

## Pronouncement of the Internal Shariah Supervisory Committee of Mashreqbank psc

*In the name of Allah, the Most Gracious, the Most Merciful  
All praise is due to Allah, the Cherisher of the world  
Peace and blessing be upon the Prophet of Allah, on his family and all his companions*

### Trust Certificates Issuance Programme established by Mashreq Al-Islami Sukuk Company Limited (the “Programme”)

The Internal Shariah Supervisory Committee of Mashreqbank psc (the “**Shariah Committee**”) has been presented with the below described structure, mechanism and documentation for the proposed issuance of *sukuk* or trust certificates in series (each a “**Series**”) pursuant to a Programme to be established by Mashreq Al Islami Sukuk Company Limited, a special purpose vehicle (the “**Issuer**” or “**Trustee**”, where applicable).

Except where defined herein, defined terms used in this pronouncement have the meanings given to them in the prospectus and documentation prepared in connection with the Programme.

#### I. Structure, Mechanism and Documentation

1. In relation to each Series and pursuant to one or more tranches under a Series (each a “**Tranche**”), the Issuer will issue trust certificates (the “**Certificates**”) in return for cash (the “**Sukuk Proceeds**”) from investors (the “**Sukuk holders**”).
2. The Issuer, as trustee (in such capacity, the “**Trustee**”) will, pursuant to master declaration of trust (the “**Master Declaration of Trust**”), as supplemented for each Tranche by a supplemental declaration of trust (each a “**Supplemental Declaration of Trust**”), declare a trust in favour of the Sukuk holders over, among other things, the Sukuk Proceeds and the assets in which the Sukuk Proceeds are invested.

In relation to any Series, the Issuer, may from time to time, create and issue additional trust certificates to be constituted by a Supplemental Declaration of Trust (the “**Additional Certificates**”), having the same terms and conditions as existing Certificates, and so that the same shall be consolidated and form a single series, with the outstanding Certificates of such Series.

Upon issuance of any Additional Certificates, any Additional Assets (as defined below) and the Wakala Assets comprising the Sukuk Portfolio immediately prior to the acquisition of the Additional Assets shall be commingled pursuant to a declaration of commingling of assets (the “**Declaration of Commingling of Assets**”).

3. On the issue date of each Tranche, the Trustee shall:
  - (a) Use all or a portion (as applicable) of the Sukuk Proceeds to purchase from Mashreqbank psc as seller (in such capacity, the “**Seller**”), a portfolio of certain real-estate assets located in Emirate of Dubai (“**Dubai**”) (excluding the DIFC) in relation to which the Bank or any person on its behalf has entered into financing contracts (provided that such real estate asset is in existence on the date on which it initially forms part of the relevant portfolio) (together the “**Financing Assets**”) and/or sukuk or trust certificates that are tradable in accordance with the AAOIFI *Shari'a* Standards (“**Sukuk**”) in consideration for payment of a purchase price pursuant to the master purchase agreement (the “**Master Purchase Agreement**”), as supplemented by a supplemental purchase agreement in relation to each Tranche (each a “**Supplemental Purchase Agreement**”) between the Trustee, as purchaser (in such capacity, the “**Purchaser**”) and the Seller;
  - (b) use the remaining portion of the Sukuk Proceeds (if any), being no more than 45 per cent. of the relevant aggregate face amount of the Certificates (the “**Murabaha Investment Amount**”), to purchase certain Shariah compliant commodities through an agent and sell such commodities to Mashreqbank psc as buyer (in such capacity, the “**Buyer**”) on a deferred payment basis for a deferred sale price equal to the sum of the commodity purchase price and a profit amount (the “**Deferred Sale Price**”) pursuant to the master Murabaha agreement (the “**Master Murabaha Agreement**”) and a Murabaha contract (the “**Murabaha Contract**”) (such sale of Shariah compliant commodities by the Trustee to the Buyer being, the “**Commodity Murabaha Investment**”). Equal instalments of the profit element of the Deferred Sale Price shall be paid into an income collection

account (the income and principal collection accounts being the “**Collection Accounts**”) no later than one business day prior to the each periodic distribution date and the outstanding Deferred Sale Price shall be payable directly to the Transaction Account no later than one business day prior to the scheduled dissolution date, or dissolution date following a Tax Event, the exercise of a clean up dissolution right in respect of the Certificates, which shall coincide with the maturity of the Murabaha contract. A corresponding proportion of the outstanding proportion of the Deferred Sale Price shall be payable directly to the Transaction Account no later than one business day prior to dissolution of a proportion of the Certificates following the exercise of a partial dissolution right, cancellation right or Sukuk holder put option (including following a Tangibility Event). Upon the occurrence of a dissolution redemption date, the outstanding Deferred Sale Price shall be payable directly to the Transaction Account and immediately due and payable.

4. In relation to each Series, the Trustee shall, pursuant to service agency agreement (the “**Service Agency Agreement**”), appoint Mashreqbank psc as an agent (in such capacity, the “**Service Agent**”) in consideration of a fee of US\$ 100 to service the portfolio as described above (the “**Sukuk Portfolio**”). The Service Agent will undertake to provide, *inter alia*, the following services, as the agent of the Trustee, in relation to each Series:
- (a) it shall service the Sukuk Portfolio in accordance with a Wakala services plan;
  - (b) it shall ensure that the ratio of (i) the aggregate value of the Financing Assets and the Tangible Part of the Tangible Sukuk forming part of the Sukuk Portfolio of the relevant Series to (ii) the value of the Sukuk Portfolio relating to such Series (the “**Tangibility Ratio**”) is, at all times after the Issue Date of the first Tranche of a Series, more than 50 per cent. and if, at any time, the Tangibility Ratio, other than as a result of a Total Loss Event falls;
    - (i) to 50 per cent. or less (but is 33 per cent or more), the Service Agent shall take any and all steps as may be required by the Internal Shariah Supervision Committee of the Service Agent (the “**ISSC**”) to ensure such Tangibility Ratio is restored to more than 50 per cent. within the time period determined by the ISSC; and
    - (ii) below 33 per cent., (such event, being a “**Tangibility Event**”), the Service Agent shall notify the Trustee and the Delegate of the occurrence of the Tangibility Event and request the Trustee to promptly notify the relevant Certificateholders specifying, amongst other things,
      - (A) that, as determined in consultation with the ISSC, the Certificates should be tradable only in accordance with the Shari'a principles of debt trading;
      - (B) that, on a pre-specified date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to listing; and
      - (C) the period during which any Sukuk holder shall have the option to require the redemption of all or any of its Certificates;
  - (c) it shall carry out all major maintenance and structural repair in respect of the Wakala Assets on account and on behalf of the Trustee;
  - (d) it shall pay on behalf of the Trustee any actual costs, expenses, losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Sukuk Portfolio;
  - (e) it shall use all reasonable endeavors to ensure the timely receipt of all revenues relating to the Sukuk Portfolio, investigate non-payment of such revenues and generally make all reasonable efforts to collect or enforce the collection of such revenues as and when the same shall become due and shall record such revenues in the applicable collection accounts (which will be applied by the Service Agent on behalf of the Trustee on each periodic distribution date in payment into the relevant transaction account of the required amount); and
  - (f) it shall maintain Collection Accounts in accordance with the terms of the Service Agency Agreement;

- (g) it shall use all reasonable endeavors to ensure that all Asset Obligor in respect of the relevant Wakala Assets maintain industry standard insurances.

The Sukuk Portfolio will also include any principal revenues generated in respect of the Sukuk Assets. Upon the issuance of any Additional Certificates, the Seller shall, pursuant to the respective supplemental purchase agreement, sell certain additional assets (the “**Additional Assets**”) to the Trustee in consideration for an additional purchase price.

Any amounts standing to the credit of the income collection account following application by the Service Agent on each Wakala distribution determination date in accordance with the Service Agency Agreement, including payments of periodic distribution amounts due to the Sukuk holders, will be retained as reserve and shall be applied to cover any shortfall in future periodic distribution amounts.

Where there is a shortfall between income generated in respect of the Sukuk Assets and collected in income collection account and the periodic distribution amounts payable to the Sukukholders and the reserve amounts are not sufficient to cover such shortfall, the Service Agent may either (i) provide Shariah compliant funding to the Trustee itself or (ii) procure Shariah compliant funding from a third party to ensure that the Sukukholders receive the full periodic distribution amounts payable. Such funding is repayable from the income revenues generated in respect of the Sukuk Assets or from the relevant exercise price payable pursuant to the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be or any insurance amount pursuant to the terms of the Service Agency Agreement as the case may be on the relevant dissolution date (such funding in relation to a Series, a “**Liquidity Facility**”).

Following payment of all amounts due and payable under the Certificates on any dissolution date upon which all (but not some only) of the Certificates of the relevant Series are to be redeemed, the Service Agent shall be entitled to retain any amounts that remain standing to the credit of the reserve account for its own account as an additional payment for acting as Service Agent.

5. Upon the occurrence of a dissolution redemption date, the maturity of the Certificates, the exercise of a put option by a Sukuk holder or a Tangibility Event, Mashreqbank psc shall, pursuant to purchase undertaking (the “**Purchase Undertaking**”), grant to the Trustee the right to require Mashreqbank psc to purchase all or part of the Wakala Assets (as applicable) from the Trustee, at the relevant price (the “**Exercise Price**”), which shall be an amount equal to the aggregate of:
- (a) the aggregate face amount of the relevant Certificates; plus
  - (b) an amount equal to all accrued and unpaid periodic distribution amounts, if any, relating to the relevant Certificates; plus
  - (c) if all of the Certificates of a Series are being redeemed, an amount equal to the sum of any outstanding amounts repayable in respect of any Liquidity Facility and any Service Agency Liabilities Amounts; plus
  - (d) without double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents in respect of the relevant Certificates; plus
  - (e) without double counting, any other amounts payable on redemption of the relevant Certificates;
- less**
- (f) the relevant proportion of the aggregate amounts of Deferred Sale Price then outstanding (if any) on the relevant dissolution date.

Provided that a request has been delivered by the Service Agent in accordance with the Service Agency Agreement, Mashreqbank psc shall, pursuant to the Purchase Undertaking, also provide the Trustee the right to substitute any Sukuk Assets if at, any time any Wakala Asset ceases to be an eligible Wakala Asset (such as those in which there has occurred an event of default, any acceleration or analogous event (the “**Ineligible Sukuk Assets**”), with new eligible Wakala Assets of at least an equivalent value and when aggregated with the value of any Wakala Assets not replaced or substituted, the Tangibility Ratio shall be more than 50 per cent.

In respect of each Series, the Trustee shall, pursuant to sale undertaking (the “**Sale Undertaking**”), grant Mashreqbank psc the following rights:

- (a) to require the Trustee to sell all or part of the Sukuk Portfolio (as applicable) to Mashreqbank psc at the Exercise Price following the occurrence of a Tax Event or upon exercise of an optional dissolution right;
- (b) if 75 per cent. or more of the aggregate face amount of the Certificates then outstanding have been redeemed and/or purchased and cancelled, to require the Trustee to sell the relevant Sukuk Assets to Mashreqbank psc at the Exercise Price;
- (c) following delivery of any Certificates of a Series to be cancelled (the “**Cancellation Certificates**”), require the Trustee to transfer the relevant Sukuk Assets to Mashreqbank psc, provided, amongst other things, that such Sukuk Assets are of a value which is not greater than the aggregate face amount of the Cancellation Certificates less a proportion (the “**Cancellation Proportion**”), being equal to the aggregate face amount of the Cancellation Certificates to the aggregate face amount of the Certificates then outstanding, of the aggregate amounts of Deferred Sale Price (excluding in this case the profit component) then outstanding; and
- (d) to require the Trustee to transfer to Mashreqbank psc certain Sukuk Assets (the “**Substituted Sukuk Assets**”) in exchange for the transfer of certain new Sukuk Assets (the “**New Sukuk Assets**”) to the Trustee provided, amongst other things, that the New Sukuk Assets are of a value which:
  - (i) is equal to or greater than the value of the Substituted Sukuk Assets and
  - (ii) when aggregated with the value of any Sukuk Assets not replaced or substituted, will result in a Tangibility Ratio of more than 50 per cent.

## II. Documentation

The key documents relating to the Programme are as follows:

1. Base Prospectus
2. Programme Agreement
3. Agency Agreement
4. Master Declaration of Trust, together with each Supplemental Declaration of Trust in relation to a Tranche and any Declaration of Commingling of Assets
5. Master Purchase Agreement, together with each Supplemental Purchase Contract in relation to a Tranche
6. Service Agency Agreement
7. Purchase Undertaking
8. Sale Undertaking
9. Master Murabaha Agreement
10. Commodity Agency Agreement
11. Commodity Purchase Agreement
12. Commodity Sale Agreement
13. Settlement Deed

### III. Shariah Approval

The Shariah Committee, having reviewed the structure, mechanism and documentation as set out above, hereby rules that the proposed issuance of *Sukuk* by Mashreq Al Islami Sukuk Company Limited is in compliance with the principles of Shariah. The *Sukuk* may be purchased by any interested party. The Certificateholders may sell their interest in the secondary market at the prevailing prices (which could be at par, a premium or a discount).

And He knows best.



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**Dr. Abdulrahman Alhammadi**  
Member



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**Dr. Mohamed Karrat**  
Member



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**Dr. Ahcene Lahsasna**  
Executive Member



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**Prof. Dr. Mohammad Abdulrahim Sultan Alolama**  
Deputy Chairman



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**Sheikh Abdullah Bin Sulaiman Al Meneea**  
Chairman

Date: 26<sup>th</sup> June 2024

**Prospective Certificate holders should not rely on the Pronouncement above in deciding to make an investment in the Certificates and should consult their own Shariah advisers before making any decision.**