

In the Name of Allah, the Merciful, the Compassionate

Pronouncement of the Shari'a Supervisory Board

SUBJECT: OMR Sukuk Certificates Issuance by Oman Sovereign Sukuk S.A.O.C. Government of Sultanate of Oman

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

The Shari'a Supervisory Board (the **SSB**) of Al Hilal Islamic Banking Services, Ahli Bank SAOG has been presented with the below described structure, mechanism and documentation for the proposed Sukuk issuance by Oman Sovereign Sukuk S.A.O.C. (the **Issuer**), an Omani closed joint stock company, wholly owned by the Government of the Sultanate of Oman acting through the Ministry of Finance.

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

1. Introduction

- 1.1 The Issuer will issue sukuk certificates (the **Certificates**) to investors (the **Certificateholders**) and collect the proceeds (the **Proceeds**) from the Certificateholders.
- 1.2 The Issuer, in its capacity as agent will, pursuant to a declaration of agency (the **Declaration of Agency**), hold the Lease Assets (as defined below) as agent for and on behalf of the Certificateholders. In addition, pursuant to the Declaration of Agency, an agent will be appointed to act on behalf of the Certificateholders in relation to various administrative matters including, without limitation, enforcement.

2. Purchase and Lease of the Lease Assets

- 2.1 On the issue date (the **Issue Date**), the Issuer will use the Proceeds of the issue of the Certificates to purchase from the Government (the **Seller**), pursuant to a purchase agreement (the **Purchase Agreement**), a co-ownership interest in the plot of land (the **Land**) located in Duqm with Commercial Plot Number 3 and as more particularly described in the extract provided by the Sultanate of Oman Ministry of Housing, Directorate General of Housing Al Wusta Region, Planning and Surveying Department, Reference Number 4-70-038-01-003, which shall comprise the **Lease Assets**. The co-ownership interest will be specified in the Purchase Agreement and will be in the same proportion as the aggregate outstanding face amount of the Certificates to the value of the Land.
- 2.2 On the Issue Date, the Issuer will lease the Lease Assets (in such capacity, the **Lessor**) to the Government (in such capacity, the **Lessee**) pursuant to a lease agreement (the **Lease Agreement**). The Lease Agreement will specify the Lessee's intentions with respect to the Lease Assets which are currently to integrate the Land into the Duqm Special Economic Zone and develop strategic projects on the Land; such activities may, for example and without limitation, involve the development of

Mina Al Fahal
Sultanate of Oman
Tel: (+968) 24577000
Fax: (+968) 24588001
Email: info@ahlibank-oman.com
www.ahlibank-oman.om

ص.ب. ٥٤٤، الرمز البريدي: ١١٦
ميناء الفحل
سلطنة عمان
هاتف: (+٩٦٨) ٢٤٥٧٧٠٠٠
فاكس: (+٩٦٨) ٢٤٥٨٨٠٠١
إيميل: info@ahlibank-oman.com
www.ahlibank-oman.om

facilities and office space for rental by companies established or operating in the Duqm Special Economic Zone and/or the development of Shari'a compliant leisure and retail facilities, in each case, with the objective of creating revenue-generating commercial activities on the Land.

- 2.3 The rental payable by the Lessee to the Lessor in respect of each rental period will equate to the aggregate of: (i) the periodic distribution amount for the corresponding period payable under the Certificates; and (ii) the supplementary rental, which shall correspond to any Service Charge Amounts (as defined below) incurred by the Lessor as notified to the Lessee during the relevant rental period. For the avoidance of doubt, upon the occurrence of a Total Loss Event, the Lease Agreement will terminate and no further rentals shall be payable.
- 2.4 Under the Lease Agreement, the Lessee will be responsible for all ordinary maintenance and repair in respect of the Lease Assets and the Lessor will be responsible for: (i) all major maintenance and structural repair in respect of the Lease Assets; (ii) the payment of any proprietorship or other applicable taxes in respect of the Lease Assets; and (iii) insuring the Lease Assets (such obligations of the Lessor, the **Lessor Obligations**).

3. Servicing Agent

- 3.1 The Lessor will, pursuant to a servicing agency agreement (the **Servicing Agency Agreement**), appoint the Government as its servicing agent (in such capacity, the **Servicing Agent**) to provide certain services (as detailed below) in respect of the Lease Assets.
- 3.2 The Servicing Agent will undertake in the Servicing Agency Agreement that it will perform the Lessor Obligations on behalf of the Lessor. Each time that the Servicing Agent procures a new insurance policy (including upon the expiry of any insurance policy which is in force as at the relevant Issue Date) in order to comply with its obligations set out in this paragraph and paragraph 3.3 below, it will use its reasonable endeavours to obtain such insurance on a *takaful* basis if such *takaful* insurance is available on commercially viable terms, failing which, conventional insurance shall be permitted (with reputable insurance companies in good financial standing).
- 3.3 The Lessor and the Servicing Agent will agree in the Servicing Agency Agreement that the Lessor shall reimburse the Servicing Agent each Service Charge Amount invoiced to the Lessor. An amount equal to the supplementary rental to be paid by the Lessee to the Lessor under the Lease Agreement (as described in paragraph 2.3(ii) above) or, as the case may be, as part of the Exercise Price (as defined below) under the Purchase Undertaking (as defined below) may be set off against any Service Charge Amounts to be paid by the Lessor to the Servicing Agent under the Servicing Agency Agreement.

For these purposes, **Service Charge Amount** means the amount of any claims, losses, costs and expenses properly incurred or suffered by the Servicing Agent or other payments made by the Servicing Agent on behalf of the Lessor, in each case in providing the services to be undertaken by it under the Servicing Agency Agreement.

- 3.4 The Servicing Agent will be required under the Servicing Agency Agreement to ensure that the Lease Assets are properly insured (with reputable insurance companies in good financial standing) against a Total Loss Event (as defined below) in an insured amount, at all times, at least equal to the Full Reinstatement Value (as defined below) and that, following a Total Loss Event, all proceeds from such insurances are paid to the Issuer (by payment into the transaction account) within 30 days of such Total Loss Event (and to direct the insurer(s) accordingly). In the event that the Servicing Agent fails to comply with its obligations to insure the Lease Assets for an amount at least equal to the Full Reinstatement Value and to ensure that insurance proceeds are paid to the Issuer (by payment into the transaction account) within 30 days of such Total Loss Event, the Servicing Agent

Handwritten signature or initials.

(unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement relating to insurance) shall be liable to indemnify the Issuer for any shortfall between the amount of insurance proceeds paid out and the Full Reinstatement Value.

For these purposes:

- (a) **Full Reinstatement Value** means an amount equal to the aggregate of: (a) the face amount of all Certificates for the time being outstanding; (b) all accrued and unpaid periodic distribution amounts relating to such Certificates; and (c) an amount equal to any outstanding Service Charge Amounts in respect of which a payment of supplementary rent has not been paid; and
- (b) a **Total Loss Event** means the total loss or destruction of, or damage to the whole of, the Lease Assets or any event or occurrence which renders the whole of the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

4. Redemption of the Certificates

Upon the occurrence of a termination event, or upon the scheduled maturity of the Certificates, the Issuer will be entitled to exercise a purchase undertaking (the **Purchase Undertaking**) granted by the Government (in such capacity, the **Obligor**) in favour of the Issuer (by delivery of an exercise notice to the Government) pursuant to which the Issuer will be entitled to require the Obligor to purchase the Lease Assets at a price (the **Exercise Price**) equal to the aggregate of: (i) the aggregate outstanding face amount of the Certificates; (ii) all accrued and unpaid periodic distribution amounts (if any); and (iii) an amount equal to any outstanding Service Charge Amounts in respect of which a payment of supplementary rent has not been paid.

5. Substitution of the Lease Assets and Cancellation of the Certificates

- 5.1 The Government may, at any time, substitute all or any part of the Lease Assets (such assets to be substituted, the **Substituted Assets**) by exercising its right (by delivery of a substitution notice to the Issuer) under a Substitution and Transfer Undertaking (the **Substitution and Transfer Undertaking**) to require the Issuer to accept a transfer from the Government, of new Shari'a compliant assets (the **New Assets**) in exchange for the Issuer transferring the Substituted Assets to the Government. Any such substitution will be subject to: (i) the Government and the Issuer entering into a transfer agreement (the form of which will be scheduled to the Substitution and Transfer Undertaking) to give effect to the substitution of the Substituted Assets for the New Assets; and (ii) the value of the New Assets being not less than the value of the Substituted Assets.
- 5.2 Following any purchase of Certificates by the Government in the open market or otherwise, the Government shall be entitled to exercise its rights (by delivery of a cancellation notice to the Issuer) under the Substitution and Transfer Undertaking to require the Issuer to cancel the relevant Certificates so purchased in consideration of the transfer by the Issuer to the Government of a portion of the Lease Assets, the value of which is not greater than the aggregate face amount of the Certificates so cancelled.

6. Documents

The list below sets out the documents (collectively, the **Transaction Documents**) relating to the aforementioned structure:

Islamic documents

- (A) Purchase Agreement
- (B) Lease Agreement
- (C) Servicing Agency Agreement
- (D) Purchase Undertaking
- (E) Substitution and Transfer Undertaking

Capital Markets documents

- (F) Declaration of Agency
- (G) Subscription Agreement
- (H) Paying Agent Agreement
- (I) Registrar Agreement

Disclosure document

- (J) Prospectus

7. Shari'a Approval

The Shari'a Supervisory Board, having reviewed the structure, mechanism and documentation, as set out above, hereby rules that the proposed Sukuk issuance by Oman Sovereign Sukuk S.A.O.C., is in compliance with the principles of Shari'a.

And Allah knows best. Allah grants success.....



Dr. M. Taher M. Al-Ibrahim



Dr. Ahmed Mohiyeldin Ahmed
Chairman of SSB



Dr. Mustain Ali Abdul Hameed
(Members of SSB)



Dr. Abdulrauf Abdullah Altubi

Date: October 20, 2015

Prospective Certificate holders should not rely on the Pronouncement above in deciding to make an investment in the Certificates and should consult their own Shari'a advisors.