

Fatwa of Shari'a Supervisory Board

8-d (SSB – 15– 2016)

In the Name of Allah, the Merciful, the Compassionate

Subject: Shari'a Compliance Certificate of the Diminishing Musharaka Product for Under Construction Assets

All praise to Allah and May peace and blessings be upon His messenger, his family, his companions and all followers of his guidance.

On Sunday the 14 Muharram 1438 that corresponds to October 16, 2016 the Shari'a Supervisory Board (SSB) of Al Hilal Islamic Banking Services, Ahli Bank SAOG (the "Bank") issued Shari'a compliance certificate of the Diminishing Musharaka Product for Under Construction Assets (for Retail, SME and Corporate Banking) of the Bank that contains the following structure, process flow and legal documents:

Structure:

Diminishing Musharaka for Under Construction Asset (s) is formed between the Customer and the Bank to create co-ownership in an agreed proportion whereby the Customer undertakes to buy periodically the proportionate share of the Bank. The customer can contribute by an asset (such as plot) as well as construction cost, while the Bank can finance plot and/or construction cost. Furthermore during the facility, the Bank leases out its share in the asset to the other co-owner through Forward Lease Agreement.

Process Flow:

- The Customer approaches the Bank to avail the financing facility in accordance with Shari'a rules and principles of Diminishing Musharaka plus Forward Lease and provides full details of the asset which the Customer wishes to get financed.
- After internal approvals the Customer will provide a security deposit (where applicable), which would be adjusted as his share in the asset at the time of execution of DM Agreement.
- The customer signs a Promise to Lease Asset through Forward Lease Agreement.
- The Bank and the Customer enter into a Diminishing Musharaka Agreement for Construction of Asset, specifying respective shares of each party, terms and conditions of asset construction and division of asset into agreed No. of units for their sale to the customer.
- The Customer and the Bank then enter into a Forward Lease Agreement as per Customer's Promise to Lease, by which the Bank shall lease its share in the asset to the Customer on agreed payment schedule.
- Along with Lease Agreement, the Customer shall sign Title Agency Declaration, Management Agreement, Service Agency Agreement, Sale Undertaking and Purchase Undertaking.

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P.O.Box 545, PC 116
Mina Al Fahal
Sultanate of Oman
Tel: (+968) 24577000
Fax: (+968) 24568001
Email: info@ahlibank-oman.com
www.ahlibank-oman.om

ص.ب. ٥٤٥، الرمز البريدي: ١١٦
ميناء الفحل
سلطنة عمان
هاتف: (+٩٦٨) ٢٤٥٧٧٠٠٠
فاكس: (+٩٦٨) ٢٤٥٦٨٠٠١
إيميل: info@ahlibank-oman.com
www.ahlibank-oman.om

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Financing Documents:

1	Finance Application/Letter
2	Diminishing Musharakah Agreement
3	Forward Lease Agreement
4	Management Agreement
5	Purchase Undertaking
6	Sale Undertaking
7	Title Agency Agreement (if applicable)
8	Schedule A: Additional Representations and Warranties (for SME and Corporate Banking)
9	Schedule B: Additional Undertakings

SSB Ruling:

Having reviewed the structure, process flow and the legal documents of Diminishing Musharaka Product for Under Construction Assets (as stated above) of the Bank, we the Shari'a Supervisory Board of the Bank confirm that the product is in accordance with the dictates of Shari'a.

And all praise is due to Allah.

Shari'a Supervisory Board



Dr. Ahmed Mohiyeldin Ahmed

(Chairman of the SSB)



Dr. M. Taher M. Al-Ibrahim



Dr. Mustain Ali Abdul Hameed



Dr. Abdulrauf Abdullah Altubi

(Members of the SSB)