do not constitute a fixed return. They could also expose the Bank to a capital impairment risk in the event of losses.

**Market risk** – which is the risk of loss either on-balance sheet or off-balance sheet arising from movements in market prices of tradable or leased assets. This risk arises from the volatility of market values of specific assets such as the market value of a Murabaha purchased asset before concluding the Murabaha contract, and the Ijara purchased assets before concluding the Ijara contract or if the Ijara is terminated early due to the lessee's default. The Bank seeks to mitigate market risks using *Shari'a*-compliant techniques such as Khiyar Ashart (where the Bank will return the purchased commodity to the vendor if the client breaks the agreement to buy it) and obligated promise (where the loss will move to be an obligation on the client to pay the loss caused by market movements), and insurance on the purchased assets (for example insurance on LCs and leased assets) and securing its market risk in retail and corporate products by taking Dhaman jeddiyah from clients.

***Shari'a* non-compliance risk** – which is the risk that arises from the Bank's failure to comply with the *Shari'a* rules and principles prescribed by its Shariah Committee. *Shari'a* compliance is critical to the Bank's operations and is considered as falling within a higher priority category than other identified risks. To mitigate this risk, the Bank undertakes *Shari'a* reviews to ensure that activities carried out do not contravene the *Shari'a* and that all *Shari'a* products are compliant with *Shari'a* rules.

**Displaced commercial risk ("DCR")** – which refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by unrestricted investment account holders, depositors and investors, when the return on assets is underperforming as compared with the profit rate offered by competitor Islamic banks in Saudi Arabia. As a result of DCR and low profits, customers will typically shift their deposits and investments to other banks paying better returns.

Due to the unique characteristics of *Shari'a* products, the Bank recognises the overlapping nature and transformation of risks that exist between these risks. The Bank continually seeks to enhance its risk management and reporting processes to measure and control these risks and hold adequate capital against these risks to the extent required.

The Bank also recognises the reputational risk that might arise from failures in governance, or non-fulfilment of market promises, or *Shari'a* non-compliance of its products and services, which could adversely impact its market position, profitability, and liquidity.

## **Remuneration governance and risk**

The Board oversees the Bank's subsidiaries and affiliates through representation in their boards of directors. The election and removal of the Bank's representatives in the boards of its subsidiaries and affiliates is approved by the Board.

The Board's Nomination and Remuneration Committee ("NRC") comprises at least three non-executive Directors. Its key remuneration functions are to:

- make recommendations to the Board that promote appropriate remuneration policies and practices for the Bank and ensure that these remuneration policies and practices are in the interest of the shareholders and do not induce participation in taking high-risk transactions to achieve short-term profits;
- co-ordinate with the Bank's human resources team to develop a succession and replacement policy and ensure the compliance of the executive management with such policy;
- make recommendations to the Board in respect of the remuneration of senior executives in accordance with the approved policy;
- review the structure of the executive management and provide recommendations regarding changes that may be made to such structure;
- ensure a regular review of the Bank's compensation policy, and assess its effectiveness in achieving the set objectives;
- recommend for Board approval the amounts required for the payment of short-term incentives and bonuses; and
- review the long-term incentive plans and the participation of executives in those plans and make appropriate recommendations to the Board.

The Bank's compensation policy covers all compensation elements: basic salary; fixed allowances; job-based allowances; employee benefits; recognition schemes and variable pay, both short- and long-term. The key determinants of compensation include job grade, individual performance, business and corporate performance, risk alignment, compensation and market conditions, and regulatory requirements.

The Bank's material risk takers are the employees whose roles entail risk-taking that may lead to material loss including, but not limited to, those in businesses such as Treasury, Retail and Corporate banking. The Bank's material risk controllers are the employees whose faulty actions, lack of due diligence or negligence in duly controlling risk taken may lead to material loss, including, but not limited to, those in control and support functions, while senior management are those executive persons, including an executive director, having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

## **Remuneration and risk**

The purpose of the compensation risk alignment framework is to ensure that variable compensation for material risks is aligned to the risk profile of the Bank. To achieve this, the Bank considers both quantitative measures and qualitative measures in the risk assessment process. The Bank undertakes risk assessment to review financial and operational performance against the business strategy and risk performance prior to the distribution of variable pay. Variable pay takes into account the performance of the Bank which is considered within the context of the Bank's risk management framework.

Ex-ante adjustments are applied before variable compensation is awarded and variable compensation is adjusted for risk if the performance outcomes achieved are outside acceptable bounds of the risk appetite set by the

Bank's management. The Bank also uses an ex-post risk assessment framework to back-test actual performance against risk assumptions.

### **Linking and adjusting remuneration to performance**

The Bank aims to foster a high-performance culture by ensuring that employees are provided with clear performance objectives, ongoing coaching and feedback, professional development and recognition for superior work. The performance of all employees is assessed periodically against agreed performance goals and the performance management system requires line managers to assess each employee's contribution as well as their compliance with risk management processes and controls, teamwork, and behavioural competencies.

The short-term variable pay of senior managers and material risk-takers and controllers is administered under a bonus deferral scheme as part of the Bank's risk-aligned compensation plan, duly approved by the Board. Under this plan, a percentage of the bonus amounts is deferred for a number of years, depending on the position's long-term impact on the Bank. Deferred bonuses vest in cash, on a pro rata basis, over the vesting period, and are subject to forfeiture performance criteria.

## MANAGEMENT AND EMPLOYEES

The Board is the ultimate decision-making forum of the Group. The members of the Board are under a duty to provide effective governance and supervise the Senior Management on behalf of the Bank's shareholders and to balance the interest of its diverse constituencies, including its customers, employees, suppliers and local communities.

The Board, directly and through its committees, and the Chairman of the Board, provide direction to the Group's management, generally through the GCEO, to pursue the best interests of the Group. The Board has the highest authority in managing the affairs of the Group. The Board can delegate some of its decision-making authority and responsibilities to the GCEO, other executive members, or one or more of its committees. The Board or its committees meet at least every quarter.

The members of the Board and the Bank's senior management team have extensive knowledge of the banking sector in the Kingdom and the wider MENA region and many have significant experience in leading financial institutions.

In accordance with the Companies Law and the Bank's Bylaws, the Board comprises 11 members (the "**Directors**").

All decisions taken by the Board are in accordance with the authority delegated to it by the shareholders. The Board is responsible for taking all the decisions of the Bank other than those reserved to the shareholders pursuant to the Bylaws of the Bank or the law. Any resolution that requires approval from the General Assembly of Shareholders must be approved in accordance with certain prescribed procedures including obtaining approval from the regulatory authorities. Accordingly, the shareholders do not independently influence the Board except through voting during a General Assembly meeting. Board members are appointed for three-year terms, which are staggered, and all Board members nominated by the shareholders must be approved by SAMA prior to the General Assembly meeting.

The Board exercises control and oversight over the Bank's subsidiaries both by having members of its senior management team on the boards and in board-level committees of the subsidiaries and by institutionalising a governance arrangement with the Group's control functions. Board members of the subsidiaries receive regular reports to enable them to exercise effective oversight.

### Board of directors

The table below shows the members of the Bank's Board.

Name	Title
Saeed Mohammed Al Ghamdi	Chairman
Yazeed Abdulrahman Al Humied	Vice Chairman
Rashed Ibrahim Sharif	Board Member
Tareq Abdulrahman Al-Sadhan	Board Member
Ammr Khaled Kurdi	Board Member
Ibrahim Saad Al Mojel	Board Member
Faisal Omar Al Saggaf	Board Member
Ziad Mohammed Al-Tunsi	Board Member
Deemah Yahya Al Yahya	Board Member

<b>Name</b>	<b>Title</b>
Abdullah Abdulrahman AlRowais	Board Member
Huda Mohammed Bin Ghoson	Board Member

The business address of each of the directors is The Saudi National Bank, The Saudi National Bank Tower, King Fahd Road, 3208 Al Aqeeq District, Unit No. 778, Riyadh 13519 – Additional No. 6676, Saudi Arabia. There are no potential conflicts of interest between the duties owed to the Bank by the persons listed above and their private interests or other duties.

#### **Saeed Mohammed Al Ghamdi, Chairman**

Mr. Al Ghamdi was appointed as the Chairman of the Board in March 2023.

Mr. Al Ghamdi joined NCB in March 2013 as the Chief Executive Officer and a board member of NCB. He was appointed as the Chairman of NCB's board from May 2018 up to March 2021. Following the merger, Mr. Al Ghamdi was appointed as the Managing Director and GCEO of the Bank from April 2021 until March 2023.

Mr. Al Ghamdi began his career in 1987 with the Ministry of Defense and Aviation and moved to Al Rajhi Bank in 1991, where he progressed in a number of roles until he joined NCB.

Mr. Al Ghamdi is currently the Chairman of Jabal Omar Development Company and Manga Production. He is also currently a Board member of Misk Foundation.

Mr. Al Ghamdi holds a bachelor's degree in computer science and engineering from King Fahd University for Petroleum and Minerals, Saudi Arabia.

#### **Yazeed Abdulrahman Al Humied, Vice Chairman**

Mr. Al Humied is the Vice Chairman and Deputy Governor, Head of MENA Investments of the PIF. Prior to the merger, he was Vice Chairman of Samba. He was previously a consultant with PricewaterhouseCoopers, a consultant with the House of National Consulting and a senior specialist and a manager in the mergers and acquisitions department of the CMA.

Mr. Al Humied is the Chairman of the Board at National Security Services Company and the Vice Chairman at Saudi Telecom Company, Saudi Egyptian Investment Company and Saudi Tadawul Group Holding Co., and a board member of a number of other companies.

Mr. Al Humied holds a bachelor's degree in business administration and accounting from King Saud University, Saudi Arabia.

#### **Rashed Ibrahim Sharif**

Mr. Sharif is a non-executive Board member. He is also the Chief Executive Officer of SNB Capital and a board member of AVILEASE and NEOM Tech and Digital Company.

Prior to the merger, Mr. Sharif was a Board member and Vice Chairman at NCB. He was previously Chief Executive Officer at Riyadh Capital and also had roles at the Capital Markets Authority, Bank Abilad and Saudi Industrial Development Fund.

Mr. Sharif holds a master's degree in business administration from Prince Sultan University, Saudi Arabia and a bachelor's degree in finance management from King Fahd University for Petroleum and Minerals, Saudi Arabia.



### **Tareq Abdulrahman Al-Sadhan**

Mr. Tareq Al Sadhan is the GCEO of the Bank and a Board member. He was appointed to his position as GCEO in May 2024.

Mr. Tareq Al Sadhan has more than 25 years of experience in the public and private sectors, which includes auditing and taxes businesses, administrative and financial consultancies, and banking operations. He has held numerous leaderships positions in multiple organisations, the last of which was the Chief Executive Officer of Riyadh Bank.

He holds a master's degree in Executive Business Administration from the Ecole Nationale Des Ponts University, France and a bachelor's degree in Accounting from King Saud University, Saudi Arabia. He is a fellow of the Saudi Organization for Chartered and Professional Accountants and the American Institute of Certified Public Accountants.

### **Ammr Khaled Kurdi**

Dr. Kurdi is currently a non-executive Board member. He is currently the Assistant Governor for Financial Sustainability & Risk Management at the General Organization for Social Insurance (GOSI). He is also a member of the Board audit committee in several Saudi Arabian companies (including Saudi Telecom Company and Saudi Electricity Company) and the Board investment committee in AlTawuniya Company for Cooperative Insurance in Saudi Arabia.

He has previously held a large number of other Board audit committee memberships, and Board memberships, at Saudi public and private companies and has also been an advisory board member to the Saudi Ministry of Energy and an IFRS conversion convergence committee member for SOCPA. His previous senior roles include Chief Financial Officer at AlTawuniya Company for Cooperative Insurance and Saudi Arabian Amiantit Company, Chief Corporate Services Officer at Saudi Arabian Industrial Investment Company and Professor & Chief Audit Executive at King Fahd University of Petroleum and Minerals.

Dr. Kurdi holds a PhD in accounting from the University of North Texas, United States, a master's degree in accounting from the University of Arizona, United States, and a bachelor's degree in science in accounting from King Fahd University of Petroleum and Minerals, Saudi Arabia.

### **Ibrahim Saad Al Mojel**

Dr. Al Mojel is a non-executive Board member. Prior to the merger, he was a Board member at Samba. Dr. Al Mojel is currently Chairman of the Board of The Special Integrated Logistics Zone Company and a board member of a number of other companies.

Dr. Al Mojel was previously the Chief Executive Officer of the Industrial Development Fund, and he held several key positions as an engineer at Saudi Aramco where he was, at various times, the secretary of the local committee of power strategies, a member of the planning department, a public investment manager, head of the direct investment department and chief executive officer of the investment department.

Dr. Al Mojel holds a PhD in operations research and two master's degrees in engineering and business management and in electrical engineering from Stanford University, United States, and a bachelor's degree in mathematics in electrical engineering from Vanderbilt University, United States.

### **Faisal Omar Al Saggaf**

Mr. Al Saggaf is a non-executive Board member.

Mr. Alsaggaf is currently a Board member at several public and private companies in Saudi Arabia, in addition to The Real Estate Development Fund.

He previously worked for Samba, Saudi Hollandi Bank and Saudi Business Machines before joining NCB where he multiple senior roles including Chief Executive Officer.

Mr. Al Saggaf holds a bachelor's degree in economics and a master's degree in business administration from Harvard University, United States.

#### **Ziad Mohammed Al-Tunsi**

Mr. Al-Tunsi is an independent Board member. Prior to the merger, Mr. Al-Tunsi was a Board member at NCB. Mr. Al-Tunsi is the CEO of Al-Faisaliah Group. He is also the Chairman of the Board of a number of companies and a board member of other companies operating across a range of industries.

He previously held a number of roles at Al Faisaliah Holding Group and before that was an investment adviser in private banking at Samba.

Mr. Al-Tunsi holds a bachelor's degree in business administration from King Saud University, Saudi Arabia, and a master's degree in securities and investment services from the University of Reading, United Kingdom.

#### **Deemah Yahya Al Yahya**

Mrs. AlYahya is an independent Board member. She is currently Secretary General of the Digital Cooperation Organization, the founder of WomenSpark, a non-governmental organisation, a board member of SAIP (Saudi Authority for Intellectual Property), SCAI (The Saudi Company for Artificial Intelligence) and SAFCSPP (The Saudi Federation for Cyber Security and Programming) and a commissioner in the Broadband Commission for Sustainable Development.

Mrs. AlYahya has previously been a member of multiple company boards inside and outside Saudi Arabia. She has also previously worked at Samba Financial Group, Tadawul, the Saudi Ministry of Foreign Affairs and Microsoft.

Mrs. AlYahya holds a bachelor's degree in computer science from King Saud University, Saudi Arabia.

#### **Abdullah Abdulrahman AlRowais**

Mr. AlRowais is an independent Board member. Prior to the merger, Mr. AlRowais was a Board member at Samba. Mr. AlRowais is head of Mobily's internal audit function. He is currently a board member at Saudi Tourism Authority, Bawan Co. and ACWA Power and a member of the audit committee at a number of other companies.

He was previously an internal auditor at the SAMA and an assistant general auditor at Saudi Aramco.

Mr. AlRowais holds a master's degree in computer science and information systems from the University of Detroit, United States, and a bachelor's degree in accounting from King Saud University, Saudi Arabia.

#### **Huda Mohammed Bin Ghoson**

Ms. Bin Ghoson is an independent Board member. She is also a board member of BUPA Arabia for Cooperative Insurance Co.

Previously she was a Senior Executive at Saudi Aramco.

Ms. Bin Ghoson holds a bachelor's degree in English literature from King Saud University, Riyadh, and a master's degree in business administration from the American University of Washington, United States.

## Executive top management

The Bank's executive top management team is responsible for managing the Bank's day-to-day activities in accordance with the business and operational strategies set by the Board of Directors. The main objectives of the executive top management team are:

- translating strategic and business plans into a corporate strategy and performance targets;
- allocating resources to drive business performance against agreed plans;
- managing business risk effectively, and balancing risk and reward within agreed guidelines; and
- managing the talent pool for sustainable business performance.

The table below shows the members of the Bank's executive top management team.

Name	Title
Tareq Abdulrahman Al Sadhan	Group Chief Executive Officer
Vacant	CEO of Wholesale Banking
Wael Abdulaziz Raies	Group Head of Corporate Business
Saud Bajbair	Group of Head of Retail Business
Nassr Sulaiman Al Fraih	Group Head of Institutional and International
Ahmad Al Dhab	Group Chief Financial Officer
Abdulaziz Al Fayed	Group Chief Risk Officer
Hasan Hammad	Group Chief Human Resources Officer
Saleh Saleh	Group Chief Technology Officer
Waleed Abdulshakoor	Group Chief Legal Counsel
Fuad Al Harbi	Group Chief Compliance Officer
Ali Mushabbab Alqahtani	Group Chief Audit Officer
Fawaz Al Thumairi	Group Head of Treasury Business
Mustafa Ilyas	Head, Group Strategy and Business Development

The business address of each of the members of senior management is The Saudi National Bank, The Saudi National Bank Tower, King Fahd Road, 3208 Al Aqeeq District, Unit No. 778, Riyadh 13519 – Additional No. 6676, Saudi Arabia. There are no potential conflicts of interest between the duties owed to the Bank by the persons listed above and their private interests or other duties.

### **Tareq Abdulrahman Al-Sadhan, Group Chief Executive Officer**

See “—Board of Directors” above.

### **CEO of Wholesale Banking**

This position is currently vacant.

### **Wael Abdulaziz Raies**

Mr. Raies was appointed Group Head of the Corporate Business Group in November 2022. He is a member of the Higher Management Committee, the ALCO, the Credit and Remedial Management Committee, the

Customer Care Committee, the Micro, Small & Medium Enterprises Committee, the Disbursement from Purification Account Committee and the Anti- Fraud Committee.

Mr. Raies has over 24 years of banking experience, starting at Samba Bank in 1999. He joined NCB in 2002. During his tenure at NCB, he was responsible for Central Region Corporate banking, Eastern Region Corporate banking and he also covered the corporate banking business Kingdom-wide at the NCB head office in Jeddah. He also managed Financial Restructuring & Remedial Business in NCB. He was appointed Chief Executive Officer and a board member of TFB between 2016 and 2020. He rejoined NCB as Corporate Banking Group Head from March 2020 until the merger.

Prior to his banking experience, Mr. Raies was the engineer in charge of Schulmberger Wireline & Testing Co's oil wells in Dukhan City, Qatar. During his engineering career he served on offshore rigs in Qatar, the UAE and Saudi Arabia. Mr. Raies holds a bachelor's degree in electrical engineering from King Fahad University of Petroleum and Minerals, Saudi Arabia, and a master's degree in business and administration from King Saud University, Saudi Arabia.

### **Saud Bajbair, Group Head of Retail Business**

Mr. Bajbair was appointed Group Head of Retail Business in December 2022. He is a member of the Higher Management Committee, the ALCO, the Credit and Remedial Management Committee, the Information Security Committee, the Compliance Committee, the Operational Risk Committee, the Customer Care Committee, the Employee Grievances Study and Dismissal Support Committee and the Micro, Small and Medium Enterprises Committee.

Mr. Bajbair has more than 20 years' experience in retail banking and distribution. He served as the Bank's Head of Retail Network Group and Head of Retail Strategy & Analytics prior to his appointment as Group Head of Retail Business. He held several senior roles at NCB including Head of Branch Banking Division, Head of Consumer Finance Division, Head of Real Estate & Personal Finance Division, Head of Quality and Customer Care Department and Head of Performance Development Unit.

Mr. Bajbair holds a bachelor's degree in systems engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia.

### **Nassr Sulaiman Al Fraih, Group Head of Institutional and International**

Mr. Al Fraih is the Group Head of Institutional and International. He is a member of the Higher Management Committee, the ALCO and the Credit and Remedial Management Committee.

Prior to his current role, Mr. Al Fraih held a number of key functions and leadership positions within the Bank, including overseeing the sales and client coverage mandates within the Treasury and Global Markets business and managing the portfolio of client exposures to rates, commodities and foreign exchange across the Wholesale and Retail Banks.

Mr. Al Fraih holds a master's degree in engineering management from The George Washington University, United States, and a bachelor's degree in business information technology from Virginia Tech, United States.

### **Ahmad Al Dhabbi, Chief Financial Officer**

Mr. Al Dhabbi is the Chief Financial Officer (appointed 2021). He is a member of the Higher Management Committee, the Credit and Remedial Management Committee, the ALCO, the Operational Risk Committee, the Purchasing Committee and the Business Continuity Committee and is also Chairman of SNB Capital's Audit Committee.

Mr. Aldhabbi has over 14 years' experience across all CFO office disciplines. He joined NCB in 2012 and, during his years in NCB, he progressed through various roles within the Finance group. In April 2021, Mr. Al Dhabbi

was also appointed as Chairman of the Audit Committee in NCB Capital and a Board Member in AlTamayuz Academy. Prior to that, he spent several years working in industry, including investment banking at Gulf One Capital, telecommunications at Ericsson and aviation at National Air Services.

Mr. Al Dhahi holds a bachelor's degree in accounting from King Abdulaziz University, Saudi Arabia, and a master's degree in finance from the University of Portsmouth, United Kingdom.

#### **Abdulaziz Al Fayez, Group Chief Risk Officer**

Mr. Al Fayez was appointed Group Chief Risk Officer and Risk Committee Secretary in April 2023. He had previously been a Senior Executive in Group Risk since November 2022. He also chairs the Operational Risk Committee and is a Member of the Higher Management Committee, the ALCO, the Credit Committee and the Information Security Committee.

Mr. Al Fayez has more than 23 years' experience in the banking industry in corporate and institutional banking, financial restructuring and remedial, and global corporates. He held several senior executive roles at NCB including, Executive Vice President/Country Head – Global Banking Division, Executive Vice President/Country Head Corporate Banking Division, Country Head – Financial Restructuring Department, Senior Vice President/ Chief Corporate Banker – Institutional Banking Division, Corporate Banking, SME Medium Enterprises and Economic and Research Department.

Mr. Al Fayez holds an MBA in finance from Imperial College Business School, United Kingdom, and a bachelor's degree in civil engineering from Imperial College of Science, Technology and Medicine, United Kingdom.

#### **Hasan Hammad, Group Chief Human Resources Officer**

Mr. Hammad has been the Group Chief Human Resources Officer since February 2024. He oversees the talent acquisition, talent management and support, total rewards and organisational development, business partnerships and SNB Academy. Mr. Hammad is a member of the Higher Management Committee, the Business Continuity Committee, the Employee Grievances Study and Dismissal Support Committee and the Whistleblowing Committee.

Mr. Hammad has more than 20 years' banking experience, including in Human Resources and Corporate Banking. He held several leadership positions at the Bank, including Head of Reward and Performance, Head of Business Partnerships and Country Head of Business Banking in Corporate Banking.

Mr. Hammad has a bachelor's degree in management and a master's degree in executive business administration from King Fahd University of Petroleum and Minerals, Saudi Arabia.

#### **Saleh Saleh, Group Chief Technology and Digital Officer**

Mr. Saleh is currently the Group Chief Technology & Digital Officer of the Bank. He is a member of the Higher Management Committee, the Compliance Committee, the Purchasing Committee, the Business Continuity Committee and the Operational Risk Committee.

Mr. Saleh has 24 years of experience in information technology, project management and quality management systems. He started his career working in the technology field across several industries, namely investments, banking, oil field and tourism, in the United Kingdom and the MENA region. Mr. Saleh joined NCB in 2008 as the Head of its IT Project Management Office and, in 2013, he was promoted to Chief Information Officer.

Mr. Saleh holds a bachelor's degree in computer engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia.

**Waleed Abdulshakoor, Group Chief Legal Counsel**

Following the merger, Mr. Abdulshakoor was appointed Group Chief Legal Counsel. He had previously been Head of the Legal and Counselling Group at NCB since 2009. He is the Chairman of the Purchasing Committee, the Employee Grievances Study and Dismissal Support Committee and the Disbursement from Purification Account Committee and a member of the Compliance Committee.

Mr. Abdulshakoor has more than 30 years' experience in advocacy and legal consultancy. He began his career in 1990 as a legal researcher with NCB and held increasingly responsible positions before becoming the Head of the Legal and Counselling Group in 2009. He has accumulated extensive experience in legal specialities such as adjudication, contracts and general consultancy.

Mr. Abdulshakoor holds a bachelor's degree in law from King Abdulaziz University, Saudi Arabia.

**Fuad Al Harbi, Group Chief Compliance Officer**

Following the merger, Mr. Al Harbi was appointed Group Chief Compliance Officer. He had previously been Head of the Compliance Division at NCB since 2013. He is a member of the Compliance Committee, the Operational Risk Committee, the Information Security Committee, , the Business Continuity Committee and the Anti-Fraud Committee.

Mr. Al Harbi has more than 27 years' experience in accounting, control and compliance, and anti-money laundering. He began his career at Taiba Real Estate Investment and Development Company, becoming Head of Accounting. He joined NCB in 1997, holding various positions and co-founding the Compliance Department where he held several roles until he was appointed head in 2013.

Mr. Al Harbi holds a bachelor's degree in accounting from King Saud University, Saudi Arabia.

**Ali Mushabbab Alqahtani, Group Chief Audit Officer**

Mr. Ali Mushabbab Alqahtani was appointed as the Group Chief Audit Officer in May 2024. He is responsible for the Internal Audit function, providing audit assurance on governance, risk management and the control environment across the Bank. He is a member of the Management Compliance Committee and the Counter-Fraud Governance Committee and is the Secretary to the Audit Committee

Mr. Alqahtani has 18 years of experience in the banking industry and specialises in strategic audit planning, risk management, financial analysis, and regulatory compliance. He held various roles within NCB since joining it in 2016. Prior to this, he spent eight years in the audit and risk functions within Saudi Hollandi Bank.

Mr. Alqahtani holds a master's degree in business administration from Al Yamama University, Saudi Arabia.

**Fawaz Al Thumairi, Head, Group Head of Treasury Business**

Mr. Al Thumairi was appointed Group Head of Treasury Business in December 2022. He oversees the Bank's balance sheet and investment books across a wide range of asset classes. He is also a member of the Higher Management Committee and the ALCO.

Mr. Al Thumairi has more than 15 years' banking experience, having begun his career with Samba where he held several positions in investment, asset and liability management and trading within the Treasury Group between 2008 and 2011. Mr. Al Thumairi joined NCB in January 2012 as Head of Derivative Trading, was then appointed as Head of Trading in 2013, where he was in charge of building a substantial portfolio across different asset classes, including foreign exchange, rates, derivatives, commodities and structured solutions. In 2020, Mr. Al Thumairi was appointed Head of Principal Strategy overseeing NCB's investment books including asset allocation, fixed income, equity and alternative investments. Between April 2021 and November 2022, Mr. Al Thumairi served as the Head of the Global Transaction Banking Group at SNB and his mandate included growing SNB's portfolios in trade finance and cash management.

Mr. Al Thumairi holds a bachelor's degree in management information systems from King Fahd University of Petroleum and Minerals, Saudi Arabia.

### **Mustafa Ilyas, Head, Group Strategy and Business Development**

Mr. Ilyas was appointed Group Head of Strategy and Business Development in May 2024, and prior to that, was adviser to the Managing Director since April 2021. He is a member of the Higher Management Committee and ALCO, and is the Chairman of Samba Bank Limited.

Mr. Ilyas has over 21 years' experience, 17 of which were with PwC based in London. The majority of his PwC career focussed exclusively on the banking sector, specialising in financial due diligence and advising on deal execution and post deal value creation for sovereign wealth fund, corporate and private equity clients on the buy side and sell side.

Mr. Ilyas is a ICAEW chartered accountant and holds a master's degree in engineering in aerospace materials from Imperial College of Science, Technology and Medicine, United Kingdom.

## **Corporate governance**

### **Board Committees**

The Bank has five Board level committees.

#### ***Executive Committee***

The primary purpose of the Executive Committee is to exercise oversight and management responsibility of the Bank's business operations and make prompt decisions on pressing issues in relation to its businesses. The Executive Committee also takes credit and debt settlement, corporate responsibility, purchasing and corrective measures within the authority delegated to it by the Board.

The Executive Committee consists of between three and five members, and is currently chaired by the Chairman of the Board. The Committee meets when required and at least six times a year.

#### ***Risk Committee***

The primary purpose of the Risk Committee is overseeing risk management within the Bank. The committee's competencies include:

- developing a strategy and comprehensive policies for risk management;
- determining and maintaining an acceptable level of risk;
- regularly reassessing the Bank's ability to take risks and be exposed to such risks; and
- reviewing the organisational structure for risk management and providing recommendations regarding the same for approval by the Board.

The Risk Committee consists of between three and five Board members. The majority of the members are non-executive (and the Chairman of the Committee must be a non-executive). The Committee meets when required and at least four times a year.

#### ***Nomination and Remuneration Committee (the "NRC")***

The primary purpose of the NRC is to support and advise the Board on matters concerning compensation, nomination and human resources.

The NRC also makes recommendations to the Board that promote appropriate remuneration policies and practices that are in the interest of the shareholders and do not induce participation in taking high-risk

transactions to achieve short-term profits. It also makes recommendations to the Board in respect of the remuneration of its members, the Board committee members and the senior executives in accordance with the approved policy.

The NRC consists of between three and five members including two independent members. The Chairman of the Board may not chair the NRC, whilst the GCEO and Group Chief Human Resources Officer can be invited to attend in a non-voting capacity. The NRC meets when required and at least twice each year.

#### ***Audit Committee***

The primary purpose of the Audit Committee is to assist the Board in monitoring:

- the integrity of the Bank's financial statements and systems of internal control for financial reporting;
- the Bank's compliance with legal and regulatory requirements; and
- the qualification, independence and performance of the Bank's external auditors.

The Audit Committee consists of between three and five members. The Committee meets at least once every three months and whenever else required by invitation from the Chairman or at the request of a Committee member, senior management member or internal or external auditor.

#### ***Shariah Committee***

The Shariah Committee consists of a minimum of three members and a maximum of five members, with at least two thirds of the membership being independent members. The Shariah Committee holds its meetings periodically, at least one meeting every three months.

The Shariah Committee's roles and responsibilities include supervising the extent of compliance of Islamic banking transactions with the provisions and principles of the *Shari'a*, issuing decisions on *Shari'a* related matters, studying the legal issues related to the structures and mechanisms of Islamic banking services and products and their implementation, and all agreements and contracts and their implementation.

#### **Management Committees**

The Bank's management-level committees include:

##### ***Higher Management Committee***

The Higher Management Committee (the "**HMC**") meets monthly and monitors the Bank's financial performance and the key performance indicators of the front-line business, control and support functions, including digitalisation, customer experience and integration. The HMC also oversees the execution of any strategic initiatives and resolves issues escalated by other committees. Its membership is: GCEO (Chairman), CEO of Wholesale Banking, CEO of Retail Banking, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Human Resources Officer, Group Chief Technology & Digital Officer and Head of Strategy Finance and Control (Secretary).

##### ***Information Security Committee***

This committee meets on a quarterly basis to ensure the information security management policy is defined, its respective governance and strategy are established and defined and that all information security-related activities are executed and managed efficiently and diligently across the Bank. Its membership is: GCEO (Chairman), CEO of Wholesale Banking, CEO of Retail Banking, Group Chief Risk Officer, Group Chief Technology & Digital Officer, Group Chief Compliance Officer and Chief Information Security Officer (Member and Secretary).



### ***Asset and Liability Committee***

The ALCO meets monthly and has oversight of the treasury function, including liquidity, funding and the capital strategy reconciling it to the short- and long-term liquidity needs and cash flows requirements. In its oversight, the ALCO considers interest rate risk, hedging and return strategy for the Bank to ensure the optimal balance sheet structure is achieved. Its membership is: GCEO (Chairman), CEO of Wholesale Banking, CEO of Retail Banking, Group Chief Financial Officer, Group Chief Risk Officer, Head of Treasury Business Group, Head of Global Markets and Head of Treasury & Market Risk (Member and Secretary).

### ***Credit and Remedial Management Committee***

This committee meets monthly and takes credit and remedial decisions and monitors credit and collection activities, whilst ensuring compliance with approved limits. It also makes recommendations to the Board on the credit policy and supports the formulation and review of credit policies. Its membership is: GCEO, CEO of Wholesale Banking, CEO of Retail Banking, Group Chief Financial Officer, Group Chief Risk Officer, Head of Wholesale Risk, Head of Retail Risk and Head of Enterprise Risk Management (Member and Secretary).

### ***Purchasing Committee***

This committee meets on a weekly basis to oversee the tendering and procurement practices of the Bank and to review and approve purchases in accordance with the Bank's delegation of authority matrix. Its membership is: Group Chief Legal Counsel (Chairman), Group Chief Financial Officer, Group Chief Technology & Digital Officer, COO of Wholesale, COO of Retail and Head of Procurement (Secretary).

### ***Customer Care Committee***

This committee meets on a quarterly basis to oversee customer care performance and the execution of strategic customer journey initiatives. Its membership is: CEO of Retail Banking (Chairman), CEO of Wholesale Banking, Head of Customer Service and Support and Head of Customer Care (Member and Secretary).

### ***Compliance Committee***

The primary purpose of this committee is to ensure full compliance with all applicable regulatory requirements and ethical standards and monitor the performance of the compliance and anti-money laundering activities. Its membership is: Group Chief Compliance Officer (Chairman), Group Chief Legal Counsel, COO of Wholesale, COO of Retail, Head of Operational Risk and Head of AML (Member and Secretary).

### ***Micro, Small and Medium Enterprises Committee***

The purpose of this committee is to oversee financial activities of micro, small and medium enterprises with the aim of effectively increasing targeted financing for the sector. Its membership is: CEO of Wholesale Banking (Chairman), CEO of Retail Banking, Group Chief Risk Officer, Head of Retail Banking, Head of Corporate and Commercial, Head of Business Banking and Head of Commercial Banking (Member and Secretary).

### ***Operational Risk Committee***

The primary purpose of this committee is to provide oversight and facilitate the activities for evaluating exposure to operational risk as well as directing and co-ordinating the principal measures for intervention, mitigation and transfer of risk across businesses. Its membership is: Group Chief Risk Officer (Chairman), Group Chief Technology & Digital Officer, Group Chief Compliance Officer, Group Chief Financial Officer, COO of Wholesale, COO of Retail and Head of Operational Risk (Member and Secretary).

### ***Business Continuity Committee***

The purpose of this committee is to oversee and ensure the creation and implementation of safeguard measures across the organisation to address any potential risks which could affect normal business operations. Its

membership is: Group Chief Administrative Officer (Chairman), Group Chief Risk Officer, Group Chief Technology & Digital Officer, Group Chief Compliance Officer, Group Chief HR Officer, Group Chief Financial Officer, COO of Wholesale, COO of Retail, Chief Information Security Officer, Head of Administrative Services and Head of Business Continuity Management (Secretary).

## **Employees**

As at 30 September 2024, the Bank had 8,333 employees, 99.3 per cent. of which were citizens of the Kingdom.

The Bank has a structured approach to the acquisition and development of talent to meet the needs of the business. Critical positions are systematically identified and comprehensive succession plans and individual development plans are aligned to ensure that a capable and high-performing talent pipeline is maintained. Development activities are focused upon the continuous improvement of employees' behavioural as well as technical capability with clarity provided through well-defined career plans leading through to senior executive roles. Training is an important component of the Bank's strategic aim of attracting and retaining highly qualified and motivated personnel. To that end, the Bank has an extensive training programme for its new and existing employees designed to equip them with the skills and know-how necessary to perform their functions with efficiency and to enhance their internal promotion opportunities.

The Bank manages the performance of its employees, managers and senior executives through a systematic performance management system with measurable metrics for performance rewards. Rewards vary based on the employee's performance.

## DESCRIPTION OF THE ISSUER

### Registered office

The registered office of the Issuer is at c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands and the telephone number of the registered office is +1 345 949 8066.

### Date of incorporation and legal form

The Issuer is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act (As Revised) of the Cayman Islands on 19 June 2019 (with registration number WC-352725).

The authorised share capital of the Issuer is U.S.\$50,000 and the issued share capital of the Issuer comprises one hundred (100) ordinary shares of U.S.\$1.00 par value. The Issuer is a wholly owned subsidiary of the Guarantor.

### Purpose and business activity

The principal objects of the Issuer are unrestricted and, as set out in its Memorandum of Association, the Issuer has full power and authority to carry out any object not prohibited by law.

The Issuer is organised as a special purpose entity and consequently does not have any employees or own any physical assets.

The Issuer has been established to raise capital for the Guarantor by the issue of debt instruments.

The Issuer does not engage in, and has not, since its incorporation, engaged in, any activities other than those incidental to: (i) its registration as an exempted company; (ii) the authorisation of the offering and issue of debt instruments to which it is or will be a party; (iii) the ownership of such interests and other assets referred to herein; (iv) the other matters contemplated in this Offering Circular or any other Offering Circular related to the offering and issue of debt instruments to which it is or will be a party; (v) the authorisation and execution of the other documents referred to in this Offering Circular or any other Offering Circular related to the offering and issue of debt instruments, to which it is or will be a party; and (vi) other matters which are incidental or ancillary to those activities.

The Issuer's ongoing activities will principally comprise: (i) the issue of the Notes under the Programme; (ii) the entering into of any documents related to the update of the Programme and the issue of Notes under the Programme; and (iii) the exercise of related rights and powers and other activities referred to in this Offering Circular or reasonably incidental to those activities.

The Issuer does not have subsidiaries or non-executive directors.

### Management

The directors of the Issuer and their respective business addresses and principal activities are as follows:

Name	Occupation
Nyel AlJohani	Executive Vice President, Head of Balance Sheet Management, Group Treasury at SNB
Fahad AlHunaiti	Executive Vice President, Principal Strategies at SNB

The business address of each of the directors of the Issuer is The Saudi National Bank, The Saudi National Bank Tower, King Fahd Road, 3208 Al Aqeeq District, Unit No. 778, Riyadh 13519 – Additional No. 6676, Saudi Arabia.

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

The registered office provider of the Issuer is Maples Corporate Services Limited (the “**Registered Office Provider**”).

Pursuant to the standard terms of engagement of the Registered Office Provider (the “**Registered Office Terms**”) the Registered Office Provider has agreed to provide registered office services to the Issuer. The Registered Office Terms are governed by the law of the Cayman Islands.

### **Independent auditors**

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

### **Cayman Islands Data Protection**

The Issuer has certain duties under the Data Protection Act (As Revised) of the Cayman Islands (the “**DPA**”) based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Notes and the associated interactions with the Issuer and its affiliates and/or delegates, or by virtue of providing the Issuer with personal information on individuals connected with the investor (for example, directors, officers, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Issuer and its affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPA. The Issuer shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPA to the Issuer, please refer to the Privacy Notice (a copy of which may be requested from the Issuer by email at [dubai@maples.com](mailto:dubai@maples.com)), which provides an outline of investors’ data protection rights and obligations as they relate to the investment in the Notes.

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

## THE KINGDOM'S BANKING SECTOR AND REGULATIONS

### General

Based on SAMA's website, there are 37 commercial banks licensed to operate in the Kingdom, of which nine are still to commence business, although two are in a pilot phase of operation. Of the 28 operating licensed banks, 11 are incorporated in the Kingdom, seven are branches or subsidiaries of banks based in other GCC countries (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Bank Muscat, Qatar National Bank, First Abu Dhabi Bank and Sohar International Bank), 10 are international banks (namely Deutsche Bank, BNP Paribas, J.P. Morgan Chase, N.A., National Bank of Pakistan, T.C. Ziraat Bankası A.Ş., Industrial and Commercial Bank of China, MUFG Bank, Ltd., UBS AG (previously Credit Suisse), Standard Chartered Bank and National Bank of Iraq). The two banks in a pilot phase of operation, STC Bank and D360 Bank, are both digital banks

Of the operating banks incorporated in the Kingdom, 10 are publicly listed joint stock companies and their shares traded on Tadawul (Gulf International Bank Saudi Arabia is not listed on Tadawul).

All 11 local operational banks provide a broad range of retail and wholesale banking products and services. Al Rajhi Bank, Bank Albilad, Bank AlJazira and Alinma Bank provide *Shari'a*-compliant products and services only. The remaining banks provide a combination of *Shari'a*-compliant and conventional banking products and services.

In addition to the commercial banks, there are a number of state-run credit institutions, including the Saudi Industrial Development Fund, the Real Estate Development Fund and the Saudi Arabian Agricultural Bank. The PIF is the investment arm of the Government while the Islamic Development Bank is a multilateral development financing institution headquartered in Jeddah. SAMA does not regulate either of these entities.

As at 30 September 2024, there were 1,910 bank branches, 15,448 ATMs and 1,895,058 point of sale terminals in the Kingdom (source: SAMA September 2024 Monthly Statistics).

According to SAMA's 2024 Financial Stability Report:

- Saudi Arabian banking sector assets and credit continued to grow in 2023, driven primarily by corporate credit which outpaced the growth in household credit, and asset quality remained high, with a low level of non-performing loans and a sufficiently high level of provisioning coverage in 2023;
- banks in Saudi Arabia continued to maintain sound credit underwriting standards and to adhere to SAMA's requirements for responsible lending, credit risk management and loan to value;
- liquidity remained adequate in 2023 with continued growth in the deposit base and a notable shift to time and savings deposits which reinforced the stickiness of deposits and was supported by other sources of long-term funding;
- the Saudi Arabian banking sector had a solid prudential liquidity position, with the liquidity coverage ratio and the net stable funding ratio above SAMA's regulatory minimum requirements as at 31 December 2023; and
- the Saudi Arabian banking sector remained well capitalised, with the capital adequacy ratio increasing as growth in equity exceeded the growth rate of risk-weighted assets, driven by factors such as improved profitability and greater capital issuances throughout 2023.

## History

Prior to 1976, a number of wholly foreign-owned banks operated branches and subsidiaries in the Kingdom.

In 1976, the Government issued a directive requiring all banks operating within the Kingdom to convert to entities incorporated locally with at least 60 per cent. of the shares held by Saudi nationals.

In 2000, the first branch of a foreign bank was authorised to open in the Kingdom in over 40 years, in connection with changes in GCC countries' policies concerning cross-border banking. The new entrant was Gulf Investment Bank ("GIB"), an offshore bank based in Bahrain and owned by the six GCC states. GIB had been active in the Kingdom for many years but having a branch in the Kingdom allowed it to compete at close hand. SAMA has since granted banking licences to several branches of foreign banks, including the operating foreign banks listed above. In May 2020, GIB converted its branch into a locally incorporated bank jointly owned by the PIF and GIB. In June 2019, Alawwal Bank and Saudi British Bank merged to form Saudi Awwal Bank and, in April 2021, NCB and Samba merged to form the Bank.

There are also non-bank competitors in brokerage and personal finance. The Kingdom's banking sector has seen an accelerating competitive convergence focused on Islamic banking, private and affluent segments and brokerage and investment banking, as well as significant investment in new distribution, marketing and technology.

The Government also developed the capital markets sector in the Kingdom with the enactment of the Capital Market Law (issued by Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31 July 2003)) as amended by Royal Decree No. M/16 dated 19/1/1441H (corresponding to 18 September 2019) (the "CML") which also established the CMA. In line with the Government's overall desire to develop and boost the capital markets in the Kingdom, the CMA has encouraged the participation of foreign investment banks. According to its website, the CMA has licensed 138 active capital market institutions.

## Corporate Banking Segment

The majority of commercial banking assets in the Kingdom are loans to the private sector and, as at 30 September 2024, banks' claims on the private sector constituted 63.4 per cent. of total commercial banks' assets compared to 58.8 per cent. as at 31 December 2019 (source: SAMA, September 2024 Monthly Statistics). The proportionate growth in claims on the private sector has been driven by the economic growth and increased investment within the Kingdom in various sectors such as electricity, water and health services, building and construction, commercial and Government projects in oil and gas, infrastructure and education. Government stimulus to the economy has also contributed to the growth in corporate assets.

Though commercial mortgages are a lucrative business in developed countries, banks in the Kingdom have not been very active in this product due to legal and operational hurdles. However, financing is provided for real estate development purposes, which does not fall under commercial mortgages.

Investment banking activities have been growing rapidly in the Kingdom. Project finance has also been a strong growth area with several projects being financed in recent years. While volatility in oil prices may pose challenges to the Saudi economy at times of prolonged low prices, leading to both changes in Government spending and weaker GDP growth, project finance is nonetheless expected to continue to be a strong area for banking business as a result of planned investments in infrastructure and industry in line with the Saudi Vision 2030 programmes being implemented to reduce the economy's dependence on oil-related revenue.

## **Personal Banking Segment**

Personal loans increased from SAR 1,023 billion at the end of 2021 to SAR 1,165 billion at the end of 2022 and SAR 1,243 billion at the end of 2023, and were SAR 1,327 billion as at 30 September 2024 (source: SAMA, September 2024 Monthly Statistics). Personal loans principally include retail real estate lending, consumer lending, residential mortgage lending and credit card loans.

Historically, growth in consumer finance has been driven by several factors, including:

- economic growth coupled with favourable consumer demographics;
- growth of the credit card market;
- product innovation and a rapidly expanding range of product and service offerings; and
- the creation of SIMAH (as defined below).

Most personal lending is tied to electronic salary assignment, thereby enhancing asset quality and effectively reducing the risk associated with personal lending which, coupled with higher margins than in corporate lending, has made personal finance a particularly attractive segment for banks in Saudi Arabia.

### **Retail real estate lending**

Retail real estate lending increased from SAR 446 billion at the end of 2021 to SAR 550 billion at the end of 2022, SAR 607 billion at the end of 2023 and was SAR 640 billion at 30 September 2024 (source: SAMA, September 2024 Monthly Statistics).

### **Consumer lending**

Consumer lending increased from SAR 428 billion at the end of 2021 to SAR 452 billion at the end of 2022, but then fell to SAR 442 billion at the end of 2023 and was SAR 462 billion at 30 September 2024 (source: SAMA, September 2024 Monthly Statistics).

### **Residential mortgage lending for individuals**

Residential mortgage lending for individuals provided by banks was SAR 153 billion at 31 December 2021, SAR 120 billion at 31 December 2022, SAR 78 billion at 31 December 2023 and SAR 61 billion at 30 September 2024 (source: SAMA, September 2024 Monthly Statistics).

### **Credit card loans**

Credit card loans increased from SAR 19 billion at 31 December 2021 to SAR 23 billion at 31 December 2022, SAR 27 billion at 31 December 2023 and were SAR 30 billion at 30 September 2024 (source: SAMA, September 2024 Monthly Statistics). The credit card market is expected to continue to grow due to increasing use of electronic forms of payment within Saudi Arabia.

## **The Saudi Credit Bureau**

In 1998, SAMA and the domestic banks operating in the Kingdom conducted a study regarding establishing a centre or a company to provide credit information. As a result, the Saudi Credit Bureau (“**SIMAH**”) was established in 2002 and began operating in 2004. In 2008, the Council of Ministers issued a decision approving the Credit Information Law (issued pursuant to Royal Decree No. M/37 dated 5/7/1429H (corresponding to 8 July 2008)), which sets out general principles and controls for the collection, exchange and protection of credit information of consumers. SIMAH, which is supervised by SAMA, was the first credit information company

to be established in the Kingdom and offers consumer credit information services to its members in the Kingdom. SIMAH aggregates credit-related information among participating members to provide credit providers with credit risk information. In 2015, SIMAH introduced several initiatives and projects to further its strategies to provide an effective information infrastructure to enhance the ability of assessing and managing risks. For example, SIMAH established an information centre developed to international specifications (TIER IV) and published a procedural manual as part of a “Know Your Rights” campaign to increase credit awareness among all segments of society. A number of SIMAH’s projects were acknowledged by the G-20 based on an initiative of the Financial Stability Board (of which SAMA is a member), aimed at helping financial institutions to evaluate risks in a systematic and effective manner and put regulatory and operational requirements in place, and develop products and services, to ensure stability and efficiency of the financial sector.

## **Islamic Finance**

Islamic finance has been a main growth area for the Saudi financial economy and has been one of the most significant developments in financial markets since 2000. The Kingdom is one of the largest and fastest growing markets for Islamic banking in the world.

The Islamic banking industry in the Kingdom encompasses a blend of institutions of different categories, ranging from fully dedicated Islamic banks to conventional banks offering Islamic banking products and services through separate divisions or windows. Many banks in the Kingdom have *Shari’a* boards opining as to the application of *Shari’a* principles in financing structures and approving all Islamic products. Currently, a wide range of *Shari’a*-compliant products are available in the market for the corporate and personal banking segments covering credit, deposit, investment and treasury offerings.

The personal banking segment has experienced the strongest demand for Islamic banking products and services with consumer Islamic assets forming the bulk of total consumer assets. In addition to deposit products, Islamic financing solutions include personal finance, home finance and Islamic credit cards. With growing business activity in the real estate sector and a growing population, *Shari’a*-compliant home financing is expected to be a major driver of Islamic personal banking asset growth in the future.

Credit demand from the corporate banking segment is rapidly growing following the launch of infrastructure projects and increasing interest in manufacturing. The main product offerings include *ijara* and *murabaha* and are offered as bilateral facilities, as well as through syndications. To cater to this market segment, Islamic banks have also introduced innovative *Shari’a*-compliant solutions. In recent years, there have been several large size Islamic project finance transactions attracting participation from numerous banks.

The Islamic banking segment is expected to continue to grow with credit demand anticipated from corporate and consumer segments. It is also expected to be accompanied by an increase in innovative Islamic product offerings and growing public awareness and demand for sophisticated *Shari’a*-compliant solutions.

## **Treasury**

The treasury activities of banks in the Kingdom have increased as the financial markets have become more sophisticated with the increased use of financial instruments. Capable banks in the Kingdom can offer their customers structured products that make use of derivatives that are also *Shari’a*-compliant.

## **Investment Banking and Asset Management**

Brokerage services activity flourished between 2003 and 2006, when Tadawul peaked to all-time highs. The level of the Tadawul All Share Index was 11,282 as at 31 December 2021, 10,478 as at 31 December 2022, 11,967 as at 31 December 2023 and 12,226 as at September 2024.



As a response to the Government's drive to develop an efficient capital markets platform, several banks, including the Bank, embarked on providing corporate finance and equity and debt capital markets advisory services to companies. Since 2003, a number of initial public offerings have taken place, several of which were Government initiatives.

The CMA has issued licences to several financial institutions to engage as principal or as an agent in equity lead arrangements, equity management arrangements and/or advisory and securities custody services. Following this, several banks in the Kingdom established separate subsidiaries to undertake these activities.

Foreign financial institutions have been permitted to buy and sell shares directly in companies listed on Tadawul since 2015 in accordance with the Rules for Qualified Financial Institutions Investment in Listed Securities.

In August 2020, Tadawul launched a new derivatives market as part of its strategy to diversify its product offering and provide more investment opportunities for market participants. Investors have been able to trade the Saudi Futures 30, based on the MSCI Tadawul 30 Index, since 30 August 2020.

## **Saudi Central Bank (previously Saudi Arabian Monetary Authority)**

### **Overview and Functions**

The Saudi Central Bank ("SAMA") is the regulator and supervisor of licensed financial institutions, including banks, finance companies, (including leasing and real estate finance companies), money exchange companies, payment services providers and credit information companies in Saudi Arabia. In November 2023, the regulation of insurance companies was transferred from SAMA to a newly established regulator, The Insurance Authority.

SAMA was established pursuant to Royal Decree No. 30/4/1/1046 dated 25/07/1371H (corresponding to 20 April 1952) and renamed by Royal Decree No. M/36 dated 11/4/1442H (corresponding to 26 November 2020) to Saudi Central Bank while maintaining the acronym SAMA. SAMA's principal functions include:

- issuing the national currency;
- dealing with the banking affairs of the Government;
- supervising commercial banks and exchange dealers;
- managing the Kingdom's foreign exchange reserves;
- carrying out the role of the Government's bank and advisor in monetary, banking, and financial matters;
- managing monetary policy for maintaining price and exchange rate stability;
- promoting the growth of the financial system and ensuring its soundness;
- supervising finance companies; and
- supervising credit information companies.

### **Banking Control Law**

The Banking Control Law issued pursuant to Royal Decree No. M/5 dated 22/02/1386H (corresponding to 12 June 1966), as amended by Royal Decree No. M/2 dated 6/1/1391H (corresponding to 3 March 1971) (the "BCL"), aims to protect banks, customers' deposits and shareholders and secure adequate liquidity levels. The law prohibits banks from undertaking certain activities that might cause damage to their shareholders and customers. In addition, the law prohibits individuals and companies from using the word "bank" or its synonyms in their names or conducting any banking activities without obtaining a licence from SAMA. The BCL sets out

the framework within which banks must operate in the Kingdom and is supplemented by circulars, directives and guidelines issued by SAMA from time to time. These circulars and directives are generally not made publicly available outside the banking sector.

### **Consumer Protection**

SAMA has been a strong advocate of consumer protection since obtaining its charter in 1952 and the issuance of the BCL in 1966. Consequently, SAMA has played an important role in ensuring that the financial institutions under its supervision deal with consumers fairly and honestly.

As the Kingdom's financial sector evolves and grows, SAMA continues to review these developments and decides on appropriate legislative, regulatory and organisational changes to provide the level of consumer protection expected from a country that is a member of the world's main economic and financial organisations. SAMA's current objective is to ensure that all consumers who have dealings with licensed financial institutions in Saudi Arabia receive the expected level of consumer protection, including fair treatment, honesty and ease of access to financial products and services.

SAMA has set out the conduct expected from such financial institutions through various regulations, policies and issued instructions, including the "Banking Consumer Protection Principles" (the "**Principles**"), issued in June 2013, which are based on the General Principles for Financial Consumer Protection developed by the Organisation for Economic Co-operation and Development (the "**OECD**") in 2011.

The Principles set out key guidelines to enable licensed banking institutions to deliver the required level of fair treatment, honesty and financial inclusion, thereby meeting SAMA's strategic objective for financial consumer protection in the Kingdom. The Principles apply to the activities of banks operating by way of a licence, which are under the supervision of SAMA and which are dealing with persons who are, or may become, consumers. They also apply to the activities of any third party engaged by licensed banking institutions to undertake any outsourced activities. The Principles are binding on all licensed banking institutions, complementary to the instructions and internal regulations issued by any licensed banking institution and applicable to all transactions that are made with individual consumers.

The Principles were issued pursuant to powers granted to SAMA under the following legislation and regulations:

- Charter of the Saudi Arabian Monetary Authority – Article (3d), issued by Royal Decree No. 23 dated 23/5/1377H (corresponding to 15/12/1957G), as replaced by the Law of the Saudi Central Bank – Article (4.3), issued by Royal Decree No. M/36 dated 11/4/1442H (corresponding to 26/11/2020G);
- Banking Control Law issued by Royal Decree No. M/5 dated 22/02/1386H (corresponding to 12/06/1966G); and
- Ministerial Decree No. 3/2149 dated 14/10/1406H (corresponding to 22/06/1986G).

In September 2022, SAMA published updated Financial Consumer Protection Principles and Rules (the "**New Consumer Finance Regulations**"). The New Consumer Finance Regulations contain provisions relating to the protection of consumer rights, including:

- requirements for financial institutions to develop appropriate data protection and information privacy mechanisms, including suitable control systems;
- unifying fees, commissions and administrative charges across all banks in the Kingdom;
- providing customers with summaries of their financings, which include basic details of the financing and also reference key provisions of the financing;

- prescribing rules and standards in relation to how banks deal with customers; and
- emphasising the principles of transparency and disclosure in consumer finance contracts.

The New Consumer Finance Regulations are aimed at ensuring that consumer finance contracts have enhanced levels of disclosure and transparency and are aimed at, among other things, enabling customers to be better informed of their rights and obligations under their financings.

### **Real Estate Financing and Finance Leasing**

In August 2012, the Saudi Council of Ministers issued a package of legislation approved by Royal Decrees in relation to the finance industry, including real estate financing (the “**Real Estate Finance Law**”), leasing (the “**Finance Lease Law**”) and supervision of financial companies (the “**Finance Companies Control Law**”), in each case, as further described below. In February 2013, SAMA issued the implementing regulations of these laws.

#### **Real Estate Finance Law**

This law provides the regulatory architecture for the authorisation and licensing of banks and finance companies to enter the real estate market. In particular:

- banks may own real estate for the purposes of real estate finance – a key feature of Islamic financing products;
- the Government publicises real estate market activity and financiers are granted access to courts and notary registers;
- the Council of Ministers is entitled to grant tax incentives in connection with investing in real estate securities; and
- a credit check must be conducted against borrowers through one of the authorised credit bureaus.

The Implementing Regulations of the Real Estate Finance Law define the role of finance companies, set out the requirements for entering into and registering a real estate finance lease, set out SAMA’s requirements for licensing re-finance companies and set out the rules governing the activities of re-finance companies. In June 2020, SAMA issued guidelines on the provision of real-estate financing products to individuals. These guidelines set out the minimum requirements on financiers providing real-estate financing products to individuals.

#### **Finance Lease Law**

This law prescribes the rules relating to finance leasing and specifically states that:

- the responsibilities of the lessor and lessee must be carried out in a *Shari’a*-compliant manner (placing asset risk on the lessor during the lease term but making the lessee responsible for the relevant use);
- the transfer of leased assets is permitted to the lessee upon maturity of the lease term; and
- the lessor is permitted to request payments of future rentals if the lessee is in payment default, provided the number of such payments is not greater than the number of late payments.

The Implementing Regulations of the Finance Lease Law set out the rights and obligations of the lessor and lessee in a finance lease, outline rules relating to assignment of rights, instalment payments and ownership rights of the relevant parties and specify the requirements for establishing a company that registers finance leases and the requirements for such companies to register finance leases.

## **Finance Companies Control Law**

This law provides a regulatory and supervisory framework for *Shari'a*-compliant finance companies to provide SAMA-approved forms of financing, including real estate financing.

The Implementing Regulations of the Finance Companies Control Law set out SAMA's rules and requirements for licensing finance companies and contain corporate governance requirements, internal auditing requirements and other rules which the finance companies must comply with to maintain their licence.

## **Capital Market Authority**

The CMA was established by the CML. The CMA is a governmental organisation with financial, legal and administrative independence.

The CMA regulates the Kingdom's capital markets. It issues the required rules and regulations for the implementation of the provisions of the CML aimed at creating an appropriate investment environment. Some of the CMA's major objectives are to:

- regulate and develop the capital market;
- protect investors and the general public from unfair and unsound practices involving fraud, deceit, cheating, manipulation and insider trading;
- achieve fairness, efficiency and transparency in securities transactions;
- develop measures to reduce the risks pertaining to securities transactions;
- develop, regulate and monitor the issuance of, and trading in, securities;
- regulate and monitor the activities of entities subject to the control of the CMA;
- regulate and monitor full disclosure of information related to securities and their issuers; and
- regulate proxy and purchase requests and public share offerings.

In addition, pursuant to the CML, the CMA has formed the Committee for the Resolution of Securities Disputes and the Council of Ministers has, also pursuant to the CML, formed the Appeal Committee for the Resolution of Securities Disputes. Both committees are quasi-judicial bodies authorised to adjudicate disputes and violations in respect of the CML and the rules and regulations of the CMA, including the Tadawul.

In 2016, the Financial Leadership Program 2020 (the “**Programme**”) was launched, under which a set of initiatives on the Financial Sector Development Program (i.e. one of the Saudi Vision 2030 executive programmes) were enacted, including achieving the strategic objectives and initiatives of the second strategic pillar with respect to developing an advanced capital market.

Through the Programme, the CMA seeks to position the Saudi capital market as the main market in the Middle East and one of the leading financial markets in the world, while being an advanced market and attractive to domestic and foreign investment, enabling it to play a pivotal role in developing the economy and diversifying its sources of income. The Programme consists of four main pillars, as follows:

- **Facilitating Funding:** deepening the capital markets and promoting its role in raising capital;
- **Encouraging Investment:** supporting the growth of asset management and promoting institutional investment;
- **Promoting Confidence:** reinforcing the capital markets' regulatory structure; and
- **Building Capacities:** supporting the development of market participants.

The Programme also has a focus on developing a regulatory environment for the Kingdom's financial markets to ensure investor protection, as well as enhancing adherence to international standards.

The CMA intends to increase the number of listed companies in both the main and junior parallel markets to more than 250 companies as well as doubling the invested capital through managed channels to reach SAR 650 billion of assets under management.

In accordance with the CMA's objective of developing market-leading international best practices and with a view to collaborating with other similar institutions internationally, the CMA is an active participant in the International Organisation of Securities Commissions which is recognised as the leader in setting the standards for securities and capital markets sectors globally. In addition, the CMA is also a participant in the Ministerial Committee of the Chairpersons of GCC Capital Markets Regulators as well as the Union of Arab Securities Authorities.

### **Formation of The Saudi Stock Exchange (Tadawul)**

In the early 1980s, the Government embarked on forming a regulated market for trading. In 1984, a Ministerial Committee comprising the Ministry of Finance and National Economy, the Ministry of Commerce and SAMA was formed to regulate and develop the market. SAMA was the government body charged with regulating and monitoring market activities until the establishment of the CMA in July 2003. As the sole regulator and supervisor of the capital markets, the CMA issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market.

On 19 March 2007, the Saudi Council of Ministers approved the formation of The Saudi Stock Exchange (Tadawul) Company. This was in accordance with Article 20 of the CML establishing Tadawul as a joint stock company for the purposes of issuing and managing mechanisms for listing and trading securities and disclosure of related information. Tadawul is responsible for the executive and operational functions in the market. It is the only authorised body to manage the stock market and it aims to provide efficiency and justice in trading as well as transparency in listing requirements, technical trading systems, securities information systems in the market in addition to providing systems with high levels of efficiency for settlements and clearing and applying professional standards for brokers and their agents in the market.

In April 2021 a holding company called Saudi Tadawul Group was established in anticipation of an initial public offering of its shares later that year. Four subsidiaries were established under the holding company: The Saudi Exchange, a dedicated stock exchange business previously called Saudi Stock Exchange (Tadawul) Company, the Securities Clearing Center Company (Muqassa), the Securities Depository Center Company (Edaa) and Wamid, a new technology services business. The Saudi Exchange was established in March 2021. As Saudi Arabia's dedicated stock exchange and the largest stock exchange in the Middle East, The Saudi Exchange carries out listing and trading in securities for local and international investors. The official source of all market information, The Saudi Exchange is instrumental to achieving long-term growth plans for the Saudi Tadawul Group and providing market participants with attractive and diversified investment opportunities.

The Saudi Exchange is the 9th largest stock market among the 78 members of the World Federation of Exchanges and is the dominant market in the GCC. It is an affiliate member of the International Organization of Securities Commissions, the World Federation of Exchanges, and the Arab Federation of Exchanges.

The legal status, duties and responsibilities of The Saudi Exchange and Depository Center are defined in the CML.

### **Management of Liquidity and Credit Risk**

Under the BCL, a bank's deposit liabilities must not exceed 15 times its reserves and paid-up share capital or invested capital. The current percentage specified by SAMA for a statutory deposit is 7 per cent. of total

customers' demand deposits and 4 per cent. of balances due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), savings deposits, time deposits and margins of letters of credit and guarantee (excluding all types of repo deposits).

In addition to the statutory deposit, each bank in the Kingdom is also required to maintain a liquidity reserve of at least 20 per cent. of its total deposit liabilities. The liquid reserve must comprise cash, gold or assets which can be converted into cash within a period not exceeding 30 days to comply with the requirements of the BCL.

Previously, the BCL set a maximum limit on the amount of financial liability that a bank may incur in respect of any one person. This was replaced by the SAMA Rules on Large Exposures of Banks on 1 July 2015. Under the new rules, a bank may not grant a loan, extend a credit facility, give a guarantee or incur any other financial liability in respect of any one person in an aggregate amount exceeding:

- in the case of banks, 25 per cent. of the lending bank's total eligible capital (although if the lending bank and/ or the counterparty bank is/ are classified as a "Domestically Systemically Important Bank" or a "Globally Systemically Important Bank", then the sum of all exposures of the lending bank to its counterparty bank cannot exceed 15 per cent. of the lending bank's available capital base at all times);
- in the case of companies, 15 per cent. of the lending bank's total eligible capital; and
- in the case of individuals, 5 per cent. of the lending bank's total eligible capital.

SAMA also has the power to regulate the liquidity and credit risk of a bank by restricting, among other things, the maximum amount of money which may be loaned by a bank and the categories of loans which a bank can make. These restrictions may vary from bank to bank depending on the relevant circumstances and are in addition to the statutory deposit and liquid reserve requirements provided for in the BCL.

SAMA carries out a full review of the operations of each bank every three years and more regular assessments of specific functions within each institution. SAMA has also intervened to support banks that have found themselves in difficulties. Similarly, it allowed distressed banks to benefit from low-cost funding in the 1980s and provided support to banks during the COVID-19 pandemic.

Over the years, SAMA has developed a reputation as a strict regulator. In 1989, SAMA introduced accounting and disclosure standards for commercial banks in the Kingdom, which essentially comply with IFRS. All banks in the Kingdom are now in compliance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA. The banks also prepare their financial statements to comply with the BCL and the companies law issued pursuant to Royal Decree No. M/132 dated 1/12/1443H (corresponding to 30 June 2022) (the "**Companies Law**") in the Kingdom.

### **Reporting Requirements**

Banks are required to submit monthly statements of the consolidated financial position of their domestic and foreign branches. Banks must also submit quarterly, semi-annual and annual reports to SAMA. These reports are comprehensive and deal with matters such as the maturity schedule of credit facilities, risk concentrations, large exposures, foreign exchange exposure, analysis of specific loan loss reserves and a calculation of the relevant bank's risk asset-based capital adequacy.

Banks are required to submit their audited consolidated annual financial statements to SAMA within six months of each financial year end and listed banks are required to report within three months in accordance with the CMA Rules on the Offer of Securities and Continuing Obligations. Annual consolidated financial statements must be audited by at least two independent joint auditors. The published audited consolidated financial statements of banks in the Kingdom are required to adopt all IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA. The consolidated financial statements are also required to comply with the BCL and the Companies Law. Listed joint stock companies must publish quarterly financial

statements as their stocks are listed on Tadawul. However, quarterly financial statements are reviewed by the auditors in accordance with the International Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” that is endorsed in the Kingdom and are limited in terms of the scope of procedures performed.

Since SAMA introduced mandatory disclosure standards, there has been an improvement in the level of disclosure by banks in the Kingdom, which now publish a breakdown of loans by sector and geography, in addition to loans to the Government and related parties. Banks also report doubtful loans, loan loss reserves and write-offs.

### **Anti-Money Laundering and Counter-Terrorist Financing**

The Kingdom is a signatory to, and has implemented measures required by, the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the International Convention for the Suppression of the Financing of Terrorism and various other international conventions and agreements relating to money laundering and terrorist financing. In June 2019 the Kingdom was the first Arab country to join the Financial Action Task Force (the “**FATF**”). On a regional level, the Kingdom is a founding member of the Middle East and North Africa Financial Action Task Force (the “**MENA-FATF**”) which was created in 2004.

Money laundering is considered an offence under *Shari’a* law. Over the past 10 years, the Kingdom has put into place a relatively comprehensive legislative and regulatory framework that deals with money laundering and terrorist financing. The Kingdom implemented its first customer identification procedure in 1975.

The Kingdom has comprehensive rules covering KYC, AML and counter-terrorist financing (“**CTF**”) requirements for the banking sector. In April 2003, SAMA issued updated Rules Governing the Opening of Bank Accounts and General Operational Guidelines (SAMA No. 3222/BCI/60: dated 8 April 2003) (the “**Account Opening Rules**”). These rules contain comprehensive requirements governing customer identification, the opening and maintenance of bank accounts, the transmission of funds and the deposit of cash, and also contain detailed rules controlling the operation of bank accounts for charitable and welfare organisations. SAMA has revised the Account Opening Rules over the past years (with the most recent update being in May 2023) amending, among other matters, guidelines on dealing with non-resident individuals, entities and multi-lateral organisations, submitting further specified legal entities to KYC requirements, increasing the required information for corporate clients to identify their beneficial owners, tightening account operating controls, regulating the procedures of opening accounts at commercial banks and specifying the supervisory rules related to operating bank accounts.

In October 2017, the existing Anti-Money Laundering Law and its implementing rules were replaced by: (i) the Anti-Money Laundering Law and its implementing regulations issued pursuant to Royal Decree No. M/20 dated 05/02/1439H (corresponding to 25 October 2017) and (ii) the Combating-Terrorism Crimes and its Financing Law and its implementing regulations issued pursuant to Royal Decree No. M/21 dated 12/02/1439H (corresponding to 1 November 2017) (together, the “**AML Law**”), which provides an up-to-date legal framework for money laundering and terrorist financing offences.

In November 2019, SAMA issued the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Guide setting out the requirements of the updated AML Law for financial institutions and requiring all financial institutions operating in the Kingdom and supervised by SAMA to strictly comply with such requirements as well as requesting financial institutions to put in place additional appropriate measures as required by the result of their internal risk assessment. Similarly, the CMA required capital market institutions to comply with the AML Law under the Capital Market Institutions Regulations issued by the Board of the CMA pursuant to its resolution number 1-83-2005, dated 21/5/1426H (corresponding to 28 June 2005), as last amended by the Board of the CMA pursuant to its resolution number 1-94-2022 dated 24/1/1444H (corresponding to 22 August 2022).

In October 2020, SAMA issued its Counter Fraud Framework to combat financial fraud in banks operating in the Kingdom. The framework aims to institutionally tackle fraud, bribery and corruption by requiring all banks operating in the Kingdom to implement and comply with specified controls as minimum standards.

In September 2018, the FATF and the MENA-FATF jointly assessed the Kingdom's anti-money laundering and counter-terrorism financing system. The key findings, priority actions and recommendations for the Kingdom's AML/CTF regime of this assessment were discussed in June 2018 in the joint plenary meeting of the MENA-FATF in Paris. The assessment report of the Kingdom can be found on the websites of MENA-FATF and FATF. In January 2020, a follow-on report was published analysing the Kingdom's progress in addressing the technical compliance deficiencies that were identified in the 2018 mutual evaluation report issued by the FATF and the MENA-FATF. The report found that the Kingdom has made some progress in addressing the technical compliance deficiencies previously identified but will remain in enhanced follow-up and continue to report back to the FATF on the progress made to strengthen its implementation of AML/CTF measures. The Kingdom is compliant with 17 of the 40 FATF recommendations, largely compliant with 21 and partially compliant on two, relating to statistics and international instruments, respectively.

### **Independent External Auditors**

As a measure of prudence, SAMA requires the financial statements of all banks in the Kingdom to be audited jointly by two independent external auditors.

### **Financial Requirements**

SAMA has introduced regulations to ensure that banks do not have disproportionate concentrations of risk in any one sector or client and that sufficient liquidity and capitalisation is maintained to support bank activities. The most significant regulations are summarised below:

### **Doubtful and Past Due Loans/Loan Loss Reserves**

In 2004, SAMA issued regulations regarding the classification of assets, as well as provisioning norms. The table below shows the classifications and the reserves required for prudential regulation purposes:

Classification	Defined as	Reserve requirement
Current	No problems	1 per cent. of outstanding
IA (special mention)	Potential weakness	1 per cent. of outstanding
II (sub-standard)	Inadequate capacity to pay and/or profit or principal overdue by more than 90 days	25 per cent. of outstanding
III (doubtful)	Full collection questionable and/or overdue by more than 180 days	50 per cent. of outstanding
IV (loss)	Uncollectible and/or overdue by more than 360 days	100 per cent. of outstanding

All banks in the Kingdom also calculate impairment provisions in accordance with IFRS 9 as adopted in the Kingdom on a forward-looking "Expected Credit Loss" basis.

### **Liquidity**

Banks in the Kingdom are required to maintain liquid assets of at least 20 per cent. of deposit liabilities. For the purposes of this calculation, cash, gold, treasury bills, government bonds, up to one-month placements and any asset that can be liquidated within 30 days are included. The breakdown of call deposits, savings accounts and time deposits must also be shown on the balance sheet. The maturity of assets and liabilities must be disclosed to determine the sensitivity to commission rate risk.



## Capital Adequacy

The GCC has introduced a common standard for capital adequacy based on the Bank for International Settlements capital adequacy standards. The GCC standard applicable in the Kingdom recommends a minimum 8 per cent. ratio of capital to risk weighted assets, including off-balance sheet risk. Assets are categorised into defined risk groups carrying varying risk weights according to the risk assessment of the counterparty. There are also two levels of country risk, one for the GCC and member countries of the OECD and others that have special lending arrangements with the IMF under its general agreement to borrow, considered a preferred risk. All other countries are considered full risk. In contrast, BIS only counts Saudi Arabian risk and not all of the GCC at par with OECD. The other major difference is that the GCC standards account for mortgage loans as 100 per cent. risk, which differs from the BIS approach (which is applied by SAMA).

Deposit liabilities of banks are limited to 15 times capital and reserves. In cases where this ratio is exceeded, banks must place interest-free deposits of half the excess amount with SAMA. Furthermore, 25 per cent. of net profits (after deduction of zakat liabilities) must be transferred to statutory reserves until the reserve balance equals paid-up capital.

## Basel III Framework

In response to the global financial crisis which commenced in 2007, the Basel Committee enhanced its capital measurement and capital standards by issuing a new capital framework (the “**Basel III Framework**”). The Basel III Framework focuses on strengthening the quality of regulatory capital, raising the minimum capital requirements, enhancing risk coverage and reducing cyclicity of regulatory capital. It introduces new leverage and liquidity ratio requirements and capital buffers (including in the form of a capital conservation buffer) to promote the build-up of capital. These enhancements were implemented in a staggered approach up to 2019.

SAMA has introduced the main elements of the Basel III Framework in accordance with the timelines agreed by the Basel Committee. This includes the introduction of the leverage ratio, the liquidity coverage ratio, the net stable funding ratio and the capital adequacy framework as well as the sound management and operational risk guidelines, the standardised approach for measuring counterparty credit risk exposures and capital requirements for bank exposures to central counterparties. The final pillar of the Basel III reforms changed the methodology for calculating risk-weighted assets for credit, operational and market risk. On 28 December 2022, SAMA issued its final guidelines on these changes which became effective on 1 January 2023.

The Basel III Framework requires banks’ exposures to be backed by a high-quality capital base. To this end, the predominant form of Tier 1 capital must be common shares and retained earnings. The Basel Committee principles adopted by SAMA ensure that banks hold high-quality Tier 1 capital that represents “Pure Capital” which is highly “Loss Absorbent” through the following measures:

- deductions from capital and prudential filters to be generally applied at the level of common equity or its equivalent;
- subordinated debt of high quality;
- fully discretionary non-cumulative dividends or coupons;
- neither a maturity date nor an incentive to redeem;
- innovative hybrid capital instruments with an incentive to redeem through features such as step-up clauses, currently limited to 15 per cent. of the Tier 1 capital base, will be phased out;
- Tier 3 capital instruments to cover market risks are eliminated; and
- to improve market discipline, the transparency of the capital base will be improved, with all elements of capital required to be disclosed along with a detailed reconciliation to the reported accounts.

Following the implementation of Basel III standards related to capital, the minimum requirements for regulatory capital, excluding capital buffers, in the Kingdom are:

- common equity Tier 1 must be at least 4.5 per cent. of risk-weighted assets at all times;
- Tier 1 Capital must be at least 6.0 per cent. of risk-weighted assets at all times; and
- Total Capital (Tier 1 Capital plus Tier 2 Capital) must be at least 8.0 per cent. of risk-weighted assets at all times.

### **Basel IV Regulation**

In response to the ongoing evolution of the banking sector following the 2007 financial crisis, the Basel Committee introduced further reforms known as the Basel IV framework (the “**Basel IV Regulation**”), building upon the Basel III Framework. The implementation of the Basel IV Regulation, initially proposed for 2022, was deferred to January 2023 due to the COVID-19 pandemic. These measures aim to increase the resilience of the banking system, ensuring higher capital adequacy, reducing variability in risk assessments, and enhancing transparency and comparability in banks’ capital ratios.

SAMA has implemented the Basel IV Regulation, with full implementation taking effect from 1 January 2023. This includes an updated approach to calculating risk-weighted assets (“**RWA**”) thresholds, emphasising an improved standardised approach and reducing reliance on an internal ratings-based approach. Additionally, such implementation incorporates a revised leverage framework and introduces a minimum output floors for RWA calculations, which are key components in aligning with the Basel IV Regulation.

### **Treatment of Systemically Important Financial Institutions Law (“SIFI Law”)**

The SIFI Law relates to the treatment of systemically important financial institutions (“**SIFIs**”). As at the date of this Offering Circular, the implementing regulations to the SIFI Law which will contain detailed provisions have not yet been issued. Therefore, there is current uncertainty as to the exact scope and effect of the SIFI Law and whether and to what extent it will apply to the Bank in the future. The SIFI Law gives the relevant regulator (being SAMA and the CMA in relation to financial institutions regulated by each entity) the authority to determine, from time to time, whether a financial institution should be deemed to be systematically important. As at the date of this Offering Circular, the Bank has not been deemed to be a systematically important financial institution by the relevant regulator.

Among other things, the SIFI Law provides that:

- the management of the relevant financial institution shall be required to notify SAMA when the financial institution is distressed or likely to become distressed;
- within 180 days of being requested by SAMA, the relevant financial institutions shall submit, for review by SAMA, a recovery plan detailing the steps and procedures to be taken for the restoration of the financial institution’s financial position;
- any application for bankruptcy procedures in respect of the relevant financial institution is subject to approval by SAMA, such that SAMA may instead commence a Treatment Plan (as defined below);
- subject to the Treatment Conditions (as defined below) being met, SAMA may prepare a treatment plan (“**Treatment Plan**”) for the relevant financial institution group which, subject to review and input from the financial institution and subject to approval by the Council of Economic and Development Affairs, may provide for:
  - the sale of all or part of the shares, stocks, assets and/or liabilities of the financial institution to a third party;

- incorporation of a bridge institution, to which all or part of the shares, stocks, assets and/or liabilities of the financial institution or bridge institution are transferred;
- establishment of an asset management institution to whom the assets or liabilities of the financial institution are transferred; and/or
- an amendment of the rights of creditors and/or holders of capital instruments of the financial institution, including, without limitation, the reduction, cancellation or conversion thereof.

The SIFI Law also provides that in implementing the relevant Treatment Plan, shareholders and creditors shall not receive less, or shall not incur greater losses, than what is estimated would have been received or lost, had the relevant financial institution been wound up at the time of the Treatment Plan.

The “**Treatment Conditions**” are:

- The financial institution is in distress (as further explained below), or is likely to become in distress in a way that affects its continuity and ability to fulfil its obligations.
- The financial institution is unable to fulfil its obligations, affecting its ability to continue in due course, if a Treatment Plan is not undertaken.
- The Treatment Plan achieves any of the objectives of the SIFI Law.
- Implementing a Treatment Plan for the financial institution is better than it being wound-up.

Pursuant to the SIFI Law, in this context, “**distress**” includes:

- a lack of financial and administrative resources necessary to achieve the requirements of financial adequacy, liquidity, risk management or institution management in general, and to meet the continuing obligations of licensing which, if not met, justify license revocation;
- where the value of the financial institution’s assets fall below, or is expected to fall below, the value of its liabilities in near future;
- where the financial institution is unable, or is expected to become unable, to pay its debts when due; and
- a need for exceptional government support.

In light of the uncertainty as to whether the Bank will be classified by SAMA as a SIFI and SAMA’s powers in relation to SIFIs, it cannot be discounted that, in the event that the Bank meets the requirements for a treatment plan to be applied as discussed below, any of the following actions could be imposed by SAMA on holders of Notes issued under the Programme:

- conversion of the Notes into equity; or
- write-down or write-off of the value of the Notes.

### **SAMA Support Programme and Initiatives**

As part of SAMA’s role in activating monetary policy tools and preserving financial stability, as well as in support of the Government’s efforts to mitigate the expected financial and economic effects on the private sector as a result of the COVID-19 pandemic, SAMA injected over SAR 50 billion into the banking sector to enhance banking liquidity and enable banks to continue providing credit facilities for the private sector. Through this support measure, SAMA intended to help banks revise or restructure their private sector loans with no additional charges, support plans to maintain employment levels in the private sector and provide certain e-banking services for free.

SAMA's programme was aimed at supporting and enabling the private sector to promote economic growth through a package of measures, including depositing approximately SAR 50 billion for banks and financing companies to delay the payment of dues to the financial sector (banks and finance companies) from micro, small and medium enterprises for defined periods. This programme was completed in March 2022. Other guaranteed support included a guaranteed facility programme and a loan guarantee programme, both also aimed at supporting the micro, small and medium enterprise sector.

In addition, SAMA provided support to payment service providers to enable them to forego fees of payment services transactions for a limited period.

## TAXATION

*The following is a general summary of certain tax/Zakat considerations relating to the Notes issued under the Programme. It does not purport to be a complete analysis of all tax/Zakat considerations relating to the Notes. It does not constitute, and is not intended as, legal or tax/Zakat advice which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax/Zakat consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax/Zakat laws could be relevant to acquiring, holding and disposing of Notes and receiving payment of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the tax/Zakat law as in effect on the date of this Offering Circular and is subject to any change in law (including, with a retrospective effect) that may take effect after such date.*

### Saudi Arabia

There are two types of direct taxes in Saudi Arabia: Zakat, which is based on Islamic concepts and income tax.

#### Zakat

The Zakat base, under the New Zakat Regulations (as amended under Ministerial Resolution dated 29 February 2024), is currently levied on the higher of the minimum or the actual Zakat base, not exceeding the maximum Zakat base. Zakat base comprises equity, provisions, loans and credit balances (subject to certain conditions) reduced by certain deductible long-term investments, fixed assets etc. plus/minus the difference between the adjusted net profit/(loss) and the book net profit/(loss). The Zakat rate under the New Zakat Regulations is 2.5 per cent. based on the Hijri year. If a Zakat payer is following the Gregorian financial year (of 365 days), the Zakat rate would be approximately 2.578 per cent.

#### *Zakat Rules for Financing Activities*

Under the New Zakat Regulations, resident Zakat payers engaged in financing activities pertain to banking and finance lease activities which are licensed by SAMA and financing funds licensed by the Capital Market Authority. These Zakat rules are based on the attributable method in computing Zakat, by calculating the Zakatable assets and sources of funds subject to Zakat which depend on the residual maturity profile of all assets and liabilities.

The rules provide for minimum and maximum cap amounts for the Zakat base depending on the net profit or net loss of the Zakat payer as per their financial statements:

	If the Zakatpayer has reported net profit <sup>(1)</sup>	If the Zakatpayer has not reported net profit <sup>(2)</sup>
Minimum cap .....	4 times net profit	4 times of 10 per cent. of gross profit
Maximum cap .....	8 times net profit	8 times of 10 per cent. of gross profit

#### Notes:

(1) Net profit means profit before provision for Zakat.

(2) If there is no gross profit, the minimum and maximum caps shall not apply.

#### *Zakat Rules for Investment Funds*

Under the New Zakat Regulations, Investment Funds are not subject to Zakat but are required to register and submit Zakat base calculation (information declaration to ZATCA).

Unit holders in such funds are subject to Zakat, except in the case of:

- a unitholder in the finance fund; and
- the unitholder which (i) is a 100 per cent. direct or indirect owner of the fund and (ii) has submitted a consolidated declaration with such fund.

Under the New Zakat Regulations, investments in investment funds are deductible from the Zakat base of unitholders, **provided that:**

- (i) such investments are held for non-trading purposes;
- (ii) calculation of Zakat on such investments is performed in accordance with paragraph (iii) below and is set out either (a) in unitholders' audited financial statements or (b) a certificate is prepared in accordance with the New Zakat Regulations and approved by a chartered accountant licensed in the Kingdom; and
- (iii) Zakat on such investment is calculated by the following formula: the fund's zakat base  $\times$  percentage of the unitholders' share in such fund  $\times$  applicable Zakat rate.

### **Income Tax**

Income tax is applicable on resident capital companies in respect of (i) the shares owned directly or indirectly by non-Saudi/non-GCC persons; and (ii) the shares directly or indirectly owned by persons working in the production of oil and hydrocarbon excluding shares owned directly or indirectly by persons working in the production of oil and hydrocarbon in resident capital companies listed in the Saudi capital markets and the shares owned directly or indirectly by these companies in the capital companies, whether natural or corporate persons, resident or non-resident.

The standard rate of income tax is 20 per cent. Higher rates on income tax apply to persons involved in oil and hydrocarbon production (ranging from 50 per cent. to 85 per cent.) or natural gas investment (20 per cent.).

The Zakat and income tax implications of investing in the Notes for different types of Noteholders are set out below.

#### **Noteholders who are GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia**

Noteholders who are GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia should not be subject to income tax, but should be subject to Zakat according to wording of the New Zakat Regulations. However, currently Zakat is not generally enforced on such persons.

#### **Noteholders who are non-GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia**

Noteholders who are non-GCC natural persons resident in Saudi Arabia and do not hold the Notes in connection with a business conducted in Saudi Arabia, should not be subject to either Zakat or income tax on interest received on the Notes or gains made from the disposal or redemption of the Notes.

#### **Noteholders who are Saudi resident companies with only GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment**

Noteholders who are Saudi resident companies with only GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment should only be subject to Zakat.

Interest received on the Notes and gains made from the disposal or redemption of the Notes should be included in adjusted Zakatable profits purposes.

The investment in the Notes should not be deductible from the Zakat base.

**Noteholders who are Saudi resident companies with only non-GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment**

Noteholders who are Saudi resident companies with only non-GCC ownership should only be subject to income tax.

Interest received on the Notes and gains made from the disposal or redemption of the Notes unless exempted under Article 10 of the Saudi Arabian Income Tax Law (refer below), should be included in taxable profit.

**Noteholders who are Saudi resident companies with both GCC ownership and non-GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment**

Noteholders who are Saudi resident companies with both GCC ownership and non-GCC ownership that are not involved in oil and hydrocarbon production or natural gas investment are commonly referred to as “mixed” companies. Mixed companies are subject to Zakat and income tax respectively in proportion to their percentage of GCC ownership and percentage of non-GCC ownership.

**Noteholders who are not resident in Saudi Arabia and do not hold the Notes in connection with a permanent establishment in Saudi Arabia**

Noteholders, either natural persons (whether GCC nationals or non-GCC nationals) or legal entities, who are not resident in Saudi Arabia and do not hold the Notes in connection with a permanent establishment in Saudi Arabia, should not be subject to Saudi Arabian Zakat or income tax on interest received on the Notes or gains made from the disposal of the Notes provided the Notes are not secured by movable or immovable property located in Saudi Arabia.

As the Notes will be secured by a guarantee from the Guarantor which owns moveable and immovable property located in Saudi Arabia, there is a risk that the Notes could be considered secured by movable or immovable property located in Saudi Arabia and consequently that interest payments on the Notes and gains made from the disposal of the Notes, would be considered from sources in Saudi Arabia. In this case:

- (i) interest received on the Notes should be subject to withholding tax at five per cent., subject to relief under an applicable double tax treaty; and
- (ii) gains made from the disposal of the Notes should be subject to capital gains tax at the rate of 20 per cent. unless exempted under either Article 10 of the Saudi Arabia Income Tax Law (refer below) or an applicable double tax treaty.

However, there is currently no mechanism to collect the withholding tax on Saudi Arabian sourced interest income paid by a non-resident not in relation to a permanent establishment in Saudi Arabia, such as the Issuer, to a non-resident.

If withholding tax is required to be deducted from interest paid on the Notes, under Condition 14 (*Taxation*) of the Notes, the Issuer, or as the case may be the Guarantor, will be obligated to pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of the Notes had no such withholding been required.

**Noteholders who are not resident in Saudi Arabia that hold the Notes in connection with a permanent establishment in Saudi Arabia**

Noteholders who are not resident in Saudi Arabia but hold the Notes in connection with a permanent establishment in Saudi Arabia, subject to one exception, should include interest received on the Notes and gains made from the disposal or redemption of the Notes, unless exempted under Article 10 of the Saudi Arabian Income Tax Law (refer below), in their taxable profit.

The exception is Noteholders who are non-resident GCC persons with a principal headquarter in Saudi Arabia that meets the requirements to be subject to Zakat (refer below).

**Noteholders who are GCC persons not resident in Saudi Arabia with a principal headquarter in Saudi Arabia that meet the requirements to be subject to Zakat**

Noteholders who are GCC persons not resident in Saudi Arabia with a principal headquarter in Saudi Arabia are subject to Zakat if at least two of the following requirements are met:

- (i) The usual meeting of the Board of directors is regularly held in Saudi Arabia, in any means; and during which the main policies and decisions related to the management of the establishment and the facilitation of its business are made.
- (ii) The senior executive decisions related to the management of the establishment's functions are made inside Saudi Arabia, including decisions made by the CEO and its deputies.
- (iii) The establishment's business generate the majority of its revenue inside Saudi Arabia.

If the above case is met, Zakat is calculated on the activity of the principal headquarter and the activities of its branches inside and outside Saudi Arabia. Accordingly, interest received on the Notes and gains made from the disposal or redemption of the Notes should be included in adjusted Zakatable profits purposes.

The investment in the Notes should not be deductible from the Zakat base.

**The Article 10 exemption**

Article 10 of the Saudi Arabian Income Tax Law provides that capital gains realized from the disposal of securities quoted in a Saudi stock market, or that are quoted in both a stock market outside of Saudi Arabia and in a Saudi stock market are exempt from income tax if:

- (i) the disposal is carried out through a stock market in or outside of Saudi Arabia; or
- (ii) the disposal is done in accordance with the Saudi Arabia Capital Market Law.

**Transfer Taxes/Stamp Duty**

There are no transfer taxes/stamp duty regimes currently applicable in Saudi Arabia.

**Indirect Tax**

**Value Added Tax**

Saudi Arabia has introduced value added tax ("VAT") with an effective date starting from 1 January 2018 pursuant to ratifying a GCC framework agreement between the GCC member states. To this effect, VAT legislation has also been issued in Saudi Arabia in line with the GCC framework agreement.

All goods and services traded within or imported into Saudi Arabia are subject to VAT, unless they are classified as exempt or outside the scope for VAT purposes. Certain supplies have been prescribed to be subject to VAT at zero rate (including qualifying medicines and medical goods, exports, international transportation etc.). From 1 July 2020, the standard rate of VAT has been increased from five per cent. to 15 per cent. and is applicable on all the standard-rated taxable supplies made in Saudi Arabia.

**Real Estate Transaction Tax ("RETT")**

Saudi Arabia has introduced RETT with effective from 4 October 2020 whereby the disposal of real estate and related rights is subject to RETT at the rate of five per cent. There is no registration or periodic reporting requirement for this tax and it is paid on each transaction separately.



## General

For the purposes of this summary:

“**GCC**” means Gulf Cooperation Council, which consists of the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.

A “**GCC Person**” means (a) a natural person having the nationality of any of the countries within the GCC, (b) any legal entity owned by GCC nationals and established under the laws of a country in the GCC and (c) public shareholders (or persons who hold shares for speculation) in a resident listed company (irrespective of their nationalities). A GCC Person will include a company owned by both Saudi/GCC and non-Saudi/(non-GCC) nationals, to the extent it is ultimately owned by Saudi/GCC nationals.

A “**non-GCC person**” means any legal entity not owned by GCC nationals but established under the laws of a country in the GCC.

“**Permanent Establishment**” of a non- Resident in Saudi Arabia, for income tax purposes, represents a permanent place for the non-Resident’s activity where they conduct the activity either fully or partly; this also includes the activity conducted by the non-Resident through an agent. A non-Resident carrying out an activity in Saudi Arabia through a licensed branch is considered to have a Permanent Establishment in Saudi Arabia.

“**Resident**” means any natural person or company that satisfies the residency conditions stipulated in Article 3 of the Saudi Arabian Income Tax Law, Article 4 of the New Zakat Regulations or any governmental department or ministry, public entity, or other corporate person or entity formed in Saudi Arabia (Article 1 of the Saudi Arabian Income Tax Law).

The concept of Residency in Saudi Arabia as defined in Article 3 of the Saudi Arabian Income Tax Law is set out below:

- (a) a natural person is considered to be a Resident in the Saudi Arabia for a taxable year if he/she meets either of the two following conditions:
  - (i) he/she has a permanent place of abode in Saudi Arabia and is physically residing in Saudi Arabia for a period, in aggregate, of not less than 30 days during the taxable year; or
  - (ii) he/she is physically residing in Saudi Arabia for a period of not less than 183 days in the taxable year.

For the purposes of this paragraph, residence in Saudi Arabia for part of a day is considered residence for the whole day, except in the case of a person in transit between two points outside Saudi Arabia.

- (b) a company is considered resident in Saudi Arabia during the taxable year if it meets either of the following conditions:
  - (i) it is formed in accordance with the Saudi Arabian Companies; or
  - (ii) its central management is located in Saudi Arabia Noteholders will not be deemed to be a Resident, domiciled or carrying on business in Saudi Arabia solely by reason of holding any Notes.

## Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in Notes. 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 Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Notes nor will gains derived from the disposal of Notes 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 Issuer has obtained an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, that for a period of 30 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 Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations which, 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 Notes) of the Issuer or by way of the withholding in whole or part of any relevant payment. However, an instrument transferring title to any Notes, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Notes. An instrument transferring title to any Notes, 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 Issuer to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$1,006.10. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as “**FATCA**”, a “**foreign financial institution**” may be required to withhold on certain payments it makes (“**foreign pass thru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Saudi Arabia and the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign pass thru payments are published in the U.S. Federal Register, and Notes 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 pass thru payments” are published generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described in Condition 20 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes 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 Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 12 December 2024 (such dealer agreement as modified and/or supplemented and/or restated from time to time, the “**Dealer Agreement**”), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. In accordance with the terms of the Dealer Agreement, the Issuer and the Guarantor have 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 Notes under the Programme and the Issuer and the Guarantor have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

Each Dealer has acknowledged and agreed that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), and regulations thereunder.

Bearer Notes, having a maturity of more than one year will be issued in accordance with the provisions of U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**C Rules**”), or in accordance with the provisions of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “**D Rules**”), as specified in the Pricing Supplement. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules and the D Rules.

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that, it has not offered or sold the Notes and each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, it will not offer or sell any Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

Each Dealer has also agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **Prohibition of Sales to EEA Retail Investors**

Unless the Pricing Supplement in respect of any Notes specifies “**Prohibition of Sales to EEA Retail Investors**” as “**Not Applicable**”, 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 otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA.

For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation (as defined below); and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the applicable Pricing Supplement in respect of any Notes specifies the “**Prohibition of Sales to EEA Retail Investors**” as “**Not Applicable**”, in relation to each Member State of the EEA (each, a “**Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129 (as amended).

### **Prohibition of Sales to UK Retail Investors**

Unless the Pricing Supplement in respect of any Notes specifies “**Prohibition of Sales to UK Retail Investors**” as “**Not Applicable**”, 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 otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom.

For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation (as defined below); and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the applicable Pricing Supplement in respect of any Notes specifies the “**Prohibition of Sales to UK Retail Investors**” as “**Not Applicable**”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in paragraphs (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

## **United Kingdom**

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

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (ii) it has not offered or sold and will not offer or sell any Notes 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 Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **State of Qatar (including the Qatar Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); 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 the State of Qatar (including the Qatar Financial Centre). This Offering Circular (i) has not been, and will not be, registered with or approved by, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**FIEA**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and

Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Kuwait**

Each Dealer has represented and agreed that the Notes have not been and will not be offered, marketed and/or sold by it in the State of Kuwait, except through a licensed person duly authorised to undertake such activity pursuant to Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and Regulating of Securities Activities and its executive bylaws (each as amended) (the “**CML Rules**”) and unless all necessary approvals from the State of Kuwait Capital Markets Authority pursuant to the CML Rules, together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature or type), or any other applicable law or regulation in the State of Kuwait, have been given in respect of the offering, marketing and/or sale of the Notes.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been 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 Notes or caused Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause Notes 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 Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

## **Hong Kong**

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

- (a) it has not offered or sold and will not offer or sell in Hong Kong by means of any document any Notes other than (a) to “**professional investors**” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made thereunder, or (b) in other circumstances which do not result in the document being a “**prospectus**” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes 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.

**Notice to Capital Market Intermediaries and Prospective Investors pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)**

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer and the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.



In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: the Managers named in the applicable Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

### **United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market) other than in compliance with any laws applicable in the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market) governing the issue, offering and sale of securities.

### **Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under the Rules on the Offer of Securities and Continuing Obligations, made through a capital market institution licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 10 of the Rules on the Offer of Securities and Continuing Obligations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “institutional and qualified clients” under Article 8(a)(1) of the Rules on the Offer of Securities and Continuing Obligations or by way of a limited offer under Article 9 of, or as otherwise required or permitted by, the Rules on the Offer of Securities and Continuing Obligations. 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 Notes made by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the Rules on the Offer of Securities and Continuing Obligations.

Each offer of Notes shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the Rules on the Offer of Securities and Continuing Obligations, but is subject to the restrictions on secondary market activity under Article 14 of the Rules on the Offer of Securities and Continuing Obligations.

### **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 Notes to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the “**DFSA**”) rulebook; and
- (b) made only to persons who meet the “Professional Client” criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

### **Abu Dhabi Global Market**

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 Notes to any person in the Abu Dhabi Global Market unless such offer is:

- (a) an “Exempt Offer” in accordance with the Market Rules (MKT) Module of the Financial Services Regulatory Authority (the “**FSRA**”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the Conduct of Business Module of the FSRA 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 Notes except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual who has a minimum net worth (either singly or jointly with their spouse) of U.S.\$1,000,000, excluding that person’s principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000;
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund); or
- (d) any other entity which is an “accredited investor” as defined in the Central Bank of Bahrain Rulebook.

## **Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make any offer or invitation (whether directly or indirectly) to the public in the Cayman Islands to subscribe for any Notes.

## **General**

These selling restrictions may be modified by the agreement of the Issuer, the Bank and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the applicable Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

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 Notes or possesses or distributes this Offering Circular and neither the Issuer, the Bank nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Bank and the Dealers represents that (i) Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale; or (ii) any action has been, or will be taken in any jurisdiction that would permit a public offering of any Notes, or possession or distribution of this Offering Circular or any other offering material or any applicable Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Although HSBC Bank plc is appointed as Arranger and Dealer pursuant to the Dealer Agreement, HSBC Saudi Arabia, which is a Capital Market Institution licensed by the CMA, will be the relevant legal entity for all regulated activities in the Kingdom relating to the issuance of any Notes under the Programme, including offering and related applications to the CMA.

## **GENERAL INFORMATION**

### **Authorisation**

The update of the Programme was authorised by a board resolution dated 23 January 2023 in relation to the Issuer and a board resolution dated 11 November 2024 in relation to the Guarantor. The Issuer and the Guarantor have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the guarantee relating to them.

### **Admission to Trading**

Application has been made to the London Stock Exchange for Notes issued under the Programme during the 12 months from the date of this Offering Circular to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of UK MiFIR. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by any competent or listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further competent or listing authorities, stock exchanges and/or quotation systems as the Issuer, the Guarantor and the relevant Dealer(s) may agree.

### **Legal and Arbitration Proceedings**

Neither the Issuer nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Guarantor.

### **Conditions for determining price**

The price and amount of Notes will be determined by the Issuer, the Guarantor and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant/Material Change**

There has been no significant change in the financial or trading position of the Issuer or material adverse change in the financial position or prospects of the Issuer, in each case, since the date of its incorporation.

There has been no significant change in the financial or trading position of the Guarantor since 30 September 2024, and no material adverse change in the financial position or prospects of the Guarantor since 31 December 2023.

### **Independent Auditors**

The joint auditors of the Bank for (a) Interim Financial Statements are EY and Deloitte and for (b) Annual Financial Statements are EY and KPMG. The business address of EY is King's Road Tower - 13th Floor, King Abdulaziz Road (Malek Road), P. O. Box 1994, Jeddah 21441, Kingdom of Saudi Arabia, the business address of KPMG is 9th Floor, Tower B, Zahran Business Center, Prince Sultan Street, P.O. Box 55078, Jeddah 21534, Kingdom of Saudi Arabia and the business address for Deloitte is Metro Boulevard – Al Aqiq, King Abdullah

Financial District, P.O. Box 213, Riyadh 11411, Kingdom of Saudi Arabia. EY, Deloitte and KPMG are independent auditors regulated by and registered with the SOCPA to practice as auditors in Saudi Arabia.

The Annual Financial Statements were jointly audited by EY and KPMG without any modifications, in accordance with the International Standards on Auditing as endorsed in the Kingdom, as stated in the joint audit reports incorporated by reference herein.

The Interim Financial Statements have not been audited but have been jointly reviewed by EY and Deloitte in accordance with the International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” as endorsed in the Kingdom, as stated in their joint review report incorporated by reference herein.

With respect to the Interim Financial Statements, EY and Deloitte have jointly reported that they have applied limited procedures in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” as endorsed in the Kingdom. Their joint review report dated 30 October 2024, incorporated by reference herein, states that they did not audit and they do not express any audit opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

### **Documents on Display**

For the 12 months following the date of this Offering Circular, physical copies of the following documents (together with English translations, when appropriate) may be (i) inspected and/or collected during normal business hours at the registered offices of the Issuer and the Specified Office of the Fiscal Agent; or (ii) at the option of the Fiscal Agent, emailed to any Noteholder, at its request (subject to provision of proof of holding satisfactory to the Fiscal Agent and the Guarantor):

- (a) the memorandum and articles of association of each of the Issuer and the Guarantor;
- (b) the Offering Circular and any supplements thereto;
- (c) the most recently published consolidated financial statements of the Guarantor and interim condensed consolidated financial information of the Guarantor, in each case, together with any joint audit or review reports thereon and the notes thereto;
- (d) the Agency Agreement;
- (e) the Deed of Guarantee;
- (f) the Deed of Covenant;
- (g) any applicable Pricing Supplement; and
- (h) the Programme Manual (which contains the forms of the Notes in global and definitive form).

### **Clearing of the Notes**

The Notes are expected to be accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and the International Securities Identification Number in relation to the Notes of each Tranche allocated by Euroclear and Clearstream,

Luxembourg will be specified in the applicable Pricing Supplement. The Issuer may also apply to have the Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the applicable Pricing Supplement. The applicable Pricing Supplement shall specify any additional or alternative clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of CMU is 55<sup>th</sup> Floor, Two International Finance Centre 8 Finance Street, Central, Hong Kong.

CMU Notes have been accepted for clearance through the CMU. For persons seeking to hold a beneficial interest in the CMU Notes through Euroclear or Clearstream, Luxembourg, such person will hold their interests in an account opened and held by Euroclear or Clearstream, Luxembourg with the CMU Operator.

### **Dealers Transacting with the Issuer and the Guarantor**

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 Issuer, the Guarantor and their respective 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 loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Guarantor routinely hedge their credit exposure to the Guarantor 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 Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes 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.

**THE ISSUER**

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