

## IMPORTANT NOTICE

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached base offering circular (the "**Base Offering Circular**") following this notice, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Base Offering Circular. In accessing the Base Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer, the Arranger or the Dealers (each as defined in the Base Offering Circular) as a result of such access.

**Confirmation of Your Representation:** By accessing the Base Offering Circular you have confirmed to the Issuer, the Arranger and the Dealers that (i) you understand and agree to the terms set out herein, (ii) you are either (a) a person who is outside the United States and that the electronic mail address you have given is not located in the United States, its territories and possessions, or (b) a person that is a qualified institutional buyer (a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act of 1933, as amended (the "**Securities Act**"), (iii) you consent to delivery by electronic transmission, (iv) you will not transmit the attached Base 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 Arranger and the Dealers, and (v) 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 any of the Notes.

You are reminded that the Base Offering Circular has been delivered to you on the basis that you are a person into whose possession the Base 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 the Base Offering Circular, electronically or otherwise, to any other person and in particular to any 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.

**Restrictions:** THE FOLLOWING ELECTRONIC TRANSMISSION MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS DOCUMENT MAY ONLY BE DISTRIBUTED IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT AND TO QIBS PURSUANT TO RULE 144A). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS DOCUMENT CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY NOTES DESCRIBED THEREIN.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. 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 OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT IN ACCORDANCE WITH AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Under no circumstances shall the Base Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Base Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Arranger or a Dealer or any affiliate of the Arranger or applicable Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arranger or such Dealer or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

The Base 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 Issuer, the Arranger or the Dealers, any person who controls any of the Issuer, the Arranger or the Dealers, any director, officer, employee or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Arranger or the Dealers. Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this document 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.

## BASE OFFERING CIRCULAR



# GOVERNMENT OF THE EMIRATE OF SHARJAH ACTING THROUGH THE SHARJAH FINANCE DEPARTMENT

## Global Medium Term Note Programme

Under this Global Medium Term Note Programme (the "**Programme**"), the Government of the Emirate of Sharjah acting through the Sharjah Finance Department (the "**Issuer**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time-to-time by the Issuer (each a "**Dealer**", and together the "**Dealers**"), which appointment may be for a specific Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes or on an ongoing basis. References in this Base Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".**

Application may be made to the United Kingdom ("UK") Financial Conduct Authority (the "**FCA**") for Notes issued under the Programme to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**"), for such Notes to be admitted to trading on the London Stock Exchange's Main Market. For the purposes of any such application, the Issuer is an exempt issuer pursuant to Article 1(2) of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK Prospectus Regulation**"). Accordingly, this Base Offering Circular has not been reviewed nor approved by the FCA and has not been approved as a prospectus by any other competent authority under the UK Prospectus Regulation. Notes admitted to the Official List and admitted to trading on the London Stock Exchange's Main Market will not be subject to the prospectus requirements but will be issued in accordance with the listing rules of the London Stock Exchange. The Issuer is an "Exempt Offeror" for the purposes of Article 13(1) of the Markets Law, Dubai International Financial Centre Law No. 1 of 2012 (as amended, the "**Markets Law 2012**") of the Dubai Financial Services Authority (the "**DFSA**"). Accordingly, this Base Offering Circular has not been approved by the DFSA for the purposes of Articles 14 and 15 of the Markets Law 2012. Application has been made to the DFSA for the Notes to be issued under the Programme to be admitted to the official list of securities maintained by the DFSA (the "**DFSA Official List**") and to Nasdaq Dubai for admission to trading on Nasdaq Dubai. References in this Base Offering Circular to Notes being "**listed**" (and all related references) shall mean that such Notes have been (a) admitted to trading on the London Stock Exchange's Main Market and have been admitted to the Official List and the DFSA Official List, (b) admitted to trading on the Regulated Market and on Nasdaq Dubai and/or (c) such other or further stock exchanges or markets as may be specified in the applicable pricing supplement relating to the relevant Tranche (the "**applicable Pricing Supplement**" or "**Pricing Supplement**") as may be agreed between the Issuer and the relevant Dealer(s). The London Stock Exchange's Main Market is a UK regulated market for the purposes of Article 2(1)(13) of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of domestic law of the UK by virtue of the EUWA ("**UK MiFIR**"). Unlisted Notes may also be issued pursuant to the Programme. The Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be (a) admitted to trading on the London Stock Exchange's Main Market and have been admitted to the Official List and/or (b) listed on the DFSA Official List and admitted to trading on Nasdaq Dubai (or any other stock exchange). This Base Offering Circular (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date. The obligation to supplement this Base Offering Circular in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Offering Circular is no longer valid.

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 of Notes will be set out in the Pricing Supplement which (in the case of Notes to be listed on the London Stock Exchange) will be delivered to the FCA and the London Stock Exchange. Copies of the Pricing Supplement in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States unless pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and such offer or sale is made in accordance with all applicable securities laws of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States in offshore transactions in reliance on Regulation S ("**Regulation S**") under the Securities Act and within the United States only to persons who are "qualified institutional buyers" ("**QIBs**") in reliance on Rule 144A ("**Rule 144A**") under the Securities Act. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, and sales of such Registered Notes may be made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A, see "*Subscription and Sale and Transfer and Selling Restrictions*".

The Programme has been rated BBB- and A-3 by S&P Global Ratings Europe Limited ("**S&P**") and Ba1 by Moody's Investors Service, Inc. ("**Moody's**"). Sharjah has been assigned a long- and short-term foreign and local currency sovereign credit rating of BBB- and A-3, respectively, by S&P with a stable outlook and a long-term issuer rating of Ba1 by Moody's with a stable outlook. S&P is established in the European Economic Area (the "**EEA**") and registered under Regulation (EC) No 1060/2009, as amended (the "**EU CRA Regulation**"). S&P is not established in the United Kingdom and has not applied for registration under Regulation (EU) No 1060/2009 (as amended) as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK CRA Regulation**"). The ratings assigned by S&P have been endorsed by S&P Global Ratings UK Limited, which is established in the United Kingdom and registered under the UK CRA Regulation. Moody's is not established in the EEA and has not applied for registration under the EU CRA Regulation. The ratings assigned by Moody's have been endorsed by Moody's Investors Service Cyprus Limited, which is established in the EEA and registered under the EU CRA Regulation and Moody's Investors Service Limited, which is established in the United Kingdom and registered under the UK CRA Regulation. As such, S&P and Moody's Investors Service Cyprus Limited are included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the EU CRA Regulation. S&P Global Ratings UK Limited and Moody's Investors Service Limited appears on the latest update of the list of registered credit rating agencies on the United Kingdom Financial Conduct Authority's (the "**FCA**") website: <https://data.fca.org.uk/#/cra/cradetails>. Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Pricing Supplement.

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

Interest or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011, as amended (the "**EU Benchmarks Regulation**") and Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK Benchmarks Regulation**"). Details of the administrators of such benchmarks, including details of whether or not, as at the date of this Base Offering Circular, each such administrator's name appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the EU Benchmarks Regulation or by the FCA pursuant to Article 36 of the UK Benchmarks Regulation are set out in the paragraph entitled "*Benchmarks Regulation*".

Arranger  
HSBC  
Dealers

Citigroup  
J.P. Morgan

HSBC  
Standard Chartered Bank

The date of this Base Offering Circular is 27 February 2024.

The Issuer accepts responsibility for the information contained in this Base Offering Circular. To the best of the knowledge of the Issuer, the information contained in this Base Offering Circular is in accordance with the facts and does not omit anything likely to affect its import.

This Base Offering Circular must be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Base Offering Circular.

None of the Arranger, the Dealers (each as specified under "*Overview of the Programme*") or the Agents (as defined in the "*Terms and Conditions of the Notes*") or their respective affiliates have independently verified the information contained herein. Accordingly, none of the Arranger, the Dealers or the Agents or their respective affiliates accepts any responsibility or liability for and makes no representation, warranty or undertaking, express or implied, as to (i) the accuracy or completeness of the information contained or incorporated by reference in this Base Offering Circular, (ii) any acts or omissions of the Issuer or any other person in connection with this Base Offering Circular or the issue and offering of the Notes or (iii) any other information provided in connection with the Issuer, the Programme, any Notes issued thereunder or their distribution. Each Arranger, Dealer, Agent, and their respective affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Base Offering Circular or any other information provided by the Issuer in connection with the Programme, the Notes or their distribution.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Arranger, the Dealers or the Agents.

Neither this Base Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Arranger, the Dealers or the Agents or any of their respective affiliates that any recipient of this Base Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should determine for itself the relevance of the information contained in this Base Offering Circular, make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its purchase of any Notes should be based upon such investigation as it deems necessary. Neither this Base 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 or any of the Arranger, the Dealers or the Agents or any of their respective affiliates to any person to subscribe for or to purchase any Notes. None of the Arranger, the Dealers or the Agents undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arranger, the Dealers or the Agents.

Neither the delivery of this Base Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. Without limitation, the Arranger, the Dealers and the Agents expressly do not undertake to review the economic condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

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

This Base 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. The distribution of this Base Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arranger, the Dealers, the Agents and their respective affiliates do not represent that this Base 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 assume any responsibility for facilitating

any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealers, the Agents or any of their respective affiliates which is intended to permit a public offering of any Notes or distribution of this Base 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 Base 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 Base Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, the EEA, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom of Saudi Arabia, State of Qatar (including the Qatar Financial Centre), the UAE (excluding the Dubai International Financial Centre (the "**DIFC**") and the Abu Dhabi Global Market (the "**ADGM**")), the ADGM, the DIFC, the State of Kuwait, Hong Kong, Singapore, Switzerland and Malaysia (and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes) (see "*Subscription and Sale and Transfer and Selling Restrictions*").

This Base Offering Circular has been prepared on a basis that any offer of Notes to the public in any member state of the EEA (each, a "**Member State**") must be made pursuant to an exemption under Regulation (EU) 2017/1129 (as amended) (the "**EU Prospectus Regulation**") from the requirement to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation for such offers of Notes. Accordingly, any person making or intending to make an offer of Notes to the public in that Member State may only do so in circumstances in which no obligation arises for the Issuer, the Arranger, any Dealer or any of their affiliates to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation, in each case, in relation to such offer. None of the Issuer, the Arranger, any Dealer or any of their affiliates have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

No comment is made or advice given by the Issuer, the Arranger, any Dealer or the Agents in respect of taxation matters relating to any Notes or the legality of the purchase of Notes by an investor under applicable or similar 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.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Base Offering Circular. Any consents or approvals that are needed in order to purchase any Notes must be obtained prior to the deadline specified for any such consent or approval. The Issuer, the Arranger, the Dealers, the Agents and their respective affiliates are not responsible for compliance with these legal requirements. The appropriate characterisation of the Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase any Notes, is subject to significant interpretative uncertainties.

**EACH INVESTOR SHOULD CONSULT WITH ITS OWN ADVISERS AS TO THE LEGAL, TAX, BUSINESS, FINANCIAL AND RELATED ASPECTS OF THE PURCHASE OF ANY NOTES.**

#### **U.S. INFORMATION**

**This Base Offering Circular is being submitted on a confidential basis in the United States to QIBs for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorised. This Base Offering Circular may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.**

Notes issued in bearer form 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 United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder.

**Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on, and in accordance with, Rule 144A or any other applicable exemption.**

**Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together *Legended Notes*) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".**

**NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS BASE OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS BASE OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

#### **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer is a foreign sovereign state outside the United States and the United Kingdom, and a substantial portion of the assets of the Issuer are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States and/or the United Kingdom upon the Issuer or to enforce against it in the United States courts or English courts judgments obtained in United States courts or English courts, respectively, including judgments predicated upon the civil liability provisions of the securities laws of the United States or the securities laws of any state or territory within the United States. The Notes are governed by English law and disputes in respect of the Notes may be settled under the Arbitration Rules of the London Court of International Arbitration in London, England. In addition, actions in respect of the Notes may be brought in the English courts.

A substantial part of the Issuer's assets are located in the Emirate of Sharjah. In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the Sharjah courts are unlikely to enforce a judgment obtained in United States courts or English courts without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Notes. Investors may have difficulties in enforcing any United States or English judgments or arbitration awards against the Issuer in the courts of Sharjah. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions. See "*Risk Factors — Factors which are material for the purpose of assessing the market risks associated with Notes Issued under the Programme — Risks relating to enforcement*".

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

In relation to investors in the Kingdom of Bahrain ("**Bahrain**"), Notes issued in connection with this Base 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 Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in any other currency or such other amount as the CBB may determine.

This Base Offering Circular does not constitute an offer of securities in Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Offering Circular and any 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 Base Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered this Base 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 Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base 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 Base Offering Circular. No offer of Notes will be made to the public in Bahrain and this Base 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 OMAN**

The information contained in this Base Offering Circular does not constitute an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74, as amended) (the "**Commercial Companies Law**") or Article 3 of the Capital Market Law of Oman (Royal Decree 80/98, as amended) nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Oman Capital Market Authority (CMA Decision 3/2016). This Base Offering Circular will only be made available to investors in Oman in accordance with Article 139 of the Executive Regulations of the Capital Market Law (CMA Decision 1/2009, as amended) (the "**Executive Regulations**") by an entity duly licensed by the Oman Capital Market Authority to market non-Omani securities in Oman.

This Base Offering Circular has not been (and will not be) filed with the Oman Capital Market Authority (except in accordance with Article 139 of the Executive Regulations), the Central Bank of Oman or any other regulatory authority in Oman and neither the Oman Capital Market Authority nor the Central Bank of Oman assumes responsibility for the accuracy and adequacy of the statements and information contained in this Base Offering Circular and shall not have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

#### **KINGDOM OF SAUDI ARABIA NOTICE**

This Base Offering Circular may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

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

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

Any Notes to be issued under the Programme will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Offering Circular has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of 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 the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of State of Qatar.

#### **NOTICE TO RESIDENTS OF ONTARIO**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal, that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The

purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

If applicable, pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105) or Ontario Instrument 33-507 (Exemption from Underwriting Conflicts Disclosure Requirements), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

#### **PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001, AS AMENDED OR MODIFIED FROM TIME TO TIME**

THE APPLICABLE PRICING SUPPLEMENT IN RESPECT OF ANY NOTES MAY INCLUDE A LEGEND ENTITLED "SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION" WHICH WILL STATE THE PRODUCT CLASSIFICATION OF THE NOTES PURSUANT TO SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA"). IF APPLICABLE THE ISSUER WILL MAKE A DETERMINATION AND, PRIOR TO MAKING ANY OFFERING OF NOTES IN SINGAPORE, PROVIDE THE APPROPRIATE WRITTEN NOTIFICATION TO "RELEVANT PERSONS" (AS DEFINED IN SECTION 309A(1) OF THE SFA) IN RELATION TO EACH ISSUE ABOUT THE CLASSIFICATION OF THE NOTES BEING OFFERED FOR PURPOSES OF SECTION 309B(1)(A) AND SECTION 309B(1)(C) OF THE SFA.

#### **IMPORTANT – EEA RETAIL INVESTORS**

If the applicable 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 EU 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 EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (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 – UNITED KINGDOM RETAIL INVESTORS**

If the applicable Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to United Kingdom 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. 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 of the United Kingdom by virtue of 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 regulations made under the FSMA which were relied on immediately before exit day 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 of the United Kingdom 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 of the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the United Kingdom 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 United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

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

The applicable Pricing Supplement in respect of any Series of Notes will include a legend entitled "*EU 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 EU 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 EU 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 Arranger 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 Series of Notes will 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 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 set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

#### **THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS**

The Notes may not be a suitable investment for all investors. Each potential investor in the 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 Notes, the merits and risks of investing in the Notes and the information contained in this Base Offering Circular or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes 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 Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate 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 certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. 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.

#### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

Some of the statements contained in this Base Offering Circular constitute forward-looking statements. Statements that are not historical facts are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "could", "should", "would" or similar terminology.

Although the Issuer 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 Issuer has otherwise identified in this Base Offering Circular, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the financial, political or economic condition of Sharjah may vary from that expected, estimated or predicted. Investors are therefore strongly advised to read the sections entitled "*Risk Factors*", and "*The Economy of Sharjah*", which include a more detailed description of the factors that might have an impact on the financial, political or economic condition of Sharjah.

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

## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons 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 stabilisation 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 stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

## SUSTAINABLE NOTES

The Pricing Supplement relating to a specific Tranche of Notes identified therein as "Sustainable Notes" (the "**Sustainable Notes**") will provide that it is the Issuer's intention to apply an amount at least equal to the net proceeds of the issue of such Sustainable Notes (the "**equivalent amount**"), to finance and/or refinance eligible, in whole or in part, existing projects and/or expenditures ("**Eligible Expenditures**") in accordance with the Issuer's Sustainable Financing Framework (as amended, supplemented, restated and/or otherwise updated on the Issuer's website from time to time, the "**Sustainable Financing Framework**"). A prospective investor should have regard to the information set out in the section "*Use of Proceeds*" and seek advice from their independent financial adviser or other professional adviser regarding their purchase of any Sustainable Notes before deciding to invest and must determine for themselves the relevance of such information, together with any other investigation such investor deems necessary for the purpose of assessing the suitability of an investment in such Notes in light of its investment criteria, guidelines, requirements or expectations.

No assurance is given by the Issuer, the Arranger, the Dealers or any other person that such use of proceeds will meet, in whole or in part, any present or future investment expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required, or intend, 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 or sustainability impact of any project or uses, the subject of or related to, the Sustainable Financing Framework (including in relation to Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called "**EU Taxonomy Regulation**") and any related technical screening criteria, the 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**"), the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**"), and any implementing legislation and guidelines, or any similar legislation in the United Kingdom). None of the Arranger or the Dealers or their respective affiliates have undertaken, nor are they responsible for, any assessment or due diligence of, the Eligible Expenditures, or any related projects or the application, impact or monitoring of the use of the proceeds (or any amount equivalent thereto) of any Sustainable Notes. None of the Arranger or the Dealers or their respective affiliates have undertaken any due diligence, or makes any representation as to the suitability or contents,

of the Sustainable Financing Framework, any second party opinion delivered in respect thereof or any public reporting by or on behalf of the Issuer in respect of the application of the proceeds of any issue of Sustainable Notes, all of which are not, nor shall be deemed to be, incorporated in and/or form part of this Base Offering Circular.

No assurance or representation is or can be given by the Issuer, the Arranger, the Dealers or any other person that Eligible Expenditures will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including the EU Taxonomy Regulation or Regulation (EU) 2020/852 as it forms part of domestic law of the United Kingdom by virtue of the EUWA and any related technical screening criteria, the EU Green Bond Regulation, SFDR and any implementing legislation and guidelines, or any similar legislation in the United Kingdom) or any requirements of such labels as they may evolve from time to time), as regards any investment criteria or guidelines with which such investor or its investments are required to comply or that any adverse environmental and/or other impacts will not occur during the implementation of any projects funded by or related to any Eligible Expenditures. Each prospective investor should have regard to the factors described in the Sustainable Financing Framework and the relevant information contained in this Base Offering Circular and seek advice from their independent financial adviser or other professional adviser regarding its purchase of any Sustainable Notes before deciding to invest. The Issuer's Sustainable Financing Framework may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Base Offering Circular. The Issuer's Sustainable Financing Framework does not form part of, nor is incorporated by reference, in this Base Offering Circular. None of the Arranger or the Dealers or their respective affiliates shall be responsible for (i) the suitability of any Sustainable Notes to fulfil environmental, social and/or sustainability criteria required by prospective investors, (ii) whether the equivalent amount will be used to finance and/or refinance Eligible Expenditures, (iii) any assessment of the Eligible Expenditures, or (iv) the ongoing monitoring of the use of proceeds in respect of any such Sustainable Notes.

None of the Arranger or the Dealers or their respective affiliates makes any representation or provide any assurance as to the suitability of any Sustainable 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, to fulfil any green, social, environmental or sustainability criteria required by any prospective investors. None of the Arranger or the Dealers or their respective affiliates have undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Expenditures financed or refinanced with the proceeds of the issuance of the Sustainable Notes, any verification of whether the Eligible Expenditures meet such criteria, the monitoring of the use of proceeds of any Sustainable Notes (or amounts equal thereto) or the allocation of the proceeds by the Issuer to particular Eligible Expenditures. Each prospective investor should have regard to the information set out in "Use of Proceeds" below and determine for itself the relevance of such information for the purposes of an investment in Sustainable Notes together with any other investigation it deems necessary.

### **BENCHMARKS REGULATION**

Amounts payable on Floating Rate Notes issued under the Programme will be calculated by reference to certain reference rates as specified in the applicable Pricing Supplement. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") and Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the Pricing Supplement may indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the EU Benchmarks Regulation or by the FCA pursuant to Article 36 of the UK Benchmarks Regulation. The registration status of any administrator under the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Pricing Supplement to reflect any change in the registration status of the administrator.

### **PRESENTATION OF STATISTICAL INFORMATION**

The statistical information in this Base Offering Circular has been derived from a number of different identified sources. Certain information (for example information relating to the balance of payments and information under the heading "*Monetary and Financial System*") is only available on a federal basis relating to the entire UAE and investors should note that Sharjah's specific position may differ in material

respects from the position at an overall federal level. All statistical information provided in this Base Offering Circular may differ from that produced by other sources for a variety of reasons, including periodic revisions, the use of different definitions and cut-off times. Statistical information provided in respect of a certain year may be changed retrospectively in subsequent years when more recent statistical information is published.

Some statistical information has also been derived from information publicly made available by third parties such as the International Monetary Fund (the "IMF"). Where such third-party information has been so sourced, the source is stated where it appears in this Base Offering Circular. The Issuer 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 third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Similar statistics may be obtainable from other sources, but the date of publication, underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, statistics and data published by one ministry or agency may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions, methodology or timing of when such data is reproduced. Certain historical statistical information contained herein is provisional or otherwise based on estimates that Sharjah and/or its agencies believe to be based on reasonable assumptions. Sharjah's official financial and economic statistics are subject to regular internal review as part of a regular confirmation process. Accordingly, the financial and economic information set out in this Base Offering Circular may be subsequently adjusted or revised and may differ from previously published financial and economic information. While Sharjah does not expect such revisions to be material, no assurance can be given that material changes will not be made.

Information contained herein that is identified as being derived from a publication of Sharjah or one of its agencies or instrumentalities is included herein on the authority of such publication as an official public document of Sharjah. All other information contained herein with respect to Sharjah is included as an official public statement made on the authority of the Sharjah Finance Department of the Government.

## **PRESENTATION OF ECONOMIC INFORMATION**

Annual information presented in this Base Offering Circular is based upon the calendar year beginning 1 January of each year (which is the fiscal year for the UAE and Sharjah), unless otherwise indicated. Certain figures included in this Base Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be the sum of the figures which precede them. Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies and ministries of the Government, including the Department of Statistics and Community Development ("DSCD") and Sharjah Finance Department. Some statistical information has also been derived from information publicly made available by third parties such as the UAE Federal Competitiveness and Statistics Authority (formerly the National Bureau of Statistics) (the "FCSA") and the UAE Central Bank. Where such third party information has been so sourced, the source is stated where it appears in this Base Offering Circular. The DSCD began reporting gross domestic product ("GDP") data for Sharjah for 2017 which differs from GDP and other information for Sharjah reported by the FCSA. The Issuer 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 third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **PRESENTATION OF INFORMATION**

### **Certain Defined Terms and Conventions**

References to any individual year are references to a calendar year commencing on 1 January and ending on 31 December in the same year. All references in this document to "AED" and "UAE. Dirham" are to the currency of the UAE; to "U.S. Dollars", "U.S.\$" and "\$" are to the currency of the United States of America. The UAE Dirham has been pegged to the U.S. Dollar since 22 November 1980. The mid-point between the official buying and selling rates for the UAE Dirham is at a fixed rate of AED3.6725 = U.S.\$1.00. For ease of presentation, certain financial information relating to Sharjah included herein is presented as translated into U.S. Dollars at the U.S. Dollar/AED rate of exchange deemed appropriate by Sharjah. Such translations should not be construed as a representation that the amounts in question have

been, could have been or could be converted into U.S. Dollars at that or any other rate. References to "**SDR**" are to the Special Drawing Right, a unit of account having the meaning ascribed to it from time to time by the rules and regulations of the IMF. References to "**RMB**" are to the lawful currency of the People's Republic of China (the "**PRC**") (which, for the purposes of this Base Offering Circular, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan). References in this document to "**billions**" are to thousands of millions. References to the "**Government**" are to the Government of the Emirate of Sharjah unless the context otherwise requires. References to "**Sharjah**" and to the "**Emirate**" are to the Emirate of Sharjah. References to the "**UAE**" are to the United Arab Emirates.

***Foreign Language***

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

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## OVERVIEW OF THE PROGRAMME

*Words and expressions defined in the "Terms and Conditions of the Notes" (the "Conditions") and elsewhere in this Base Offering Circular shall have the same meanings in this overview.*

<b>Issuer:</b> .....	Government of the Emirate of Sharjah acting through the Sharjah Finance Department.
<b>Issuer's Legal Entity Identifier (LEI):</b> .....	254900ZNL8O3F1CLJO24.
<b>Description:</b> .....	Global Medium Term Note Programme.
<b>Programme Size:</b> .....	The Programme is unlimited in amount.
<b>Arranger:</b> .....	HSBC Bank plc
<b>Dealers:</b> .....	Citigroup Global Markets Limited HSBC Bank plc J.P. Morgan Securities plc Standard Chartered Bank and any other Dealers appointed in accordance with the Programme Agreement from time to time.
<b>Principal Paying Agent and Transfer Agent:</b> .....	Deutsche Bank AG, London Branch.
<b>Registrar, U.S. Paying Agent and U.S. Transfer Agent:</b> .....	Deutsche Bank Trust Company Americas.
<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.
<b>Risk Factors:</b> .....	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. See " <i>Risk Factors</i> ".
<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 and Transfer and Selling Restrictions</i> ") including the following restrictions applicable at the date of this Base Offering Circular.

### **Notes having a maturity of less than one year**

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 FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale and Transfer and Selling Restrictions*".

<b>Currencies:</b> .....	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer.
<b>Maturities:</b> .....	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price:</b> .....	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes:</b> .....	The Notes will be issued in bearer or registered form as described in " <i>Form of the Notes</i> ". Registered Notes will not be exchangeable for Bearer Notes or <i>vice versa</i> .
<b>Fixed Rate Notes:</b> .....	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
<b>Floating Rate Notes:</b> .....	<p>Floating Rate Notes will bear interest at a rate determined:</p> <p>(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 the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. ("<b>ISDA</b>"), and as supplemented, amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) as specified in the applicable Pricing Supplement, or the latest version of ISDA 2021 Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), as specified in the applicable Pricing Supplement, each as published by ISDA (or any successor) on its website (<a href="http://www.isda.org">http://www.isda.org</a>), on the date of issue of the first Tranche of the Notes of the relevant Series; or</p> <p>(b) on the basis of a reference rate set out in the applicable Pricing Supplement.</p> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on the Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
<b>Zero Coupon Notes:</b> .....	Zero Coupon Notes may be offered and sold at a discount to their principal amount and will not bear interest.



- Benchmark Discontinuation:**..... In the event that a Benchmark Event or a Benchmark Transition Event and its related Benchmark Replacement Date 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 Issuer 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 5.2(c) (*Benchmark Replacement – Independent Adviser*) and Condition 5.2(d) (*Benchmark Replacement – SOFR*).
- Redemption:**..... The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.
- Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution. See "*Certain Restrictions: Notes having a maturity of less than one year*" above.
- Denomination of Notes:** ..... The Notes will be issued in such denominations, as may be agreed between the Issuer and the relevant Dealer, 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: Notes having a maturity of less than one year*" above, and the regulations of the applicable securities system in which the Notes are issued 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) and in the case of any Legended Notes, the minimum specified denomination shall be U.S.\$200,000.
- Taxation:** ..... All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction in accordance with Condition 8 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
- Negative Pledge:** ..... The terms of the Notes will contain a negative pledge provision as further described in Condition 4 (*Negative Pledge*).
- Cross Acceleration:** ..... The terms of the Notes will contain a cross acceleration provision as further described in Condition 10 (*Events of Default*).
- Status of the Notes:**..... The Notes and any relative Coupons constitute (subject to Condition 4 (*Negative Pledge*)) direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and, save

for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Negative Pledge*), at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding, **provided, further, that** the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due on the Notes and *vice versa*.

**Meetings of Noteholders,  
Modification and Waiver:.....**

The terms of the Notes contain a "collective action" clause, which permits defined majorities to bind all Noteholders. If the Issuer issues debt securities that contain collective action clauses in substantially the same form as the collective action clause in the terms of the Notes, the Notes would be capable of aggregation for voting purposes with any such debt securities, thereby allowing "cross-series" modifications to the terms and conditions of all affected Series of Notes (even, in some circumstances, where majorities in certain Series did not vote in favour of the modifications being voted on). This is also the case for debt securities that have previously been issued with collective action clause in substantially the same form as the collective action clause in the terms of the Notes.

See Condition 15 (*Meetings of Noteholders, Modification and Waiver*) and "*Risk Factors — Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme — Risks related to Notes generally — The Conditions contain a "collective action" clause under which the terms of any one Series of Notes or multiple Series of Notes may be amended, modified or waived without the consent of all Noteholders*".

**Ratings: .....**

Sharjah has been assigned a long- and short-term foreign and local currency sovereign credit rating of BBB- and A-3 by S&P with a stable outlook and a long-term issuer rating of Ba1 by Moody's with a stable outlook.

The ratings assigned to each Series of Notes (if any) to be issued under the Programme will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold the Notes (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Whether or not each any credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the EEA or the United Kingdom and registered under the EU CRA Regulation or the UK CRA Regulation will be disclosed in the applicable Pricing Supplement.

**Listing and Admission to  
Trading:.....**

Application may be made to for Notes issued under the Programme to be: (i) admitted to the Official List and admitted to trading on the Main Market of the London Stock Exchange; (ii) admitted to the DFSA Official List and admitted to trading on Nasdaq Dubai; or (iii) as otherwise specified in the applicable Pricing Supplement and references to "listing" shall be construed accordingly. As specified in the applicable Pricing Supplement, a Series of Notes may be unlisted.

**Clearing Systems: .....**

Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") for Bearer Notes,

Clearstream, Luxembourg, Euroclear and DTC for Registered Notes and, in relation to any Tranche, any other clearing system as may be agreed between the Issuer, the Principal Paying Agent and the relevant Dealer. See "*Form of the Notes*".

**Governing Law:**..... The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by, and construed in accordance with, English law.

**Selling Restrictions:**..... There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the EEA, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), the UAE (excluding the DIFC and the ADGM), the ADGM, the DIFC, the State of Kuwait, Hong Kong, Singapore, Switzerland and Malaysia such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale and Transfer and Selling Restrictions*" below.

**United States Selling Restrictions:** Regulation S Compliance Category 1, Rule 144A, TEFRA C, TEFRA D and/or TEFRA not applicable, as specified in the applicable Pricing Supplement.

Notes in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) or any successor regulation in substantially the same form for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986 ("**TEFRA D**") unless (i) the applicable Pricing Supplement state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) or any successor regulation in substantially the same form for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986 ("**TEFRA C**") or (ii) the Notes have a term of one year or less (taking into account any unilateral right to extend or rollover the term).

**Use of Proceeds:** ..... Save in respect of Sustainable Notes, the net proceeds from each issue of Notes will be used for the domestic budgetary purposes of the Issuer. In relation to each Tranche of Sustainable Notes, the equivalent amount will be applied by the Issuer to finance and/or refinance, in whole or in part, Eligible Expenditures in accordance with the Issuer's Sustainable Financing Framework. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## **RISK FACTORS**

*An investment in the Notes involves risks. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Base Offering Circular, and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties related to the Issuer and the Notes. Additional risks and uncertainties not presently known, or currently believed to be immaterial, could also impair the ability to make payments on the Notes. If any of the following risks actually materialise, the financial condition and prospects of the Issuer could be materially adversely affected. If that were to happen, the trading price of the Notes could decline, the Issuer may be unable to make payments due on the Notes, and investors may lose all or part of their investment. Prospective investors should also read the detailed information set out elsewhere in this Base Offering Circular and reach their own views prior to making any investment decision. Words and expressions defined elsewhere in this Base Offering Circular (including in the Terms and Conditions) shall have the same meanings in this section.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME**

#### **Risks relating to the Issuer and the UAE**

##### ***The Government's Fiscal Plan may not be successful***

In January 2023, the Government announced a medium-term financial outlook and fiscal plan (the "**Fiscal Plan**"). Through the Fiscal Plan, the Government for the first time set out its multi-year, medium term-financial plans. The Government plans to balance the primary budget (the budget excluding interest expense on indebtedness) by 2027 and until at least 2030. The Fiscal Plan details various policy measures, planned budgetary limits and the expected economic and regulatory developments in terms of their impact on revenues and expenditures between 2023 and 2030. The Fiscal Plan also contains a fiscal forecast of how revenues and expenditures are expected to evolve between 2023 and 2030. This fiscal forecast is subject to a degree of uncertainty and contains a number of assumptions and does not address all the fiscal risks that the Government may face. For example, increased interest rates present a risk for the Government but do not impact the Government's primary budget which excludes interest expense. The assumptions include, among others, certain forecast items, some of which are outside of the Government's control, as well as certain measures that the Government is planning to take to change policy or practice in order to change the trajectory of the Government's revenues and expenditures. Some of the measures in the fiscal forecast are still under development and remain subject to revision of the applicable policy or the expected financial effect. In addition, the Government may choose to bring forward additional policy changes that may affect this forecast. The Government introduced the Fiscal Plan in order to address the Government's increased public borrowing in order to fund a substantial expansion of its activities and the increasing budget deficit in recent years, which has resulted in the accumulation of public debt. Given the Government's relatively small revenue base compared to most other governments, the Government's interest/revenue ratio has reached high levels compared to international norms reaching approximately 19.6 per cent. in 2021 and 22.5 per cent. in 2022. The inability of the Government to effectively implement the Fiscal Plan whether due to external or internal factors may have a long-term negative impact on Sharjah's economy, which, in turn, could negatively affect the Government's fiscal position and, consequently, its ability to fulfil its obligations under the Notes issued under the Programme. The complete Fiscal Plan is attached as an appendix to this Base Offering Circular and for more information on the Fiscal Plan, see "*Description of the Emirate of Sharjah – The Government's Economic Strategy – 2023 Fiscal Plan*".

##### ***Global financial conditions and geopolitical conditions may have an impact on Sharjah's economic and financial condition***

Sharjah's economy may be adversely affected by tightening global economic conditions and external shocks, including financial market volatility, trade disruptions, protectionist trade policies or threats thereof and global pandemics, such as the COVID-19 pandemic, the ongoing conflict between Russia and Ukraine, the tightening of monetary policies in the United States and European Union, increases in inflation and interest rates, as well as the potential of a recession for key global markets such as the United States, each of which has caused severe global disruptions and may continue to have a significant effect on the global economy. Most recently, on 7 October 2023, the political and military authority in control of Gaza, Hamas, launched an attack on a number of communities in Israel. Israel launched air and land offensives against Hamas in Gaza in response. The conflict is ongoing and its intensity and duration is difficult to predict, as

are its economic implications on countries in the Middle East, including the UAE and Sharjah in particular. Also, since November 2023, al-Houthi rebels in Yemen, who have in the past attacked interests in the UAE, have launched several attacks on commercial shipping vessels in the Red Sea. The United States and its allies, including the United Kingdom, have launched a series of missile strikes against al-Houthi rebels in response. Other regional organisations have also attacked U.S. military forces in the region, provoking a response from the United States. Any continuation or increase in international or regional tensions in the region, including further attacks on or seizures of oil tankers in the Arabian Gulf, regional escalation of the Israeli-Hamas war or continued attacks on commercial shipping in the Red Sea, could have a destabilising impact on the Middle East region, and the UAE in particular, by affecting its ability to export oil and maintain its security more generally.

The United States Federal Reserve Board started its most recent monetary tightening cycle in March 2022 to curb inflation, which action was also followed by other central banks as well given the wider impacts of inflation. On 4 May 2022, the UAE Central Bank announced that it would increase its base rate by 50 basis points to 2.25 per cent. effective 5 May 2022, with a further increase in the base rate by 75 basis points on 16 June 2022 following the United States Federal Reserve Board's announcement on 15 June 2022 to increase the interest on reserve balances by 75 basis points. In February 2023, the UAE Central Bank increased its base rate by a further 25 basis points. Rates further increased in May 2023 when the UAE Central Bank announced that it would raise the base rate by 25 basis points to 5.15 per cent. from 4.90 per cent. The decision followed the United States Federal Reserve Board's announcement to increase interest rates by a quarter of a percentage point. In July 2023, the United States Federal Reserve Board announced another interest rate increase, increasing to base rate to 5.25 per cent. As a result, the UAE Central Bank also increased its base rate to 5.4 per cent. in July 2023. These decisions have led to a markedly higher environment for both short-term market benchmark borrowing rates, such as SOFR and EIBOR, and longer-term benchmarks such as U.S. treasury bonds and SOFR and EIBOR swap rates.

Sharjah has an open economy, with high levels of imports and exports relative to GDP, monetary policy set by the UAE Federal Government (the "**Federal Government**") and a currency pegged to the U.S Dollar. This means that shifts in global economic conditions such as those listed above are likely to affect economic performance in Sharjah, through changes in the balance of payments, the efficiency of supply and delivery chains and the openness of international markets for trade. In addition, higher benchmark borrowing rates increase the cost of Sharjah's existing and new floating-rate indebtedness and Sharjah's new fixed-rate indebtedness; other things being equal, this will lead to higher annual fiscal deficits.

The Government of Sharjah has made efforts in recent years to stimulate its private sector-driven economy by increasing volumes of foreign investment and tourism and has focused on creating a favourable business environment, with a legal and regulatory environment conducive to business success and aimed at attracting foreign and domestic investment. In 2009, Shurooq, the Sharjah Investment and Development Authority was established by Emiri Decree to support the economic development of Sharjah and, amongst other things, attract foreign direct investment opportunities into the Emirate. While the Government believes there are many incentives for foreign corporate entities to establish themselves in one of the free zones in Sharjah, such as 100 per cent. foreign ownership, a tax free environment, free transfer of funds, competitive pricing, a one stop shop for business services and long-lease periods, there is no assurance that these will be sufficient to attract foreign direct investment or that other countries may not offer more attractive incentives. Sharjah's economy also depends, to a large extent, on expatriate labour. This makes Sharjah potentially more vulnerable should there be a deterioration in local political stability for any reason, if it were to lead the Government to tighten controls on the flow of labour or capital. These changes could in turn make Sharjah a less attractive destination for businesses and individuals. There can be no assurance that the economic performance of Sharjah or the UAE can or will be sustained in the future. To the extent that economic growth or performance in the UAE slows or begins to decline, this could have an adverse effect on Sharjah (see "*The Economy of Sharjah*") and, therefore, the Government's fiscal position, which in turn could negatively affect the Government's ability to fulfil its obligations under the Notes issued under the Programme.

Sharjah has strong trading relationships with the other emirates within the UAE and other countries, being part of the global supply chain and a consumer of goods from around the world. Any sustained market and economic downturn or geopolitical uncertainties in any of Sharjah's key trading partners may materially impact Sharjah's trade with those countries and could have a negative impact on Sharjah's foreign trade and balance of payments. A global shift in policies, including towards protectionism, with lower global growth due to reduced trade, migration and cross-border investment flows, could affect investor sentiment and slow tourism, trade and investment in Sharjah. Any escalation in geopolitical tensions, including as a result of

the Israel/Gaza or Russia/Ukraine conflicts, upward trends in global inflation and interest rates and/or increased use of protectionist measures may negatively impact Sharjah's relationships with its trading partners and the attractiveness of the UAE (and, consequently, Sharjah) for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and its financial condition. A material adverse effect on Sharjah's economy or its financial condition as a result of the above factors could negatively affect the Government's ability to fulfil its obligations under the Notes issued under the Programme.

***The Government has a relatively narrow revenue base***

The Government has a diverse but relatively narrow revenue base. For the year ended 31 December 2022, Sharjah's total revenue was AED 11.0 billion, an increase of 22.9 per cent. compared with total revenues of AED 8.9 billion in 2021, which in turned reflected an increase of 2.4 per cent. compared with total revenues of AED 8.7 billion in 2020, set against a GDP of AED 136.9 billion in 2022 (preliminary data), AED 130.1 billion in 2021 and AED 124.6 billion in 2020. Sharjah's relatively modest revenue reflects in part the fact its expenditure requirements are similarly relatively modest, owing to the significant public policy functions carried out by the Federal Government, but also constitutional and economic constraints on the Government's ability to increase revenues.

With the exception of a levy on the profits of foreign banks and hydrocarbon extraction, there is no traditional direct tax in the Emirate of Sharjah, although the Federal Government imposes a value added tax at the rate of 5 per cent. and an excise duty on certain goods, and introduced corporate income tax, with implementation beginning from June 2023. Value added tax generated AED 1.4 billion in 2020, 1.8 billion in 2021 and AED 1.9 billion in 2022 and is budgeted to generate AED 2.1 billion in 2023. In addition, on 31 January 2022, the UAE Ministry of Finance announced the introduction of a corporate income tax. The corporate income tax applies for corporate fiscal years starting on or after 1 June 2023. The corporate income tax applies on the adjusted accounting net profits of a business. It will not apply to taxable profits up to AED 375,000 and will apply at a standard statutory tax rate of 9 per cent. to taxable profits in excess thereof. A different rate (which has not been announced yet) is envisaged for large multinationals that generate consolidated global revenues above approximately AED 3.15 billion, in line with Pillar Two of the OECD Base Erosion and Profit Shifting project. Further details regarding the corporate income tax are expected to be published by the UAE Ministry of Finance in due course. Corporate tax incentives currently offered to free zone businesses will remain in place.

Whilst this overall beneficial tax environment provides an incentive for businesses and wage earners to relocate to Sharjah, it potentially limits the Government's ability to fund its operations (including debt servicing) or increase public spending if necessary, which may adversely affect Sharjah's growth and revenue generation strategy and impact the Government's ability to satisfy its obligations under the Notes and may also adversely affect the ability of Sharjah to take further economic stimulus measures and counter the effects of any economic downturn.

***The Government's direct debt has increased substantially in recent years, and the Government may in the future elect to provide financial support to Government-owned or important local companies, which could increase Sharjah's budget deficit and its funding needs***

In recent years the Government has experienced a marked increase in gross debt, both in nominal terms and as a percentage of its GDP, increasing from AED 33,319 million in 2019 (26.6 per cent. of its 2019 GDP) to AED 42,330 million in 2020 (34.0 per cent. of its 2020 GDP) to AED 55,451 million in 2021 (42.6 per cent. of its 2021 GDP) to AED 62,553 (45.7 per cent. of its 2022 GDP) million in 2022 and reaching AED 75,087 million in 2023. The increase in debt has been driven by persistently large budget deficits, relative to revenues and GDP. This is primarily due to Government spending related to capital investment, public service provisions and social security. The deficit reached AED 10.7 billion in 2021 (8.2 per cent. of 2021 GDP), AED 9.1 billion in 2022 (6.6 per cent. of 2022 GDP) and AED 8.4 billion in 2023 (preliminary estimate). The budgeted deficit for 2024 is AED 8.4 billion.

In addition, the Government has in the past provided significant financial support to important local companies. For example, in 2019 there was a transfer of Government-guaranteed debt from a real estate developer to the Government's balance sheet which contributed to an increase in the Government's debt burden. Also, in December 2018, the Government offered to support the capital requirements of Invest Bank P.S.C. ("**Invest Bank**") with an injection of AED 1,115 million in exchange for a 50.07 per cent. stake in the bank. The proposal included a commitment to underwrite a subsequent rights issue by Invest

Bank with up to AED 785 million, should the bank require further capital. The proposal was subsequently accepted by all parties and the initial injection was made in April 2019, giving the Government of Sharjah a 50.07 stake in Invest Bank. The second phase of capital support was completed in December 2023 and consisted of the Government participating *pro rata* in and underwriting the remaining portion of an issuance of new shares, and the Government issuing a guarantee of up to AED 3.0 billion against final write-offs of legacy assets over a five-year period, with the annual claims capped at AED 800 million. Following the new share issuance, the Government became the 88.11 per cent. majority shareholder in Invest Bank. Invest Bank used the proceeds of the share issuance to pay a one-off upfront fee of AED 2.6 billion to the Government in respect of the guarantee. While the 2024 budget and the projections for years 2025 to 2027 in the Fiscal Plan reflect a balanced forecast of the annual cost of the Invest Bank guarantee to the Government, there is a risk that the actual calls on the guarantee could be higher. In addition, the Government may face pressure to provide further financial support to Invest Bank in the future if the second phase of capital support does not fully meet Invest Bank's capital requirements. The Government has budgeted AED 240 million in expenditures for 2024 in relation to this capital support.

In June 2023, the Government injected AED 800 million capital into Bank of Sharjah ("BoS"), in which it was already the largest shareholder (through Sharjah Asset Management), holding 17.16 per cent. of outstanding shares, through subscribing to the issuance of new shares as a single strategic investor, thereby increasing its shareholding to 39.25 per cent. The new share issuance is designed to enhance the bank's financial position and foster future growth, by expanding total capital to AED 3 billion.

Although the Government has no legal obligation to do so, it may, in the future, choose to provide additional financial support to other government-owned or important local companies if they were faced with difficulties that threatened the reputation or economic health of Sharjah. Any such support could be significant in the context of Sharjah's budget deficit, which has increased since 2018, increase its funding needs and costs of borrowing and entail substantial fiscal outflows, which in turn could negatively affect the Government's ability to fulfil its obligations under the Notes issued under the Programme.

***Although the UAE and Sharjah enjoy domestic political stability and generally good international relations, there is no guarantee that the UAE or Sharjah will continue to do so in the future and there is a risk that regional geopolitical instability could impact the UAE and, consequently, Sharjah***

While the UAE (and consequently Sharjah) is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not, and there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. Currently, several countries in the Middle East and North Africa ("MENA") region, including Israel, Lebanon, Gaza, Yemen, Syria, Libya and Iraq are subject to armed conflicts and/or social and political unrest, including conflicts or disturbances.

This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to a number of regime changes and increased political uncertainty across the region. For example, in June 2017 the UAE, along with Saudi Arabia, Bahrain and Egypt, ended diplomatic ties with Qatar (see "*Description of the Emirate of Sharjah — Relationship between the UAE Constitution and Sharjah — International Relations*"). Yemen, Jordan, Libya, Comoros, Senegal and Mauritania also joined the Saudi-led action shortly thereafter and several other countries including Chad, Djibouti, Maldives and Niger announced that they had downgraded their diplomatic ties with Qatar. The severing of diplomatic ties included the withdrawal of ambassadors, as well as the imposition of travel and trade restrictions, and there can be no assurance that diplomatic ties will be reinstated or that the current situation will not escalate. In January 2021, diplomatic relations were restored with Qatar through the signing of the Al Ula Declaration. The Al Ula Declaration was signed by Saudi Arabia, the UAE, Bahrain and the rest of the GCC member states, along with Egypt. It remains unclear how the Al Ula Declaration will be implemented and, although the UAE has announced the re-opening of its land, air and sea borders to Qatar, it is still unclear if and when border controls will reach pre-June 2017 levels. In addition, in March 2023, the UAE unblocked several Qatari-owned news sites. Qatar has issued a number of claims against the UAE, Saudi Arabia, Egypt and Bahrain since the blockade. For example, in July 2020, Qatar Airways commenced proceedings against this bloc of countries seeking damages of at least U.S.\$5.0 billion. Other claims have been in relation to, amongst others, suspension of postal services and pharmaceutical investments as a result of the blockade against Qatar.

Additionally, other countries' sanctions may affect Sharjah's ability or willingness to trade. For example, the United States and the European Union's sanctions have affected Sharjah's trading relationship with Iran.

In addition, in August 2021, armed personnel backed by Iran were suspected of seizing an oil tanker off the coast of the UAE. Iran has denied involvement. Furthermore, on 17 January 2022, Iran-supported Houthi militants launched missile attacks on ADNOC facilities in Abu Dhabi. Three attacks occurred in subsequent weeks, the most recent of which, on 3 February 2022, was claimed by an Iraqi militia group. The attacks were followed by air strikes by UAE armed forces across targets in Yemen. Although the UAE continues to exercise de-escalation diplomacy and self-restraint, any continuation of, or increase in, international or regional tensions with Iran, including further attacks on or seizures of oil tankers that disrupt international trade and impair trade flows through the Strait of Hormuz, or any military action, may have a destabilising impact on the MENA region. In addition, a sixth round of talks regarding the revival of the 2015 Joint Comprehensive Plan of Action regarding Iran (and the United States' potential re-joining of the 2015 Joint Comprehensive Plan of Action), brokered by the EU, concluded on 20 June 2021 with no agreements reached and, as a result, there is uncertainty regarding the potential future lifting of sanctions on Iran. There can be no assurance that tensions will not continue to escalate in the region, or that further attacks will not happen. Furthermore, there can be no assurance what impact recent and future incidents will have on global oil prices.

These situations have caused varying levels of disruption to the economies of affected countries and may have had a destabilising effect on international oil and gas prices. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, the cessation of diplomatic ties, or the impact of such occurrences, and no assurance can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur. Continued instability affecting the countries in the MENA region could adversely impact the UAE and, consequently, Sharjah, although to date there has been no significant impact on the UAE or Sharjah.

Sharjah, similar to the other emirates, is also dependent on expatriate labour (ranging from unskilled labourers to highly skilled professionals in a range of industry sectors) and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to the emirate. These steps make it potentially more vulnerable should regional instability increase or foreign militants commence operations in the emirate. There can also be no assurance of the continued availability of expatriate labour with appropriate skills.

Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of the Middle East and, in particular, could impact the numbers of tourists that choose to visit the UAE and Sharjah and the number of businesses interested in doing business in the UAE and Sharjah. Sharjah is, and will continue to be, affected by economic and political developments in or affecting the UAE and the wider MENA region and investors' reactions to developments in any country in the MENA region may affect securities of issuers in other markets, including the UAE. Although the UAE has not experienced significant terrorist attacks such as those experienced by a number of countries in the MENA region, there can be no assurance that extremists or terrorist groups will not initiate violent activity in the UAE. Any terrorist incidents, including cyber-terrorism, in or affecting the UAE and increased regional geopolitical instability (whether or not directly involving the UAE) may have a material adverse effect on the UAE's (and, consequently, Sharjah's) attractiveness for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and financial condition. A material adverse effect on Sharjah's economy or the Government's financial condition as a result of the above factors could negatively affect the Government's ability to fulfil its obligations under the Notes issued under the Programme.

***The UAE's economy is significantly affected by volatility in international oil prices and its economy has in the past been, and is likely in the future to continue to be, adversely affected by lengthy periods of low oil prices***

Sharjah is not a large oil producer (with the mining and quarrying sector, which includes crude oil and natural gas, accounting for 2.5 per cent. of Sharjah's nominal GDP in 2022 (preliminary data)) and it enjoys a relatively diverse economy. However, Sharjah's economy is highly integrated with the other emirates in the UAE through trade, currency, a common banking system and fully open markets. Therefore, any effect of oil price volatility may have a consequent effect on Sharjah. The UAE's economy, in particular Abu Dhabi and to a lesser extent Dubai, is significantly impacted by international oil prices. The mining and quarrying sector, which includes crude oil and natural gas, accounted for approximately 30.3 per cent. of the UAE's nominal GDP in 2022, 24.7 per cent. in 2021, 17.1 per cent. in 2020, 22.5 per cent. in 2019 and 25.6 per cent. in 2018.



According to the Organization of the Petroleum Exporting Countries ("**OPEC**") 2021 Statistical Bulletin, the UAE has a world leading position in hydrocarbons. According to OPEC's 2021 Statistical Bulletin, the UAE has the fifth largest proven oil reserves (107 billion barrels) and seventh largest natural gas reserves (273 trillion standard cubic feet).

Global oil prices fell gradually in the first two months of 2020 before dropping sharply in March and April 2020, with the price of Brent oil falling below U.S.\$16 per barrel in April 2020. This was primarily due to the impact of the COVID-19 outbreak on the global economy and the increase in supply. Oil prices substantially recovered in 2021 with the monthly OPEC Reference Basket price being U.S.\$85.24 per barrel by January 2022. In the first half of 2022, global oil prices rose sharply primarily due to the conflict between Russia and Ukraine, although they declined somewhat in later 2022 and 2023. The monthly OPEC Reference Basket price for December 2023 was U.S.\$79.00.

At the start of the COVID-19 pandemic, OPEC and certain non-OPEC countries took a number of actions to reduce oil production. A series of meetings took place on 9 and 12 April 2020 between OPEC and non-OPEC oil producing countries, which culminated in an agreement to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022. During the initial two-month period beginning 1 May 2020, it was agreed that production would be reduced by a total of 9.70 million barrels a day, followed by a six-month period starting 1 July 2020 where production would be reduced by a total of 7.68 million barrels a day, followed by a final 16-month period between 1 January 2021 and 30 April 2022 where production would be reduced by a total of 5.76 million barrels a day. In December 2020, OPEC +, which comprises OPEC and its allies, agreed on a compromise to increase oil output slightly from January 2021. As demand improved, OPEC+ agreed to partially ease cuts from May 2021 onward. In July 2021, an agreement was reached among OPEC+ members to increase Abu Dhabi's production from 3.176 million barrels a day to 3.65 million barrels a day starting in April 2022. In addition, it was agreed that the OPEC+ group would increase supply by a further 2 million barrels a day from August 2021 until December 2021 and that it would aim to fully phase out cuts by around September 2022. In April 2022, OPEC pumped 28.58 million barrels a day which is an increase of 40,000 barrels per day from March 2022 but short of the 254,000 barrels per day increase called for under the supply deal. In May 2022, the OPEC+ group agreed to leave its production plan unchanged despite increased volatility as a result of the Russia and Ukraine conflict. On 2 June 2022, OPEC+ members agreed to add 648,000 barrels a day of crude oil to the market in July 2022 and August 2022. On 5 September 2022, the OPEC and non-OPEC Ministerial Meeting decided to revert to the production level of August 2022 for OPEC and non-OPEC participating countries for the month of October 2022, noting that the upward adjustment of 0.1 million barrels a day to the production level was only intended for the month of September 2022. However, on 5 October 2022, OPEC+ announced a cut of two million (2,000,000) barrels per day to its production target, starting from November 2022 for OPEC and non-OPEC participating countries. On 4 December 2022, OPEC+ announced that it would maintain production at current levels given market uncertainty over Chinese demand and Russian supply of oil. On 2 April 2023, OPEC+ announced that it would cut more than one million barrels a day, with the Kingdom of Saudi Arabia and the UAE reducing production by 500,000 barrels per day and 144,000 barrels per day, respectively. It was announced that such voluntary cuts from OPEC+ members will begin in May and last until the end of 2023. On 4 June 2023, Saudi Arabia announced that it would be reducing production by 1 million, barrels per day for July 2023 and OPEC+ announced that it would otherwise maintain production at current levels until the end of 2024. On 22 February 2024, the OPEC Reference Basket stood at \$82.90.

In addition, in 2022, a bill in the United States Congress was proposed called the No Oil Producing and Exporting Cartels bill, which is intended to protect United States consumers and businesses from engineered spikes in the cost of gasoline and heating oil. Numerous iterations of this bill have been proposed to the United States Congress since 1999, but all attempts to pass such bill have so far been unsuccessful, including the attempt in 2022. In March 2023, the bill was revived in Congress, but it is still unclear if the bill will be passed into law. It is also unclear the exact effect that this bill could have on oil prices but there are concerns that such a bill, if passed, could disrupt the established system of oil production, which could result in oil prices increasing by as much as 300 per cent. Such an increase could have significant and unpredictable consequences on the global economy and on Sharjah in particular given it is not a large oil producer.

Prospective investors should be aware that the above analysis does not take into account the indirect impact of low oil prices on the UAE's, and Sharjah's, economy, which is difficult to quantify with any precision. Potential investors should note that many of the UAE's other economic sectors are in part dependent on the hydrocarbon sector. For example, the financial institutions sector (and banks in particular) may experience lower liquidity (if significant government and government-owned company deposits are withdrawn to fund

deficits) or higher loan losses or impairments. The Federal Government may also decide, as it has done in the past, to further reduce Government expenditures in light of the budgetary pressures caused by low or falling oil prices. As fiscal spending on infrastructure and investment projects is a driver of credit to public sector entities and private contractors and bank credit for personal lending is partly driven by public sector wages, if this spending is cut and public sector wages come under pressure, this could, potentially, increase levels of non-performing loans ("NPLs") held by Sharjah banks and/or lead to tighter lending conditions throughout Sharjah's economy. In addition, large Government fiscal deficits, which may in time result in restrictions on Government spending, could also impact many other sectors of the economy, including in particular the construction sector to the extent that large projects are delayed or cancelled. Furthermore, sectors that are dependent on household consumption, including education, healthcare and housing, may be adversely affected by lower levels of economic activity that may result from lower Government revenue from hydrocarbon production.

Crude oil prices have historically been volatile and are affected by a range of factors beyond the Issuer's control, including:

- global economic and political conditions as well as economic and political developments in oil producing regions, particularly in the Middle East;
- regional tensions and conflicts such as the Israel-Gaza and Russia-Ukraine conflicts;
- oil price caps on Russian oil imposed by and in, *inter alia*, the European Union, Australia, Canada, France, Germany, Italy, Japan, the United Kingdom and the United States as a result of the Russia-Ukraine conflict;
- global and regional supply and demand, and expectations regarding future supply and demand, for hydrocarbon products, including the prices and availability of alternative fuels or new technologies using different fuels (and those motivated by climate change concerns);
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude hydrocarbon producing or consuming countries;
- global weather and environmental conditions; and
- global pandemics, such as the COVID-19 pandemic.

There can be no assurance that these factors, whether individually or in combination with others, will not result in a prolonged or further decline in oil prices. Such oil price volatility has the potential to adversely affect Sharjah's economy and public finances in the future, both directly, through hydrocarbon revenues, and indirectly, through the reduced spending power of governments, companies and individuals in the region, which could, in turn, affect the trade, construction, real estate, tourism and banking sectors, in particular. As a result, there can be no assurance that the UAE's economy, or Sharjah's economy, will not be materially adversely affected in the future by lengthy periods of low oil prices. A material adverse effect on Sharjah's economy or its financial condition, as a result of lengthy periods of low oil prices could negatively affect the Government's ability to fulfil its obligations under the Notes issued under the Programme.

***Sharjah's economy may be adversely affected by limitations in its control over monetary policy***

Sharjah shares legal, political, military and economic functions with the other emirates of the UAE as a result of the federal framework. Its economy is highly integrated with the other emirates in the UAE through trade, currency, a common banking system and fully open markets. For example, the Government is not responsible for monetary policy, which is the responsibility of the Federal Government. However, the Notes issued are not guaranteed by the Federal Government of the UAE. Limited monetary policy control prevents the Government from responding to macroeconomic conditions, which may affect Government spending and liquidity within Sharjah; changing macroeconomic conditions are likely to affect Sharjah's economy indirectly through their impact on the trade, construction, real estate and banking sectors, given, in

particular, the openness of Sharjah's economy, which does not have any capital or exchange controls. In addition, the Federal Government may take action in respect of monetary policy that benefits the UAE economy, as a whole, but does not have the same favourable impact on Sharjah. The inability of the Government to respond or react to such conditions through monetary policy may have a long-term negative impact on its economy as a whole, which, in turn, could negatively affect the Government's ability to fulfil its obligations under the Notes issued under the Programme.

***Sharjah's budget is prepared on a near-cash basis, which means that Sharjah's stated deficit may not be fully reflective of all of the expenditure and revenue, which would be recognised by the Government in a particular period if international financial reporting standards were applied***

Similar to many governments, the Government prepares its budget on a near-cash basis. This means that flows are largely recorded when cash is received or disbursed, with some minor timing differences (e.g., cheque payments). Although non-monetary flows can be recorded, most accounting systems (including that used in Sharjah) using a near-cash basis do not record non-monetary flows because the focus is on liquidity management rather than resource flows. In addition, with respect to accounting for revenues and expenditure, the time of recording may diverge significantly from the time of the economic activities and transactions to which they relate. For example, the time cost of a zero-coupon bond, a proxy for interest, would not be recorded until the bond matured, which could be many years after the expense was incurred; and the cost of building or buying an asset would be recorded upfront, rather than through the depreciation of that asset over time. Accordingly, the Government's stated budget may deviate significantly from an accrual-based system of financial reporting, such as International Financial Reporting Standards, and may comparatively under- or over-state the incurrence of future liabilities, which, in turn, could in some scenarios, negatively affect the Government's ability to fulfil its obligations under the Notes issued under the Programme.

***Statistical information provided in respect of a certain year may be changed retrospectively in subsequent years when more recent statistical information is published***

The statistical information in this Base Offering Circular in relation to GDP, balance of payments, revenues and expenditure and indebtedness of the Government have been derived from a number of different identified sources, such as the Federal Government's official statistical authority, the FCSA; Sharjah's official statistical authority, Department of Statistics and Community Development ("**DSCD**"); and the published reports of the UAE Central Bank. Furthermore, certain information (for example information relating to the balance of payments and information under the heading "*Monetary and Financial System*") is only available for the UAE as a whole from institutions of the Federal Government, and potential investors should note that Sharjah's position may differ in material respects from the position at an overall UAE level. All statistical information provided in this Base Offering Circular may differ from that produced by other sources for a variety of reasons, including due to periodic revisions, the use of different definitions and cut-off times and differing underlying assumptions and methodologies (see "*Presentation of Statistical Information*"). In addition, standards of accuracy of statistical data may vary from authority to authority or from period to period due to the application of these different methodologies. Therefore, there can be no assurance that the statistical data appearing in this Base Offering Circular is as accurate or as reliable as those published by other countries.

As at the date of this Base Offering Circular, investors should be aware that certain data relating to Sharjah (for example, detailed foreign trade statistical data) is not available. Furthermore, some of the data included in this Base Offering Circular is preliminary. Additionally, in 2021, DSCD became the official statistical authority responsible for producing GDP data for Sharjah (which is subject to review and approval by FCSA prior to release) and has produced estimated data for 2021 and data for 2017 to 2022. DSCD is currently working to complete retrospective data series for the years 2010 to 2016. The new data series differs from GDP data previously reported in respect of Sharjah by the FCSA. While public finance data is consistent with the data from the Government's financial management system, this data is not subject to an external auditor's opinion.

Data on non-trade flows into and out of Sharjah is not available and the data on non-trade flows into and out of the UAE as set out in this Base Offering Circular under "*Balance of Payments and Foreign Trade*" is not complete and is subject to revision, reflecting, in part, weaknesses of the central statistical bodies, and in part, the operation of many free zones within the UAE. No data is released by the UAE or Sharjah on external debt, and, accordingly, only IMF estimates of the UAE's external debt are available and set out in this Base Offering Circular.

Accordingly, financial and economic information may differ from previously published figures, or figures published in the future, and may be subsequently adjusted or revised. No assurance can be given that material changes will not be made which, in turn, could negatively affect the market value of an investment in the relevant Notes.

***The Government may be adversely affected by monetary policy inflexibility, or if the UAE Dirham/U.S. Dollar peg were to be removed or adjusted***

The functional and reporting currency of the Government is the UAE Dirham. The UAE Dirham has been "pegged" at a fixed exchange rate to the U.S. Dollar since 22 November 1980. The current midpoint between the official buying and selling rates for the UAE Dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00. The Federal Government and the UAE Central Bank have publicly stated that there is no current intention to reassess the Dollar "peg". However, there can be no assurance that UAE policy, in respect of the UAE Dirham/U.S. Dollar "peg", will remain unchanged in the future. If the UAE Central Bank cannot maintain a stable exchange rate or the peg to the U.S. Dollar, this may reduce confidence in the UAE's economy, reduce foreign direct investment and adversely affect the UAE's finances and economy, as well as those of the individual emirates within the UAE, including Sharjah.

In addition, the UAE Central Bank, as a result of the peg, and the Government, as a result of the UAE Central Bank's control over monetary policy, do not have any flexibility to devalue the Dirham to stimulate Sharjah's exports market, and the UAE Central Bank's ability to independently manage interest rates is constrained. For example, if the U.S. Federal Reserve were to further increase interest rates, and the UAE Central Bank were to delay significantly in increasing its own rates, this could result in significant pressure on the currency "peg". Furthermore, because the UAE's currency is pegged at a fixed rate to the U.S. dollar, any significant appreciation in value of the U.S. Dollar, whether driven by increasing U.S. interest rates or other factors, could result in the UAE's non-hydrocarbon exports becoming less competitive.

The Government is also exposed to the potential impact of any abolition of this foreign exchange "peg". Any such "depegging", particularly if the UAE Dirham weakened against the U.S. Dollar, could have an adverse effect on Sharjah's general financial condition and prospect and could specifically increase the cost of servicing existing and new debt denominated in U.S. Dollars, which, in turn, could negatively affect the Government's ability to fulfil its obligations under the Notes issued under the Programme.

***Investing in securities involving emerging markets such as Sharjah generally involves a high degree of risk***

Investing in securities involving emerging markets, such as Sharjah, generally involves a higher degree of risk than investments in securities of issuers from more developed jurisdictions. In the case of Sharjah, these higher risks include those discussed elsewhere in this section. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate and are familiar with the significance of the risks involved in investing in emerging markets. International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect were to occur, the trading price of Notes issued under the programme could be adversely affected by negative economic or financial developments in other emerging market countries over which the Government has no control. In addition, the economies of emerging markets are more susceptible to influence by macroeconomic and central bank policy decisions of developed countries than other sovereign issuers. In particular, emerging market economies have in the past demonstrated sensitivity to periods of economic growth and interest rate movements of developed economies. No assurance can be given that this will not be the case in the future. As a consequence, an investment in Notes issued under the Programme carries risks that are not typically associated with investing in Notes issued by governments in more mature markets. Investors should also note that emerging markets such as Sharjah are subject to rapid change and that the information set forth in this Base Offering Circular may become outdated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether in light of those risks their investment is appropriate.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

### **Risks related to the structure of a particular issue of Notes**

#### *Certain benchmark rates may be discontinued or reformed in the future*

The Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

The EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The UK Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the United Kingdom.

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on euro risk-free rates recommended the new Euro Short-Term Rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has subsequently been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 5.2(c) (*Benchmark Replacement – Independent Adviser*) and Condition 5.2(d) (*Benchmark Replacement – SOFR*)) or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the value and trading market for securities (including the Notes) based on the same benchmark.

The Conditions provide for certain fallback arrangements if a published benchmark (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event or a Benchmark Transition Event (each as defined in the Conditions), as applicable, otherwise occurs. Such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if

the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions) and the potential for further regulatory developments, the relevant fallback provisions may not operate as intended at the relevant time.

Additionally, in order to facilitate the calculation of a Successor Rate or Alternative Reference Rate, and in each case, the applicable Adjustment Spread, the Conditions provide that the Issuer may vary the Conditions and/or the Agency Agreement without any requirement for the consent or approval of the Noteholders.

Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and the UK Benchmarks Regulation reforms or arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

***The market continues to develop in relation to risk-free rates (including overnight rates) which are possible reference rates for the Notes***

The use of risk-free rates - including those such as the Sterling Overnight Index Average ("**SONIA**"), the Secured Overnight Financing Rate ("**SOFR**") and €STR, as reference rates for Eurobonds continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

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 risk-free rates issued under this Programme. The Issuer may in the future also issue Notes referencing SONIA, the SONIA Compounded Index, SOFR, the SOFR Compounded Index and €STR that differ materially in terms of interest determination when compared with any previous Notes issued by it under this Programme. The development of risk-free rates for the Eurobond 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 Eurobond 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.

In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Notes, will gain widespread market acceptance. 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. 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 should consider these matters when making their investment decision with respect to any Notes which reference SONIA, SOFR, €STR or any related indices.

***Risk-free rates may 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, in most cases, being backwards-looking, calculated on a compounded or weighted average basis and 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 and include a risk-element based on interbank lending. As such, investors should be aware that interbank offered rates and any risk-free rates may behave materially differently as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

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. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

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 referencing interbank offered rates, if Notes referencing backwards-looking SONIA, SOFR or €STR become due and payable under Condition 10 (*Events of Default*) 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.

***The administrator of SONIA, SOFR or €STR or any related index may make changes that could change the value of SONIA, SOFR or €STR or any related index or discontinue SONIA, SOFR or €STR or any related index***

The Bank of England, the Federal Reserve Bank of New York or the European Central Bank (or their successors), as administrators of SONIA (and the SONIA Compounded Index), SOFR (and the SOFR Compounded Index) and €STR 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 risk-free rate and/or index is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, SOFR or €STR, or timing related to the publication of SONIA, SOFR or €STR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA, SOFR or €STR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate and/or index.

***The Notes may be subject to early redemption by the Issuer***

An optional redemption feature of any Note is likely to limit its market value. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to exercise an early redemption option when the Issuer's cost of financing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, it may affect the secondary market and the market value of the Notes concerned***

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 in, and the market value of, such Notes as the change of interest basis may result in a lower interest return 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 those Notes and could affect the market value of an investment in the relevant Notes.

***Sustainable Notes may not meet investor expectations or requirements or be suitable for an investor's investment criteria***

The Pricing Supplement relating to a specific Tranche of Notes identified therein as "Sustainable Notes" will provide that it is the Issuer's intention to apply an amount, which at the Issue Date of the Sustainable Notes, is equivalent amount to finance and/or refinance, in whole or in part, Eligible Expenditures in accordance with the Issuer's Sustainable Financing Framework. A prospective investor should have regard to the information set out in the section "*Use of Proceeds*" and determine for itself the relevance of such information together with any other investigation it deems necessary for the purpose of assessing the suitability of an investment in such Notes.

The Issuer will exercise its judgement and sole discretion in determining the businesses and projects that will be financed and/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 consult with its legal or other advisers and make any other investigation such investor deems necessary before making an investment in Sustainable Notes, including but not limited to, reviewing the prevailing Sustainable Financing Framework. In particular, no assurance is given by the Issuer, the Arranger, the Dealers, the Agents or any other person that the use of the equivalent amount to finance and/or refinance any Eligible Expenditures (as defined in "*Use of Proceeds*" below) will meet, 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 (including in relation to the EU Taxonomy Regulation and any related technical screening criteria, the EU Green Bond Regulation, SFDR, and any implementing legislation and guidelines, or any similar legislation in the United Kingdom). None of the Arranger or the Dealers or their respective affiliates have undertaken, nor are they responsible for, any assessment or due diligence of, the Eligible Expenditures, or any related projects or the application, impact or monitoring of the use of the proceeds (or any amount equivalent thereto) of any Sustainable Notes. None of the Arranger or the Dealers or their respective affiliates have undertaken any due diligence, or makes any representation as to the suitability or contents, of the Sustainable Financing Framework, any second party opinion delivered in respect thereof or any public reporting by or on behalf of the Issuer in respect of the application of the proceeds of any issue of Sustainable Notes, all of which are not, nor shall be deemed to be, incorporated in or form part of this Base Offering Circular.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor any market consensus as to what constitutes, a "green", "social" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green" or such other equivalent label 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. Any Sustainable Notes issued under the Programme will not be compliant with the EU Green Bond Regulation and are only intended to comply with the requirements and processes in the Sustainable Financing Framework. It is not clear if the establishment of the EuGB label and the optional disclosures regime for bonds issued as "environmentally sustainable" under the EU Green Bond Regulation could have an impact on investor demand for, and pricing of, green use of proceeds bonds that do not comply with the requirements of the EuGB label or the optional disclosures regime, such as the Sustainable Notes issued under this Programme. It could result in reduced liquidity or lower demand or could otherwise affect the market price of any Sustainable Notes issued under this Programme that do not comply with those standards proposed under the EU Green Bond Regulation.



The EU Taxonomy Regulation, which is subject to a phased implementation, may provide some definition for such topics in the European Union. However, the full scope and applicability of the EU Taxonomy Regulation, as well as exactly when it will take effect, remains uncertain. Accordingly, no assurance or representation is or can be given (whether by the Issuer, the Arranger, the Dealers, the Agents or any other person) to investors that: (a) any projects funded by or related to any Eligible Expenditures will meet any or all investor expectations regarding such "green" or other equivalently labelled performance objectives; (b) any adverse environmental, social and/or other impacts will not occur during the implementation of any projects funded by or related to any Eligible Expenditures; or (c) the Sustainable Financing Framework will be aligned with the EU Taxonomy Regulation or any other sustainability framework or guidelines. The Issuer's Sustainable Financing Framework may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Base Offering Circular.

While it is the intention of the Issuer to allocate the equivalent amount to fund Eligible Expenditures and to report on the use of proceeds or Eligible Expenditures as described in "*Use of Proceeds*" below, there is no contractual obligation to do so. There can be no assurance that any such Eligible Expenditures will be available or capable of being implemented in, or substantially in, the manner and timeframe anticipated and, accordingly, that the Issuer will be able to use an amount equal to the equivalent amount to fund such Eligible Expenditures as intended. In addition, there can be no assurance that Eligible Expenditures will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated.

The Issuer does not undertake to ensure that there are at any time sufficient Eligible Expenditures to allow for application of the equivalent amount in full.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of the Sustainable Notes and in particular with any of the businesses and projects funded with the equivalent amount to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Offering Circular. Any such opinion or certification is not, nor should it be deemed to be, a recommendation by the Issuer, the Dealers, the Agents or any other person to buy, sell or hold Sustainable Notes. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such 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 opinions and certifications are not currently subject to any specific regulatory or other regime or oversight. Any such opinion or certification may change at any time and may be amended, updated, supplemented, replaced and/or withdrawn.

***No assurance that Sustainable Notes will be admitted to trading on any dedicated "green", "sustainable", "social" (or similar) segment of any stock exchange or market, or that any admission obtained will be maintained***

If Sustainable Notes are at any time listed or admitted to trading on any dedicated "green", "social", "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 Issuer, the Arranger, the Dealers, the Agents 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 (including in relation to the EU Taxonomy Regulation and any related technical screening criteria, the EU Green Bond Regulation, SFDR, and any implementing legislation and guidelines, or any similar legislation in the United Kingdom). 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 Issuer, the Arranger, the Dealers, the Agents 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.

If any of the risks outlined in this risk factor materialise this may have a material adverse effect on the value of such Sustainable Notes and/or may have consequences for certain investors with portfolio mandates to invest in sustainable assets (which consequences may include the need to sell the Sustainable Notes as a result of such Sustainable Notes not falling within the investor's investment criteria or mandate).

***Sustainable Notes are not linked to the performance of the Eligible Expenditures, do not benefit from any arrangements to enhance the performance of the Sustainable Notes or any contractual rights derived solely from the intended use of proceeds of such Notes***

The performance of the Sustainable Notes is not linked to the performance of the relevant Eligible Expenditures or the performance of the Issuer in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the Sustainable Notes and the Eligible Expenditures. Consequently, neither payments of principal and/or interest on the Sustainable Notes nor any rights of Noteholders shall depend on the performance of the relevant Eligible Expenditures or the performance of the Issuer in respect of any such environmental or similar targets. Holders of any Sustainable Notes shall have no preferential rights or priority against the assets of any Eligible Expenditures nor benefit from any arrangements to enhance the performance of the Notes.

#### ***No breach of contract or Event of Default***

None of a failure by the Issuer to allocate the proceeds of any Notes issued as Sustainable Notes or to report on the use of proceeds or Eligible Expenditures as anticipated or a failure of a third party to issue (or to withdraw) an opinion or certification in connection with an issue of Sustainable Notes or the failure of the Notes issued as Sustainable Notes to meet investors' expectations or requirements regarding any "green", "sustainable", "social" or similar labels will constitute an Event of Default, cross-default or breach of contract with respect to any of the Notes issued as Sustainable Notes.

#### **Risks related to Notes generally**

Set out below is a description of material risks relating to the Notes generally:

***The Conditions contain a "collective action" clause under which the terms of any one Series of Notes or multiple Series of Notes may be amended, modified or waived without the consent of all Noteholders***

The Conditions contain provisions regarding amendments, modifications and waivers, commonly referred to as "collective action clauses". Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. The relevant provisions also permit, in relation to Reserved Matters, multiple Series of Notes to be aggregated for voting purposes (**provided that** each such Series also contains the same or similar collective action clauses in the relevant Conditions).

The Issuer expects that all Series of Notes issued under the Programme will include such collective action clauses, thereby giving the Issuer the ability to request modifications or actions in respect of Reserved Matters across multiple Series of Notes. This means that a defined majority of the holders of such Series of Notes (when taken in the aggregate only, in some circumstances, and/or individually) would be able to bind all holders of Notes in all the relevant aggregated Series.

Any modification or actions relating to Reserved Matters, including in respect of payments and other important terms, may be made to a single Series of Notes with the consent of the holders of 75 per cent. of the aggregate principal amount outstanding of such Series of Notes, and to multiple Series of Notes which may be issued by the Issuer with the consent of both: (i) the holders of 66 2/3 per cent. of the aggregate principal amount outstanding of all Series of Notes being aggregated; and (ii) the holders of 50 per cent. in aggregate principal amount outstanding of each Series of Notes being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to Reserved Matters may be made to multiple Series of Notes with only the consent of 75 per cent. of the aggregate principal amount outstanding of all Series of Notes being aggregated, without requiring a particular percentage of the holders in any individual affected Series of Notes to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some Series of Notes only and, for the avoidance of doubt, the provisions may be used for different groups of

two or more Series of Notes simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk, therefore, that the Conditions of a Series of Notes may be amended, modified or waived in circumstances whereby the Noteholders voting in favour of an amendment, modification or waiver may be holders of different Series of Notes and as such, less – even significantly less – than 75 per cent. of the Noteholders would have voted in favour of such amendment, modification or waiver.

In addition, there is a risk that the provisions allowing for aggregation across multiple Series of Notes may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to any Notes may adversely affect their trading price.

The Conditions also provide that the Notes and such conditions may, subject to the prior written approval of the Issuer, be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement (as defined in "*Terms and Conditions of the Notes*") may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the Noteholders and is other than in respect of a Reserved Matter.

In the future, the Issuer may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Conditions. If this occurs, then this could mean that any Series of Notes issued under the Programme would be capable of aggregation with any such future debt securities. Similarly, debt securities previously issued by the Issuer that contain collective action clauses in the same form as the collective action clauses in the Conditions would also be capable of such aggregation.

Lastly, subject to and in accordance with Condition 5.2(c) (*Benchmark Replacement – Independent Adviser*) and Condition 5.2(d) (*Benchmark Replacement – SOFR*) certain changes may be made to the interest calculation of Floating Rate Notes, without the consent of the Noteholders. Accordingly, there is a risk that the Conditions may be modified, waived or amended in circumstances where a Noteholder does not agree to such modification, waiver or amendment, which may adversely impact the rights of such Noteholder.

***The value of the Notes could be adversely affected by a change in English law or administrative practice***

The Conditions are based on English law in effect as at the date of this Base 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 this Base Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

***Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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.

***Holders of Notes held through DTC, Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders***

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC (each, as defined in "*Form of the Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

**Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell their Notes***

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

***If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes***

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 authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. 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 a result, investors may receive less interest or principal than expected, or no interest or principal.

***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates***

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, as an equivalent investment issued at the current market interest rate may be more attractive to investors.

***Credit ratings assigned to the Issuer or any Notes do not reflect all the risks associated with an investment in those Notes***

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and any other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The Issuer has no obligation to inform Noteholders of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to the Issuer and/or the Notes may adversely affect the trading price of the Notes.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, 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 may also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Offering Circular.

Investors regulated in the United Kingdom are subject to similar restrictions under the UK CRA Regulation. As such, United Kingdom regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the United Kingdom 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 United Kingdom registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to: (a) the relevant United Kingdom registration, certification or endorsement, as the case may be, not having been withdrawn or suspended; and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the United Kingdom, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the United Kingdom, as applicable, and the Notes may have a different regulatory treatment. This may result in relevant regulated investors selling the Notes which may impact the value of the Notes and any secondary market.

In July 2022, Moody's downgraded Sharjah's main credit rating from Baa3 to Ba1 but changed the rating outlook from negative to stable. The downgrade to Ba1 is driven by Moody's expectation of further significant deterioration in Sharjah's fiscal strength over the next few years, and the absence of a credible fiscal adjustment plan that could stop and eventually reverse the upward trend in Sharjah's debt burden and the weakening of its debt affordability metrics. The stable outlook reflects Moody's view that at the Ba1 level the risks to Sharjah's ratings are balanced. On 27 January 2023, following the announcement of the Fiscal Plan, Moody's published a report noting that the announcement of a multi-year fiscal plan indicates a greater willingness to try and better balance social demands with fiscal and financial stability considerations, which Moody's believes will slow the accumulation of government debt. Moody's also noted that a multi-year plan demonstrates greater transparency in policy making, which is a credit positive.

In November 2022, S&P affirmed the long- and short-term foreign and local currency sovereign credit rating of Sharjah at BBB- and A-3 respectively with a negative outlook. However, in January 2023, following the announcement of the Fiscal Plan, S&P revised its outlook on Sharjah from negative to stable and affirmed Sharjah's rating at BBB- and A-3. The stable outlook balances S&P's view that Sharjah will introduce sufficient measures to begin stabilising its debt burden over the next two years against risks that the implementation of the necessary expenditure controls and revenue-enhancing measures are weaker than expected. S&P noted that it could lower Sharjah's ratings over the next two years if Sharjah's net debt

burden rises sharply or if additional contingent liabilities materialise on Sharjah's balance sheet. However, S&P also noted that it could raise its ratings if Sharjah's fiscal performance significantly strengthens, evidenced by a sustainable reduction in net government debt levels. There can be no assurance that Sharjah's credit ratings will not be subject to further downgrades or (in the case of S&P) fall below investment-grade status in the future.

### **Risks relating to enforcement**

#### *Investors may experience difficulties in enforcing arbitration awards and foreign judgments in the UAE*

The payments under the Notes are dependent upon the Issuer making payments to the 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 Issuer to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

Furthermore, to the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self-help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts.

The Notes, the Agency Agreement dated 27 February 2024 among the Issuer and the Agents (the "**Agency Agreement**") and the Deed of Covenant dated 27 February 2024 executed by the Issuer (the "**Deed of Covenant**") are governed by English law, and the Issuer has agreed, at the option of certain parties (other than the Issuer), to submit to the exclusive jurisdiction of the English courts in respect of any dispute, claim, difference or controversy arising out of or in connection with such documents.

Where an English judgment has been obtained, there is no assurance that the Issuer has, or would at the relevant time have, assets in the United Kingdom against which such a judgment could be enforced. Under current UAE law, the UAE courts (including the courts of Sharjah) are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the UAE, may not accord with the interpretation by an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction, and, accordingly, judicial precedents in Sharjah have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in Sharjah. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

The Issuer has also agreed, unless the option to litigate is exercised, to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the London Court of International Arbitration in London, England. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Sharjah in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration 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 Sharjah 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 the UAE.

There is no established track record as to how the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention). This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different emirates within the UAE, some with their own court systems independent of the federal system, and whose rulings may have no more than persuasive force cross-border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention (as described above), there are other cases where the enforcement of foreign arbitral awards have been refused. Federal Decree Law No. 42 of 2022 (the "**Federal Decree Law No. 42 of 2022**")

governs the enforcement of foreign arbitral awards. The Federal Decree Law No. 42 of 2022 confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that the conditions for enforcement of foreign arbitral awards set out in the New York Convention shall not be prejudiced by the Federal Decree Law No. 42 of 2022. However, there is no established track record as to how the overlapping provisions of the New York Convention and the Federal Decree Law No. 42 of 2022 will be interpreted and applied by the UAE courts in practice. There remains a risk that notwithstanding the Federal Decree Law No. 42 of 2022 or the terms of an applicable multilateral or bilateral enforcement convention, the UAE courts may in practice still consider and apply the grounds for enforcement of domestic UAE arbitral awards set out in Federal Law No. 6 of 2018 (the "**UAE Arbitration Law**") to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law and the Federal Decree Law No. 42 of 2022 are both new and it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

*The Issuer's waiver of immunity may not be effective under the laws of the UAE*

The Issuer has waived its rights in relation to sovereign immunity. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Notes, the Agency Agreement and the Deed of Covenant are valid and binding under the laws of the UAE as applicable in Sharjah.

## FORM 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. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act.

### **Bearer Notes**

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary bearer global note (a "**Temporary Bearer Global Note**") or, if so specified in the applicable Pricing Supplement, a permanent bearer global note (a "**Permanent Bearer Global Note**" and, together with a Temporary Bearer Global Note, each a "**Bearer Global Note**") which, in either case, will be delivered on or prior to the original issue date of the Tranche to a Common Depository for Euroclear and Clearstream, Luxembourg. Notes issued pursuant to TEFRA D must be initially represented by a Temporary Bearer Global Note.

While any Bearer Global Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement in the case of TEFRA D Bearer Notes), in each case against certification of beneficial ownership as described above unless such certification has already been given, **provided that** purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

The option for an issue of Bearer Global Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Global Notes should not be expressed to be applicable in the applicable Pricing Supplement if the Bearer Global Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency).

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 10 (*Events of Default*)) has occurred and is continuing and the Notes become due and payable, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying



Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Global Notes (other than Temporary Bearer Global Notes), interest coupons and talons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

"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 OF 1986".

The sections referred to provide that U.S. holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Global Notes, interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, interest coupons or talons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States, will initially be represented by a Regulation S Global Note.

The Registered Notes of each Tranche offered and sold in the United States may only be offered and sold in private transactions to QIBs. The Registered Notes of each Tranche sold to QIBs will be represented by a Rule 144A Global Note.

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of DTC or (ii) be deposited with a Common Depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form and in the case of Regulation S Global Notes, outside the United States and its possessions.

Registered Global Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4 (*Payments in respect of Registered Notes*)) as the registered holder of Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The calculation of any interest amount in respect of any Note which is represented by a Registered Global Note will be calculated on the aggregate outstanding principal amount of the Notes represented by such Registered Global Notes and not by reference to the Calculation Amount.

Payments of principal, interest or any other amount in respect of Registered Notes in definitive form will be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4 (*Payments in respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing and the Notes become due and payable, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as

depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available or (iii) in the case of Notes registered in the name of a nominee for a Common Depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

### **Transfer of Interests**

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*".**

### **General**

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued on terms that it will from a date after its date of issue form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a FISN, a CFI, a CUSIP and CINS number which are different from the common code, ISIN, FISN, CFI, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the two Tranches are consolidated and form a single Series.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Principal Paying Agent.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of the Deed of Covenant. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

## DOCUMENTS INCORPORATED BY REFERENCE

The following pages from the following documents shall be incorporated in, and form part of, this Base Offering Circular:

- The "*Terms and Conditions of the Notes*" appearing between pages 42 to 96 of the Base Prospectus dated 3 February 2023 (the "**2023 Base Prospectus**") will be incorporated by reference herein and will be available for viewing at <https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202302/bc42d5b1-6e6e-426f-9949-6adb3f85c62e.pdf>;
- The "*Terms and Conditions of the Notes*" appearing between pages 34 to 73 of the Base Prospectus dated 15 July 2021 (the "**2021 Base Prospectus**") will be incorporated by reference herein and will be available for viewing at <https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202107/dd16db0f-0e96-4e6d-bb2c-a4ca3861d7f1.PDF>; and
- The "*Terms and Conditions of the Notes*" appearing between pages 33 to 72 of the Base Prospectus dated 9 July 2020 (the "**2020 Base Prospectus**") will be incorporated by reference herein and will be available for viewing at [https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus\\_11cebebd-43da-499e-85b2-a29da5b388f3.PDF](https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus_11cebebd-43da-499e-85b2-a29da5b388f3.PDF).

No other part of the 2023 Base Prospectus, the 2021 Base Prospectus or the 2020 Base Prospectus forms part of, or is incorporated into, this Base Offering Circular. Copies of the above documents incorporated by reference in this Base Offering Circular can be obtained from the specified office of the Principal Paying Agent at Deutsche Bank AG, London Branch, Winchester House, One Great Winchester Street, London EC2N 2DB, United Kingdom.

Any information contained in the document specified above, which is not incorporated by reference in this Base Offering Circular, does not form part of this Base Prospectus and is either not relevant to investors or is included elsewhere in this Base Offering Circular.

## APPLICABLE PRICING SUPPLEMENT

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

**[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 (EU) Directive 2014/65 (as amended, "EU 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 EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "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 PRIIPs Regulation.]

**[PROHIBITION OF SALES TO UNITED KINGDOM 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 of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (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 of the United Kingdom 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 of the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the United Kingdom 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 United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.]

**[EU 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 (as amended, "EU MiFID II")]/[EU MiFID II]; or (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 EU 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.]

**[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 ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the [European Union (Withdrawal) Act 2018 (the "EUWA")]/[the EUWA] ("UK MiFIR"); or (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.]

**[Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as

defined in Section 309A(1) of the SFA) that the Notes are ["prescribed capital markets products"/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and ["**Excluded Investment Products**"/["**Specified 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).]

**Pricing Supplement dated [•]**

**GOVERNMENT OF THE EMIRATE OF SHARJAH  
ACTING THROUGH THE SHARJAH FINANCE DEPARTMENT  
Legal Entity Identifier (LEI): 254900ZNL803F1CLJO24  
Issue of [Aggregate Principal Amount of Tranche][Title of Notes]  
under the  
Global Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Offering Circular dated 27 February 2024 [and the supplement[s] to it dated [•] [and [•]]] (the "**Base Offering Circular**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Offering Circular. The Base Offering Circular [and these Pricing Supplement] [is/are] available for viewing on the website of the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and the website of Nasdaq Dubai (<http://www.nasdaqdubai.com>).

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [9 July 2020]/[15 July 2021]/[3 February 2023] [and the supplement[s] to it dated [•] [and [•]]] which are incorporated by reference in the Base Offering Circular dated 27 February 2024 and the supplement[s] to it dated [•] [and [•]]] (the "**Base Offering Circular**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Offering Circular. The Base Offering Circular [and this Pricing Supplement] [is/are] available for viewing on the website of the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and the website of Nasdaq Dubai (<http://www.nasdaqdubai.com>).

- |    |  |  |
|----|--|--|
| 1. | Issuer:  | Government of the Emirate of Sharjah acting through the Sharjah Finance Department   |
| 2. | (a) Series Number:   | [•]  |
|    | (b) Tranche Number:  | [•]  |
|    | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [•] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note], as referred to in paragraph 21 below, which is expected to occur on or about [•]] / [Not Applicable] |
| 3. | Specified Currency or Currencies:  | [•]  |
| 4. | Aggregate Principal Amount:  | [•]  |
|    | (a) Series:  | [•]  |
|    | (b) Tranche:   | [•]  |

5. Issue Price: [•] per cent. of the Aggregate Principal Amount [plus accrued interest from [•]]
6. (a) Specified Denominations: [•]
- (b) Calculation Amount (in relation to calculation of interest in relation to Notes in global form (see Conditions)): [•]
7. (a) Issue Date: [•]
- (b) Interest Commencement Date: [•]/Issue Date/Not Applicable]
8. Maturity Date: [•]/[Interest Payment Date falling in or nearest to [•]]
9. Interest Basis: [[•] per cent. Fixed Rate]
- [•] [•] [EURIBOR/  
KIBOR/SHIBOR/HIBOR/KLIBOR/SIBOR/  
IBOR/SAIBOR/SONIA/SOFR/€STR] +/- [•]  
per cent. Floating Rate]
- [Zero Coupon]
- (see paragraph [14]/[15]/[16] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their principal amount
11. Change of Interest Basis: [Applicable]/[Not Applicable]
12. Put/Call Options: [Investor Put]
- [Issuer Call]
- [(see paragraph [17]/[18] below)]
- [Not Applicable]
13. (a) Status of the Notes: Senior
- (b) Date approval for issuance of Notes obtained: [•]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [[•] in each year up to and including the Maturity Date]
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [•] per Calculation Amount

- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/[Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[•] in each year]/[Not Applicable]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
- (a) Specified Period(s)/Specified Interest Payment Dates: [•] [subject to adjustment in accordance with the Business Day Convention set out in paragraph (c) below/, not subject to adjustment, as the Business Day Convention in paragraph (c) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
- (c) Additional Business Centre(s): [•]/[Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not Deutsche Bank AG, London Branch as Principal Paying Agent): [•] (the "**Calculation Agent**")
- (f) Screen Rate Determination: [Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph (f)*)
- Reference Rate: [•] [•]  
[EURIBOR/KIBOR/SHIBOR/HIBOR/KLIBOR/SIBOR/EIBOR/SAIBOR/SONIA/SOFR/€STR]
  - Index Determination: [Applicable]/[Not Applicable]  
(*Applicable for SONIA Compounded Index or SOFR Compounded Index*)
  - Interest Determination Date(s): [•]/[The date falling [•] Business Days prior to the first day of each Interest Period]/[First day of each Interest Period]/[The [•][*first, second, third etc.*] Business Day immediately preceding the Interest Payment Date for each Interest Period (or immediately preceding such earlier date, if any, on which the Notes are due and payable).][*provide details*]/[The Interest Payment Date at the end of each Interest Period; **provided that** the Interest Determination Date with respect to the last Interest Period prior to the Maturity Date or the date fixed for redemption will be the Rate Cut-off Date – *Include this wording for Payment Delay only*]

- Effective Interest Payment Date: [The date falling [•] Business Days following each Interest Payment Date, **provided that** the Effective Interest Payment Date with respect to the last Applicable Period will be the Maturity Date or, if the Issuer elects to redeem the Notes before the Maturity Date, the date fixed for redemption (*include for Payment Delay only*)] / [Not Applicable]

*Insert only if Index Determination is not applicable:*

- Relevant Screen Page: [•]/[Bloomberg Page SONIO/N Index]/[New York Federal Reserve's Website]/[ECB's Website]/[Not Applicable]
- Relevant Time: [•]/[Not Applicable]
- Relevant Financial Centre: [•]/[Not Applicable]

*Insert only if any of SOFR, SONIA or €STR is the Reference Rate and Index Determination is not applicable:*

- Calculation Method: [Compounded Daily]/[Weighted Average]/[Not Applicable]
- Observation Method: [Lag]/[Lock-out]/[Observation Shift]/[Payment Delay]/[Not Applicable]
- Observation Look-back Period: [•]/[Not Applicable]
- D: [365]/[360]/[•]/[Not Applicable]
- Rate Cut-off Date: [The date falling [•] Business Days prior to the Maturity Date or the date fixed for redemption, as applicable – *used for Payment Delay only*] / [Not Applicable]

*Insert only if Index Determination is applicable:*

- Relevant Decimal Place: [•] [5/7] (*unless otherwise specified in the Pricing Supplement, be the fifth decimal place in the case of the SONIA Compounded Index and the seventh decimal place in the case of the SOFR Compounded Index*)
  - Relevant Number: [•]/[5] (*unless otherwise specified in the Pricing Supplement, the Relevant Number shall be 5*)
- (g) ISDA Determination: [Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph (g)*)
- ISDA Definitions: [2006 ISDA Definitions / 2021 ISDA Definitions]
  - Floating Rate Option: [•]



- Designated Maturity: [•]/[Not Applicable]  
*(Delegated Maturity will not be relevant where the Floating Rate Option is a risk free rate)*
- 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 [(c)] above and as specified in the ISDA Definitions]
- Compounding: [Applicable/Not Applicable] *(If not applicable delete the remaining subparagraphs of this paragraph (g))*
- Compounding Method: [Compounding with Lookback  
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]]]
- Averaging: [Applicable/Not Applicable] *(If not applicable delete the remaining sub-paragraphs of this paragraph (g))*
- [Averaging Method [Averaging with Lookback  
Lookback: [•] Applicable Business Days  
[Averaging with Observation Period Shift  
Observation Period Shift: [•] Observation Period Shift Business days  
Observation Period Shift Additional Business Days: [•]/[Not Applicable]]  
[Averaging with Lockout  
Lockout: [•] Lockout Period Business Days  
Lockout Period Business Days: [•]/[Applicable Business Days]]]
- Index Provisions: [Applicable/Not Applicable] *(If not applicable delete the remaining subparagraphs of this paragraph (g))*

•	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]
(h)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(i)	Margin(s):	[+/-] [•] per cent. per annum
(j)	Minimum Rate of Interest:	[•] per cent. per annum
(k)	Maximum Rate of Interest:	[•] per cent. per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]
16.	Zero Coupon Note Provisions	[Applicable/Not Applicable]
(a)	Accrual Yield:	[•] per cent. per annum
(b)	Reference Price:	[•]
(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360]  [Actual/360]  [Actual/365]

**PROVISIONS RELATING TO REDEMPTION**

17.	Issuer Call:	[Applicable/Not Applicable]
(a)	Optional Redemption Date(s):	[•]
(b)	Optional Redemption Amount:	[[•] per Calculation Amount]
(c)	If redeemable in part:	
(i)	Minimum Redemption Amount:	[•] per Calculation Amount
(ii)	Maximum Redemption Amount:	[•] per Calculation Amount
(d)	Notice period:	Minimum period: [30] days  Maximum period: [60] days

18. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount: [[•] per Calculation Amount]
- (c) Notice periods: Minimum period: [15] days  
Maximum period: [30] days
19. Clean Up Call Right: [Applicable/Not Applicable]
- (a) Clean Up Call Optional Redemption Amount: [[•] per Calculation Amount]
- (b) Notice Period: Minimum period: [30] days Maximum period: [60] days
20. Final Redemption Amount: [•] per Calculation Amount
21. Early Redemption Amount: [•] per Calculation Amount

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

22. Form of Notes: [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes upon an Exchange Event]
- [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Bearer Global Note exchangeable for Definitive Notes upon an Exchange Event]]
- [Registered Notes:
- [Regulation S Global Note registered in the name of a nominee for [DTC/a Common Depository for Euroclear and Clearstream, Luxembourg]]
- [Rule 144A Global Note registered in the name of a nominee for [DTC/a Common Depository for Euroclear and Clearstream, Luxembourg]]
23. Additional Financial Centre(s): [Not Applicable/give details]
24. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

**THIRD PARTY INFORMATION**

[[•] has been extracted from [•]. The Issuer 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 the **Government of the Emirate of Sharjah acting through the Sharjah Finance Department:**

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: [Application [has been]/[will be] made to the UK Financial Conduct Authority by the Issuer (or on its behalf) for the Notes to be listed on its Official List and admitted to trading on Main Market of the London Stock Exchange with effect from [•].]/[Application [has been]/[will be] made to the DFSA by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the DFSA and admitted to trading on Nasdaq Dubai]./[Not Applicable.]
- (b) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

Ratings: The Notes to be issued [have been/are expected to be/will not be] rated:

[Fitch: [•]]

[S&P: [•]]

[Moody's: [•]]

"[·] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"). [[·] are included in the list of credit rating agencies published by the ESMA on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the EU CRA Regulation. [The rating [·] has assigned [is/are] endorsed by [·], which is established in the EEA and registered under the EU CRA Regulation.]

[[·][is/are] established in the United Kingdom and registered under Regulation (EU) No. 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018. (the "**UK CRA Regulation**"). As such, [·] appear[s] on the latest update of the list of registered credit rating agencies on the FCA website: <https://data.fca.org.uk/#/cra/cradetails>. [The rating [·] has assigned by [•][is/are] is endorsed by [·], which is established in the UK and registered under the UK CRA Regulation.]";

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer], 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/Dealer] 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 its affiliates in the ordinary course of business, for which they may receive fees.]

4. **[YIELD (FIXED RATE NOTES ONLY)]**
- Indication of yield: [•]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]
5. **[SUSTAINABLE NOTES,] REASONS FOR THE OFFER AND ESTIMATED NET AMOUNT OF PROCEEDS:**
- [Sustainable Notes: [Yes]/[No]]
- Reasons for the offer: [See "*Use of Proceeds*" in the Base Offering Circular]/[•]
- Estimated net proceeds: [•]
6. **OPERATIONAL INFORMATION**
- (a) ISIN: [•]
- (b) Common Code: [•]
- (c) CUSIP: [•]
- (d) CINS: [•]
- (e) CFI: [•] [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]]
- (f) FISN [•] [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]]
- (g) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable]/[•]
- (h) Delivery: Delivery [against/free of] payment
- (i) Names and addresses of additional Paying Agent(s) (if any): [•]
7. **DISTRIBUTION**
- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable]/[•]
- (c) Date of Subscription Agreement: [•]
- (d) Stabilisation Manager(s) (if any): [Not Applicable]/[•]

- (e) If non-syndicated, name of relevant Dealer: [Not Applicable]/[\*]
- (f) U.S. Selling Restrictions: [Reg. S Compliance [Category 1]; Rule 144A; TEFRA D/TEFRA C/TEFRA not applicable]
- (g) Prohibition of Sales to EEA Retail Investors: [Applicable]/[Not Applicable]
- (h) Prohibition of Sales to United Kingdom Retail Investors: [Applicable]/[Not Applicable]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Pricing Supplement" for a description of the content of Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by the Government of the Emirate of Sharjah acting through the Sharjah Finance Department (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

References herein to the Notes shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form ("**Registered Notes**") (issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 27 February 2024 and made between the Issuer, Deutsche Bank Trust Company Americas as paying agent in respect of the Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") (the "**U.S. Paying Agent**", which expression shall include any successor paying agent), as registrar (the "**Registrar**", which expression shall include any successor registrar) and transfer agent in respect of the DTC Notes (the "**U.S. Transfer Agent**", which expression shall include any successor transfer agent), Deutsche Bank AG, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent and together with the U.S. Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), as exchange agent (the "**Exchange Agent**", which expression shall include any successor exchange agent) and as transfer agent (together with the Registrar and the U.S. Transfer Agent, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The pricing supplement for this Note (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**"). References to the "**applicable Pricing Supplement**" are, unless otherwise stated, to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms



and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as amended and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") dated 27 February 2024 and made by the Issuer. The original of the Deed of Covenant is held by the Principal Paying Agent.

Copies of the Agency Agreement (including the forms of Global Notes, the Notes in definitive form, the Coupons and the Talons) and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are (i) on the official list of the UK Financial Conduct Authority and admitted to trading on the Main Market of the London Stock Exchange plc (the "**London Stock Exchange**"); and (ii) are listed on the official list of securities maintained by the Dubai Financial Services Authority and admitted to trading on Nasdaq Dubai, copies of the applicable Pricing Supplement will be published on the website of the London Stock Exchange through a regulatory information service and the website of Nasdaq Dubai (<http://www.nasdaqdubai.com>), respectively. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of and are bound by, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

#### 1. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denomination(s)**") specified in the applicable Pricing Supplement. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal 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 and the Agents as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the

holder of such principal 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.

For so long as The Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

## **2. TRANSFERS OF REGISTERED NOTES**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

### **2.2 Transfers of Registered Notes in definitive form**

Subject as provided in Conditions 2.1 (*Transfers of interests in Registered Global Notes*) and 2.5 (*Transfers of interests in Legended Notes*), upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (such initial regulations being set out in schedule 8 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within ten business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate principal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### 2.3 **Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 7 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

### 2.4 **Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

### 2.5 **Transfers of interests in Legended Notes**

Transfers of Legended Notes or beneficial interests therein may be made:

- (a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a written confirmation substantially in the form set out in the Agency Agreement, amended as appropriate from the transferor to the effect that such transfer is being made in accordance with Regulation S; or
- (b) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person who the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

### 2.6 **Definitions**

In this Condition, the following expressions shall have the following meanings:

**"Legended Note"** means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a **"Legend"**);

**"QIB"** means a "qualified institutional buyer" within the meaning of Rule 144A;

**"Regulation S"** means Regulation S under the Securities Act;

**"Regulation S Global Note"** means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

**"Rule 144A"** means Rule 144A under the Securities Act;

**"Rule 144A Global Note"** means a Registered Global Note representing Notes sold in the United States or to QIBs; and

**"Securities Act"** means the United States Securities Act of 1933, as amended.

3. **STATUS OF THE NOTES**

The Notes and any relative Coupons constitute (subject to Condition 4 (*Negative Pledge*)) direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Negative Pledge*), at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding, **provided, further, that** the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due on the Notes and *vice versa*.

4. **NEGATIVE PLEDGE**

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer will not 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 assets or revenues to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of Relevant Indebtedness or a Relevant Sukuk Obligation, of any Person, without:

- (a) at the same time or prior thereto securing equally and rateably therewith its obligations under the Notes; or
- (b) providing such other Security Interest for the obligations of the Issuer under the Notes as may be approved by an Extraordinary Resolution (as defined below) of the Noteholders.

In these Conditions:

**"Permitted Security Interest"** means:

- (a) any Security Interest upon property or assets incurred for the purpose of financing the acquisition or construction, improvement or repair of such property or asset or any renewal or extension of any such Security Interest, which is limited to the original property or asset covered thereby and which secures any renewal or extension of the original secured financing;
- (b) any Security Interest existing on any property or asset at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset covered thereby and which secures any renewal or extension of the original secured financing;
- (c) any Security Interest in existence on 27 February 2024;
- (d) any Security Interest arising in the ordinary course of banking transactions and securing the Relevant Indebtedness of the Issuer maturing not more than one year after the date on which it is originally incurred;
- (e) any Security Interest arising by operation of law or which arose pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;
- (f) any Security Interest incurred for the purpose of financing all or part of the costs of the acquisition, construction, development, improvement, repair or expansion of any project (including costs such as escalation, interest during construction and financing and refinancing costs); **provided that** the property over which such Security Interest is granted consists solely of the property, assets or revenues of such project (including, without limitation, royalties and other similar payments accruing to the Emirate of Sharjah generated by the relevant project); and
- (g) any Security Interest arising in connection with the incurrence of Relevant Indebtedness as part of a Securitisation or any renewal or extension thereof;

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or agency, or political subdivision thereof, or other entity;

"**Relevant Indebtedness**" means, in relation to any Person, any indebtedness of such Person which is in the form of or represented by any bond (including *Shari'a*-compliant certificates), note, loan stock, debenture or similar instrument which is, or is intended to be, or is capable of being, listed, traded or dealt in on any stock exchange or over the counter market;

"**Relevant Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates whether or not in return for consideration of any kind where the trust certificates concerned are, or are intended to be, or are capable of being, listed, traded or dealt in on any stock exchange or over the counter market;

"**Security Interest**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind; and

"**Securitisation**" means any securitisation (*Shari'a*-compliant or otherwise) of existing or future assets and/or revenues, **provided that:** (a) any Security Interest given by the Issuer in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (c) there is no other recourse to the Issuer in respect of any default by any person under the securitisation.

## 5. **INTEREST**

### 5.1 **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes, which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding principal amount of (A) the Fixed Rate Notes represented by such Global Note or (B) such Registered Notes; or
- (b) in the case of Fixed Rate Notes which are Bearer Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding principal amount of Fixed Rates Notes, which are Registered Notes in definitive form, or the Calculation Amount in the case of Fixed Rate Notes, which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

**"Calculation Amount"** means the amount specified as such in the applicable Pricing Supplement;

**"Determination Period"** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**"sub-unit"** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 5.2 **Interest on Floating Rate Notes**

### (a) ***Interest Payment Dates***

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a "**Business Day Convention**" is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of Condition 5.2(a)(C) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (a) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (b) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day save in respect of Notes for which the Reference Rate is SOFR, for which the final Interest Payment Date will not be postponed and interest on that payment will not accrue during the period from and after the scheduled final Interest Payment Date; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means:

- (A) 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 London and each Additional Business Centre (other than T2) specified in the applicable Pricing Supplement;
- (B) if "T2" is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the real time gross settlement system operated by the Eurosystem or any successor ("**T2**") is open; and
- (C) either (x) in relation to any sum payable in a Specified Currency other than euro, 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 the

principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (y) in relation to any sum payable in euro, a day on which T2 is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) *ISDA Determination for Floating Rate Notes*

Where "ISDA Determination" is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this Condition 5.2(b)(i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) under an interest rate swap transaction if such Agent were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the ISDA Definitions (provided that in any circumstances where under the ISDA Definitions the Calculation Agent would be required to exercise any discretion, including the selection of any reference banks and seeking quotations from reference banks, when calculating the relevant ISDA Rate, the relevant determination(s) which require the Calculation Agent to exercise its discretion shall instead be made by the Issuer or its designee) and under which:

- (A) if the Pricing Supplement specify either "**2006 ISDA Definitions**" or "**2021 ISDA Definitions**" as the applicable ISDA Definitions:
  - (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
  - (2) the Designated Maturity, if applicable, is a period specified in the applicable Pricing Supplement; and
  - (3) the relevant Reset Date, unless otherwise specified in the applicable Pricing Supplement, has the meaning given to it in the ISDA Definitions.
  
- (B) if the Pricing Supplement specify either "**2006 ISDA Definitions**" or "**2021 ISDA Definitions**" as the applicable ISDA Definitions and 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:
  - (1) if 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;
  - (2) if 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 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

- (3) if 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, if applicable, are the days specified in the applicable Pricing Supplement;
- (C) if the Pricing Supplement specify either "**2006 ISDA Definitions**" or "**2021 ISDA Definitions**" as the applicable ISDA Definitions and the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the ISDA Definitions), Averaging is specified to be applicable in the applicable Pricing Supplement and:
- (1) if Averaging with Lookback is specified as the Averaging Method in the applicable Pricing Supplement then (a) Averaging with Lookback is the Overnight Rate Averaging Method and (b) Lookback is the number of Applicable Business Days (as defined in the ISDA Definitions) specified in applicable Pricing Supplement;
  - (2) if Averaging with Observation Period Shift is specified as the Averaging Method in the applicable Pricing Supplement then (a) Averaging with Overnight Period Shift is the Overnight Rate Averaging Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the 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
  - (3) if Averaging with Lockout is specified as the Averaging Method in the applicable Pricing Supplement then (a) Averaging with Lockout is the Overnight Rate Averaging 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, if applicable, are the days specified in the applicable Pricing Supplement; and
- (D) if the Pricing Supplement specify either "**2006 ISDA Definitions**" or "**2021 ISDA Definitions**" as the applicable ISDA Definitions and the specified Floating Rate Option is an Index Floating Rate Option (as defined in the ISDA Definitions) and Index Provisions are specified to be applicable in the applicable Pricing Supplement, the Compounded Index Method with Observation Period Shift (as defined in the ISDA Definitions) shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the ISDA Definitions) specified in the applicable Pricing Supplement and (b) Observation Period Shift Additional Business Days, if applicable, are the days specified in the applicable Pricing Supplement;
- (E) references in the ISDA Definitions to:
- (1) "**Confirmation**" shall be references to the applicable Pricing Supplement;

- (2) "**Calculation Period**" shall be references to the relevant Interest Period;
  - (3) "**Termination Date**" shall be references to the Maturity Date;
  - (4) "**Effective Date**" shall be references to the Interest Commencement Date;
- (F) if the Pricing Supplement specify "**2021 ISDA Definitions**" as being applicable:
- (1) "**Administrator/Benchmark Event**" shall be disapplied; and
  - (2) 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 Condition 5.2(b)(i):

- (1) "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**", "**Overnight Floating Rate Option**", "**Overnight Rate Compounding Method**", "**Compounding with Lookback**", "**Compounding with Observation Period Shift**", "**Compounding with Lockout**", "**Averaging with Lookback**", "**Averaging with Observation Period Shift**", "**Averaging with Lockout**", "**Index Method**" and "**Compounded Index Method with Observation Period Shift**" have the meanings given to those terms in the ISDA Definitions;
- (2) the definition of "**Fallback Observation Day**" in the ISDA Definitions shall be deemed deleted in its entirety and replaced with the following: "**Fallback Observation Day**" means, in respect of a Reset Date and the Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Payment Date;
- (3) "**ISDA Definitions**" means 2006 ISDA Definitions or the 2021 ISDA Definitions, as specified in the applicable Pricing Supplement;
- (4) "**2006 ISDA Definitions**" means in relation to a Series of Notes, the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Notes of such Series) published by ISDA; and
- (5) "**2021 ISDA Definitions**" means, in relation to a Series of Notes, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (including each Matrix (and any successor Matrix thereto), as defined in such 2021 ISDA Interest Rate Derivatives Definitions) as at the date of issue of the first Tranche of Notes of such Series.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) *Screen Rate Determination for Floating Rate Notes not referencing SONIA, SOFR or €STR*

(A) Where "Screen Rate Determination" is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, and the Reference Rate is specified in the applicable Pricing Supplement as being a Reference Rate other than SONIA, SOFR or €STR, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as indicated in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(B) If the Relevant Screen Page is not available or if, in the case of Condition 5.2(b)(ii)(A)(1) above, no offered quotation appears or, in the case of Condition 5.2(b)(ii)(A)(2) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Issuer shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

(C) If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in Condition 5.2(b)(ii)(A) above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (at the request of the Issuer) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus

or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any), **provided that** if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5.2(b)(ii)(C), and **provided further that** such failure is not due to the occurrence of a Benchmark Event, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In these Conditions

**"Reference Banks"** means four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

**"Reference Rate"** means any one of the following benchmark rates (specified in the applicable Pricing Supplement) in respect of the Specified Currency and period specified in the applicable Pricing Supplement: (a) EURIBOR; (b) KIBOR; (c) SHIBOR; (d) HIBOR; (e) KLIBOR; (f) SIBOR; (g) EIBOR; (h) SAIBOR; (i) €STR; (j) SONIA; or (k) SOFR;

**"Relevant Screen Page"** means the page, section or other part of a particular information service 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; and

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

(iii) *Screen Rate Determination for Floating Rate Notes referencing SONIA, SOFR or €STR*

(A) Where "Screen Rate Determination" is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Reference Rate is specified in the applicable Pricing Supplement as being SONIA, SOFR or €STR and "Index Determination" is specified in the applicable Pricing Supplement as not being applicable:

(1) where the Calculation Method in respect of the relevant Series of Notes is specified in the applicable Pricing Supplement as being "**Compounded Daily**", the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 5.2(e) (*Minimum Rate of Interest and/or Maximum Rate of Interest*), Condition 5.2(c) (*Benchmark Replacement – Independent Adviser*) and Condition 5.2(d) (*Benchmark Replacement – SOFR*), as applicable, and subject as provided

below) be the Compounded Daily Reference Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin, all as determined by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date; and

(2) where the Calculation Method in respect of the relevant Series of Notes is specified in the applicable Pricing Supplement as being "**Weighted Average**", the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 5.2(e) (*Interest on Floating Rate Notes – Minimum Rate of Interest and/or Maximum Rate of Interest*), Condition 5.2(c) (*Interest on Floating Rate Notes – Benchmark Replacement – Independent Adviser*) and Condition 5.2(d) (*Interest on Floating Rate Notes – Benchmark Replacement – SOFR*), as applicable, and subject as provided below) be the Weighted Average Reference Rate (rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards) plus or minus (as indicated in the applicable Pricing Supplement) the Margin, all as determined by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date.

(B) Where "**SONIA**" is specified as the Reference Rate in the applicable Pricing Supplement, subject to Condition 5.2(c) (*Interest on Floating Rate Notes – Benchmark Replacement – Independent Adviser*), if, in respect of any Business Day, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) determines that the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be:

(a) (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (or, if earlier, close of business) on the relevant Business Day; plus (ii) the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a 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

(b) if the Bank Rate is not published by the Bank of England at 5.00 p.m. (or, if earlier, close of business) on the relevant Business Day, (i) the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors); or (ii) if this is more recent, the latest determined rate under Condition 5.2(b)(iii)(B)(a) above,

and, in each case, "**SONIA**" shall be interpreted accordingly.

(C) Where "**SOFR**" is specified as the Reference Rate in the applicable Pricing Supplement, subject to Condition 5.2(d) (*Interest on Floating Rate Notes – Benchmark Replacement – SOFR*), if, in respect of any Business Day, the Principal Paying Agent (or such other party

responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) determines that the SOFR rate does not appear on the Relevant Screen Page, such Reference Rate shall be the SOFR for the first preceding Business Day on which the SOFR was published on the Relevant Screen Page (and "**SOFR**" shall be interpreted accordingly).

- (D) Where "**€STR**" is specified as the Reference Rate in the applicable Pricing Supplement, subject to Condition 5.2(c) (*Interest on Floating Rate Notes – Benchmark Replacement – Independent Adviser*), if, in respect of any Business Day, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) determines that the €STR rate does not appear on the Relevant Screen Page, such Reference Rate shall be the €STR for the first preceding Business Day on which the €STR was published on the Relevant Screen Page (and "**€STR**" shall be interpreted accordingly).
- (E) If "**Payment Delay**" is specified as the Observation Method in the applicable Pricing Supplement as being applicable, all references in these Conditions to interest on the Notes being payable on an Interest Payment Date shall be read as references to interest on the Notes being payable on an Effective Interest Payment Date instead.
- (F) In the event that the Rate of Interest for the relevant Interest Period cannot be determined in accordance with the foregoing provisions, subject to Condition 5.2(c) (*Benchmark Replacement – Independent Adviser*) and Condition 5.2(d) (*Benchmark Replacement – SOFR*), as applicable, the Rate of Interest for such Interest Period 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 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).
- (G) If the relevant Series of Notes become due and payable in accordance with Condition 7 (*Redemption and Purchase*) or Condition 10 (*Events of Default*), the last 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 the Notes remain outstanding, be that determined on such date.
- (H) For the purposes of this Condition 5.2(b)(iii):  
**"Applicable Period"** means:
  - (a) where "**Lag**", "**Lock-out**" or "**Payment Delay**" is specified as the Observation Method in the applicable Pricing Supplement, the relevant Interest Period; and

- (b) where "**Observation Shift**" is specified as the Observation Method in the applicable Pricing Supplement, the Observation Period relating to such Interest Period;

"**Business Day**" or "**BD**", means,

- (a) where "SONIA" is specified as the Reference Rate in the applicable Pricing Supplement, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;
- (b) where "SOFR" is specified as the Reference Rate in the applicable Pricing Supplement, 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 New York are authorised or required by law or regulation to be closed; and
- (c) where "€STR" is specified as the Reference Rate in the applicable Pricing Supplement, a day on which T2 is open for settlements of payments in euro;

"**Compounded Daily Reference Rate**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment in the Specified Currency (with the applicable Reference Rate (as indicated in the applicable Pricing Supplement and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) as at the relevant Interest Determination Date as follows, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards:

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

"**D**" is the number specified in the applicable Pricing Supplement;

"**d**" means, for the relevant Applicable Period, the number of calendar days in such Applicable Period;

"**d<sub>o</sub>**" means, for the relevant Applicable Period, the number of Business Days in such Applicable Period;

"**Effective Interest Payment Date**" means any date or dates specified as such in the applicable Pricing Supplement;

"**€STR**" means, in respect of any Business Day, a reference rate equal to the daily euro short-term rate for such Business Day as provided by the €STR Administrator on the €STR Administrator's Website on or before 9:00 a.m., (Central European Time) on the Business Day immediately following such Business Day;

"**€STR Administrator**" means the European Central Bank (or any successor administrator of €STR);

"**€STR Administrator's Website**" means as the website of the European Central Bank or any successor source;

"**i**" means, for the relevant Applicable Period, a series of whole numbers from one to d<sub>o</sub>, each representing the relevant Business Day in

chronological order from, and including, the first Business Day in such Applicable Period;

**"Lock-out Period"** means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

**"n<sub>i</sub>"**, for any Business Day "i" in the Applicable Period, means the number of calendar days from, and including, such Business Day "i" up to but excluding the following Business Day;

**"New York Federal Reserve's Website"** means the website of the Federal Reserve Bank of New York currently at <http://www.newyorkfed.org>, or any successor website of the Federal Reserve Bank of New York;

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

**"p"** means, for any Interest Period:

- (a) where "**Lag**" is specified as the Observation Method in the applicable Pricing Supplement, the number of Business Days included in the Observation Look-back Period specified in the applicable Pricing Supplement (which shall not be less than five Business Days without the consent of the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement));
- (b) where "**Lock-out**" or "**Payment Delay**" is specified as the Observation Method in the applicable Pricing Supplement, zero; and
- (c) where "**Observation Shift**" is specified as the Observation Method in the applicable Pricing Supplement, the number of Business Days included in the Observation Look-back Period specified in the applicable Pricing Supplement (which shall not be less than five Business Days without the consent of the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement));

**"r"** means:

- (a) where in the applicable Pricing Supplement "**SONIA**" is specified as the Reference Rate and either "**Lag**" or "**Observation Shift**" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day;
- (b) where in the applicable Pricing Supplement "**SOFR**" is specified as the Reference Rate and either "**Lag**" or "**Observation Shift**" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day;
- (c) where in the applicable Pricing Supplement "**€STR**" is specified as the Reference Rate and either "**Lag**" or "**Observation Shift**"



is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day;

- (d) where in the applicable Pricing Supplement "**SONIA**" is specified as the Reference Rate and "**Lock-out**" is specified as the Observation Method:
  - a. in respect of any Business Day "i" that is a Reference Day, the SONIA rate in respect of the Business Day immediately preceding such Reference Day, and
  - b. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SONIA rate in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (e) where in the applicable Pricing Supplement "**SOFR**" is specified as the Reference Rate and "**Lock-out**" is specified as the Observation Method:
  - a. in respect of any Business Day "i" that is a Reference Day, the SOFR in respect of the Business Day immediately preceding such Reference Day, and
  - b. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SOFR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (f) where in the applicable Pricing Supplement "**€STR**" is specified as the Reference Rate and "**Lock-out**" is specified as the Observation Method:
  - a. in respect of any Business Day "i" that is a Reference Day, the €STR in respect of the Business Day immediately preceding such Reference Day, and
  - b. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the €STR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (g) where in the applicable Pricing Supplement "**SONIA**" is specified as the Reference Rate and "**Payment Delay**" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day, **provided however that**, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "**r**" shall be the SONIA rate in respect of the Rate Cut-off Date;

- (h) where in the applicable Pricing Supplement "**SOFR**" is specified as the Reference Rate and "**Payment Delay**" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day, **provided however that**, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "**r**" shall be the SOFR in respect of the Rate Cut-off Date; and
- (i) where in the applicable Pricing Supplement "**€STR**" is specified as the Reference Rate and "**Payment Delay**" is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day, **provided however that**, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "**r**" shall be the €STR in respect of the Rate Cut-off Date;

"**Rate Cut-off Date**" has the meaning given in the applicable Pricing Supplement;

"**Reference Day**" means each Business Day in the relevant Interest Period, other than any Business Day in the Lock-out Period;

" **$r_{i-pBD}$** " means the applicable Reference Rate as set out in the definition of "**r**" above for, (i) where, in the applicable Pricing Supplement, "**Lag**" is specified as the Observation Method, the Business Day (being a Business Day falling in the relevant Observation Period) falling "**p**" Business Days prior to the relevant Business Day "**i**" or, (ii) otherwise, the relevant Business Day "**i**";

"**SOFR**" means, in respect of any Business Day, a reference rate equal to the daily Secured Overnight Financing Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Federal Reserve's Website, in each case on or about 3.00 p.m. (New York City Time) on the Business Day immediately following such Business Day (the "**SOFR Determination Time**");

"**SONIA**" means, in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors in each case on the Business Day immediately following such Business Day;

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) 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

"**Weighted Average Reference Rate**" means:

- (a) where "**Lag**" is specified as the Observation Method in the applicable Pricing Supplement, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Observation Period, calculated by multiplying each

relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day; and

- (b) where "**Lock-out**" is specified as the Observation Method in the applicable Pricing Supplement, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Interest Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Period, **provided however that** for any calendar day of such Interest Period falling in the Lock-out Period, the relevant Reference Rate for each day during that Lock-out Period will be deemed to be the Reference Rate in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall, subject to the proviso above, be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day.

(iv) *Index Determination*

Where "Screen Rate Determination" is specified in the applicable Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined and Index Determination is specified in the applicable Pricing Supplement as being applicable, the Rate of Interest for each Interest Period will be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula:

$$\left( \frac{\text{Compounded Index End}}{\text{Compounded Index Start}} - 1 \right) \times \frac{\text{Numerator}}{d}$$

and rounded to the Relevant Decimal Place, plus or minus the Margin (if any), all as determined and calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement), where:

"**Compounded Index**" shall mean either (i) the SONIA Compounded Index where the "SONIA" is specified as the Reference Rate in the applicable Pricing Supplement or (ii) the SOFR Compounded Index where the "SOFR" is specified as the Reference Rate in the applicable Pricing Supplement;

"**d**" is the number of calendar days from (and including) the day on which the relevant Compounded Index Start is determined to (but excluding) the day on which the relevant Compounded Index End is determined;

"**End**" means the relevant Compounded Index value on the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);

"**Index Days**" means, in the case of the SONIA Compounded Index, London Banking Days, and, in the case of the SOFR Compounded Index, U.S. Government Securities Business Days;

"**Numerator**" means, in the case of the SONIA Compounded Index, 365 and, in the case of the SOFR Compounded Index, 360;

"**Relevant Decimal Place**" shall, unless otherwise specified in the applicable Pricing Supplement, be the fifth decimal place in the case of the SONIA Compounded Index and the seventh decimal place in the case of the SOFR Compounded Index, in each case rounded up or down, if necessary (with 0.000005 or, as the case may be, 0.0000005 being rounded upwards);

"**Relevant Number**" is as specified in the applicable Pricing Supplement but, unless otherwise specified shall be five;

"**SOFR Compounded Index**" means the Compounded SOFR rate as published at 15:00 (New York time) by the Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source;

"**SONIA Compounded Index**" means the Compounded Daily SONIA rate as published at 10:00 (London time) by the Bank of England (or a successor administrator of SONIA) on the Bank of England's Interactive Statistical Database, or any successor source; and

"**Start**" means the relevant Compounded Index value determined in relation to on the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period.

**Provided that** a Benchmark Event has not occurred in respect of SONIA Compounded Index or a Benchmark Transition Event and its related Benchmark Replacement Date has not occurred in respect of the SOFR Compounded Index, if, with respect to any Interest Period, the relevant rate is not published for the relevant Compounded Index either on the relevant Start or End date, then the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) shall calculate the rate of interest for that Interest Period in accordance with Condition 5.2(b)(iii) (*Screen Rate Determination for Floating Rate Notes referencing SONIA, SOFR or €STR*) as if Index Determination was not specified in the applicable Pricing Supplement. For these purposes, (i) the Reference Rate shall be deemed to be SONIA in the case of SONIA Compounded Index and SOFR in the case of Compounded SOFR Index, (ii) the Calculation Method shall be deemed to be Compounded Daily, (iii) the Observation Method shall be deemed to be Observation Shift, (iv) the Observation Look-back Period shall be deemed to be the Relevant Number and (v) "D" shall be deemed to be the Numerator. If a Benchmark Event has occurred in respect of SONIA, the provisions of Condition 5.2(c) (*Benchmark Replacement – Independent Adviser*) shall apply *mutatis mutandis* in respect of this Condition 5.2(b)(iv) or if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of SOFR, the provision of Condition 5.2(d) (*Benchmark Replacement – SOFR*) shall apply *mutatis mutandis* in respect of this Condition 5.2(b)(iv), as applicable.

(c) ***Benchmark Replacement – Independent Adviser***

Notwithstanding the other provisions of this Condition 5.2 and other than in the case of a U.S. dollar-denominated Floating Rate Note for which the Reference Rate is specified in the applicable Pricing Supplement as being "SOFR", if the Issuer determines that a Benchmark Event has occurred in relation to a Reference Rate 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 Issuer shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than five 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 together with any Benchmark Amendments for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes for all future Interest Periods (subject to the operation of this Condition 5.2(c);

- (ii) if (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by the Issuer fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 5.2(c) prior to the relevant IA Determination Cut-Off Date, then the Issuer (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/or, 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 for all future Interest Periods (subject to the operation of this Condition 5.2(c)) 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 5.2(c) applying *mutatis mutandis*) to allow such determinations to be made by the Issuer without consultation with the Independent Adviser;
- (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 5.2(c)), including in the event of a further Benchmark Event affecting the Successor Rate or the Alternative Reference Rate;
- (iv) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), if any, shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) **provided however, that** if the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner), as the case may be, fails to determine the Adjustment Spread in accordance with this Condition 5.2(c) prior to the relevant Interest Determination Date then the Successor Rate or Alternative Reference Rate as determined in accordance with this Condition 5.2(c) will apply without an Adjustment Spread;
- (v) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 5.2(c) and the Independent Adviser (following consultation with the Issuer) or the Issuer (acting in good faith and in a commercially reasonable manner), as applicable, determines: (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 Issuer and subject to delivery of a notice in accordance with Condition 5.2(c)(vi) below: (x) the Issuer 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 Issuer's expense), without any requirement for the consent or sanction of the Noteholders, be obliged to concur with the Issuer in effecting such Benchmark Amendments, **provided that** none of the Agents shall be required to effect any such Benchmark Amendments if the same would impose more onerous obligations upon it or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction. 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;

- (vi) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Agents (such notice to be delivered not less than 10 Business Days prior to the date on which such Benchmark Amendments are due to come into effect) and, in accordance with Condition 14 (*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), in each case as determined in accordance with the provisions of this Condition 5.2(c). Such notice shall be irrevocable and shall specify the effective date on which such changes take effect;
- (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 immediately following Interest Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Rate of Interest (or the relevant component part thereof) shall be 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). For the avoidance of doubt, this Condition 5.2(c)(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 5.2(c); and
- (viii) the Independent Adviser appointed pursuant to this Condition 5.2(c) shall act and make all determinations pursuant to this Condition 5.2(c) in good faith 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 Issuer shall have any liability whatsoever to the Principal Paying 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 Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.2(c).

Notwithstanding any other provision of this Condition 5.2(c), if in the opinion of the Principal Paying Agent's there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5.2(c), the Principal Paying Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Principal Paying Agent in writing as to which alternative course of action to adopt. If the Principal Paying Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Principal Paying Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

For the purposes of this Condition 5.2(c):

**"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:

- (i) 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
- (ii) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Issuer) 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
- (iii) (if the Independent Adviser (following consultation with the Issuer) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Issuer) 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
- (iv) (if the Independent Adviser (following consultation with the Issuer) determines that there is no such industry standard) the Independent Adviser (following consultation with the Issuer) or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate;

**"Alternative Reference Rate"** means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Issuer) determines, in accordance with this Condition 5.2(c), 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 Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

**"Benchmark Event"** means: (i) the relevant Reference Rate ceasing to be published or ceasing to exist for at least five Business Days; or (ii) public statement by the administrator of the relevant Reference Rate that the relevant Reference Rate is (or will be deemed by such administrator to be) no longer representative of its relevant underlying market; or (iii) a public statement by the administrator of the relevant Reference Rate 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 (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will be permanently or indefinitely discontinued; or (v) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or (vi) it has become unlawful for the Issuer, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) or any Paying Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate, **provided that**, (x) in the case of (ii) above, the Benchmark Event shall occur on the date with effect from which the relevant Reference Rate will no longer be (or will be deemed by the relevant administrator to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement; and (y) in the case of (iii), (iv) and (v) above, the Benchmark Event shall occur on the date of the cessation of publication of the relevant Reference Rate, the discontinuation of the relevant Reference Rate, or the prohibition of use of the relevant Reference Rate, as the case may be, 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 adviser with appropriate expertise appointed by the Issuer at the Issuer'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 the rate that the Independent Adviser (in consultation with the Issuer) or the Issuer, as applicable, determines is a successor to or replacement of the relevant Reference Rate which is formally recommended by any Relevant Nominating Body.

(d) **Benchmark Replacement – SOFR**

If the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition 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. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Noteholders.

Any determination, decision or election that may be made by the Issuer pursuant to this Condition 5.2(d), 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 Issuer; 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.

Where:

**"Benchmark"** means, initially, SOFR, as such term is defined in Condition 5.2(b)(iii)(C) (*Screen Rate Determination For Floating Rate Notes referencing SONIA, SOFR or €STR*); **provided that** if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark, then "Benchmark" shall mean the applicable Benchmark Replacement.

**"Benchmark Replacement"** means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (i) the sum of: (A) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (B) the Benchmark Replacement Adjustment;
- (ii) the sum of: (A) the ISDA Fallback Rate and (B) the Benchmark Replacement Adjustment; or



- (iii) the sum of: (A) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (B) the Benchmark Replacement Adjustment;

**"Benchmark Replacement Adjustment"** means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

- (i) 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;
- (ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer 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 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) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

**"Benchmark Replacement Date"** means the earliest to occur of the following events with respect to the then-current Benchmark:

- (a) in the case of paragraph (a) or (b) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or
- (b) in the case of paragraph (a) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives 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;

**"Benchmark Transition Event"** means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (a) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, 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
- (b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the

Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark 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 has ceased or will cease to provide the Benchmark 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

- (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;

**"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 for the applicable tenor;

**"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 for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

**"Reference Time"** with respect to any determination of the Benchmark means (i) if the Benchmark is SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not SOFR, the time determined by the Issuer 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

**"Unadjusted Benchmark Replacement"** means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

The Issuer shall promptly, following the determination of any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, give notice to the Agents and, in accordance with Condition 14 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5.2(d), the Rate of Interest shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the 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 applicable to the first Interest Period).

- (e) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.2(b) (*Rate of Interest*) is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5.2(b) (*Rate of Interest*) is

greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(f) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are (i) represented by a Global Note, or (ii) Registered Notes in definitive form, the aggregate outstanding principal amount of (A) the Notes represented by such Global Note or (B) such Registered Notes; or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(g) ***Linear Interpolation***

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

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

(h) ***Notification of Rate of Interest and Interest Amounts***

The Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Principal Paying Agent and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*). For the purposes of this paragraph (h), 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 general business in London.

(i) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Principal Paying Agent (or such other party responsible for

the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) shall (in the absence of manifest or proven error) be binding on the Issuer, the Agents and all Noteholders and Couponholders and (in the absence of manifest or proven error) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### 5.3 **Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

## 6. **PAYMENTS**

### 6.1 **Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

### 6.2 **Presentation of definitive Bearer Notes and Coupons**

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose principal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the principal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

### 6.3 **Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented.

### 6.4 **Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**"). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Principal Paying Agent to an account in the relevant Specified Currency of the Exchange Agent for conversion into and payment in U.S. dollars unless the participant in DTC with an interest in the Notes has elected to receive any part of such payment in that Specified Currency, in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC. All costs of any such conversion into U.S. dollars will be borne by the relevant Noteholder by deduction from any payments to be made to such Noteholder hereunder.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### 6.5 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular principal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes may be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

#### 6.6 **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9 (*Prescription*)) is:

- (a) 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:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre (other than T2) specified in the applicable Pricing Supplement; and



- (iii) if "T2" is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which T2 is open;
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which T2 is open; and
- (c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has made no election and will receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City and London.

## 6.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*);
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) the Clean Up Call Optional Redemption Amount (if any) of the Notes; and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*).

## 7. REDEMPTION AND PURCHASE

### 7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement.

### 7.2 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption) and the Principal Paying Agent, redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Pricing Supplement together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a principal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the

Notes to be redeemed ("**Redeemed Notes**") will (i) in the case of Redeemed Notes represented by definitive Notes be selected individually by lot, not more than 30 days prior to the date fixed for redemption, and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption.

### 7.3 **Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if applicable, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the principal amount thereof to be redeemed and, if less than the full principal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2 (*Transfers of Registered Notes in definitive form*). If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any Common Depository for Euroclear or Clearstream, Luxembourg to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC by a holder of any Note pursuant to this Condition 7.3 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.3 and instead to give written notice to the Principal Paying Agent to declare such Note forthwith due and payable subject to, and in accordance with, Condition 10 (*Events of Default*).

### 7.4 **Dissolution at the Option of the Government (Clean Up Call Right)**

If Clean Up Call Right is specified as being applicable in the applicable Pricing Supplement and 75 per cent. or more of the aggregate principal amount of the Notes then outstanding have been redeemed and/or purchased and cancelled pursuant to this Condition 7, the Issuer may having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Clean Up Call Right Date**")) and the Principal Paying Agent redeem all, but not some only, of the Notes at the Clean Up Call Optional Redemption Amount specified in, or determined in the manner

specified in, the applicable Pricing Supplement together, if applicable, with interest accrued to (but excluding) the Clean Up Call Right Date.

#### 7.5 **Early Redemption Amounts**

For the purpose of Condition 10 (*Events of Default*):

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

#### 7.6 **Purchases**

The Issuer may at any time purchase Notes (**provided that**, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent or the Registrar for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 15 (*Meetings of Noteholders, Modification and Waiver*).

#### 7.7 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 7.6 (*Purchases*) (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

#### 7.8 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1 (*Redemption at maturity*), 7.2 (*Redemption at the option of the Issuer (Issuer Call)*), 7.3 (*Redemption at the option of the Noteholders (Investor Put)*) or 7.4 (*Dissolution at the Option of the Government (Clean Up Call Right)*) or upon its becoming due and repayable as provided in Condition 10 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(b) (*Early Redemption Amounts*) as though the references therein to

the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

## 8. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer shall be made in the Specified Currency without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for or on account of, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by, within or on behalf of a Relevant Jurisdiction, unless the withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders or Couponholders of such amounts as would have been receivable by them, had no such withholding or deduction been required, except that no such additional amount shall be payable in respect of any Note or Coupon:

- (a) held by or on behalf of a holder who is liable for such Taxes in respect of such Note or Coupon by reason of having some connection with a Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the relevant Noteholder or Couponholder would have been entitled to such additional amount if it presented the relevant Note or Coupon for payment on the last day of such period of 30 days, assuming that day to have been a Payment Day (as defined in Condition 6.6 (*Payment Day*)).

In these Conditions:

**"Relevant Jurisdiction"** means the Emirate of Sharjah, the UAE or any political subdivision or authority thereof or therein having the power to tax;

**"Relevant Date"** means, in relation to any payment, the date on which the payment in question first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys has been so received or (if earlier) the date seven days after that on which notice is duly given to Noteholders in accordance with Condition 14 (*Notices*) that, upon further presentation or surrender, as applicable, of the relevant Note or Coupon being made in accordance with these Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation or surrender, as applicable; and

**"Taxes"** means any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature.

## 9. PRESCRIPTION

Notes (whether in bearer or registered form) and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2 (*Presentation of definitive Bearer Notes and Coupons*) or any Talon which would be void pursuant to Condition 6.2 (*Presentation of definitive Bearer Notes and Coupons*).

10. **EVENTS OF DEFAULT**

If any of the following events (each an "**Event of Default**") occurs and is continuing:

- (a) default is made by the Issuer in the payment of the principal of, or any interest on, any of the Notes when due and the default continues for a period of 14 Business Days; or
- (b) the Issuer fails to perform or observe any one or more of its other obligations or undertakings in respect of the Notes and either such default is not capable of remedy or such default (if capable of remedy) is not remedied within 30 days after written notice of such default shall have been given to the Issuer by any Noteholder; or
- (c) any Financial Indebtedness of the Issuer is not paid when due nor within any originally applicable grace period or any such Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described) **provided, however, that** it shall not constitute an Event of Default under this Condition 10(c) unless the aggregate amount of all such Financial Indebtedness shall be more than U.S.\$30,000,000 (or its equivalent in any other currency or currencies); or
- (d) any execution, distress, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against, or an encumbrancer takes possession of, the whole or any substantial part of the property, undertaking or assets of the Issuer or any event occurs which under the laws of any jurisdiction has a similar or analogous effect, and any such event is not discharged within 30 days; or
- (e) the Issuer fails to comply with or pay any sum which amount shall not be less than U.S. \$50,000,000 (or its equivalent in any other currency or currencies) due from it under any final non-appealable judgment or any final non-appealable order made or given by any court of competent jurisdiction and such failure continues for a period of 60 days following the service by any Noteholder on the Issuer of notice requiring the same to be paid/remedied; or
- (f) the Issuer enters into an arrangement with its creditors generally for the rescheduling or postponement of any Financial Indebtedness, as a result of its inability or potential inability to fulfil its obligations to them, or a moratorium on the payment of all or any part of the Financial Indebtedness of the Issuer is declared; or
- (g) the Issuer repudiates or challenges the valid, legal, binding and enforceable nature of any, or any part, of the Notes, the Agency Agreement or the Deed of Covenant or causes to be done any act or thing evidencing an intention to repudiate or challenge the valid, legal, binding and enforceable nature of any, or any part, of the Notes, the Agency Agreement or the Deed of Covenant, or if the validity of the Issuer's obligations under the Notes, the Agency Agreement or the Deed of Covenant is contested by the Issuer or the Issuer denies any of its obligations under the Notes, the Agency Agreement or the Deed of Covenant; or
- (h) at any time it is or will become unlawful or impossible for the Issuer to perform or comply with any or all of its obligations under the Notes, the Agency Agreement or the Deed of Covenant or any of the obligations of the Issuer under the Notes, the Agency Agreement or the Deed of Covenant are not or cease to be legal, valid, binding and enforceable; or
- (i) any action, condition or thing at any time required to be taken, fulfilled or done in order to: (A) enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, the Agency Agreement or the Deed of Covenant; or (B) to ensure that those obligations are legal, valid, binding and enforceable, is not taken, fulfilled or done,

then the holders of not less than 25 per cent. in aggregate outstanding principal amount of the Notes may, by notice in writing to the Issuer (with a copy to the Principal Paying Agent), declare all the Notes immediately due and payable, at their Early Redemption Amount together with accrued interest (if any), without further formality. Upon such declaration by the Noteholders, the Issuer

shall give notice thereof to the holders of Notes in accordance with Condition 14 (*Notices*) (with a copy to the Principal Paying Agent).

If the Issuer receives notice in writing from the holders of at least 50 per cent. in aggregate outstanding principal amount of the Notes to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Principal Paying Agent) whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any other rights or obligations which may have arisen before the Issuer gives such notice.

In these Conditions, "**Financial Indebtedness**" means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount drawn on any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, trust certificates, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would be treated as a finance or capital lease in accordance with the accounting standards, policies and procedures published from time to time by the International Accounting Standards Committee or any successor;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any *Shari'a*-compliant financing, forward sale or purchase agreement, sale and sale back or sale and leaseback agreement) having the commercial effect of either a borrowing or a drawing under a credit facility;
- (g) to the extent not otherwise included in this definition, the amount of any liability in respect of any repurchase or put option arrangement entered into in connection with any Securitisation;
- (h) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in Conditions 10(a) to 10(h) (inclusive) above.

#### 11. **REPLACEMENT OF NOTES, COUPONS AND TALONS**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

#### 12. **AGENTS**

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Pricing Supplement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that:**

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in London.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5 (*General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. **EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

14. **NOTICES**

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in the London (which is expected to be the Financial Times) or published on the website of the London Stock Exchange through a regulatory information service or, if in either case such publication is not practicable, in a leading English language newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such

websites the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

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 Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

**15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER**

**15.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions**

- (a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Agency Agreement and will determine the time and place of the meeting. The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.
- (b) The Issuer or the Principal Paying Agent, on behalf of and under the instruction of the Issuer, will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Agency Agreement and described in Condition 15.9 (*Notes controlled by the Issuer*)) have delivered a written request to the Issuer or the Principal Paying Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Principal Paying Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Principal Paying Agent, as the case may be, will notify the Noteholders within ten days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given (in each case exclusive of the day on which the notice is given and the day on which the meeting is to be held).
- (c) The Issuer (with the agreement of the Principal Paying Agent) will set out the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Principal Paying Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.
- (d) The notice convening any meeting will specify, *inter alia*,
  - (i) the date, time and location of the meeting;
  - (ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
  - (iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
  - (iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;



- (v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
  - (vi) whether Condition 15.2 (*Modification of this Series of Notes only*), Condition 15.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 15.4 (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;
  - (vii) if the proposed modification or action relates to two or more series of debt securities issued by the Issuer and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
  - (viii) such information that is required to be provided by the Issuer in accordance with Condition 15.6 (*Information*);
  - (ix) the identity of the Aggregation Agent and the Claims Calculation Agent (each as defined in these Conditions), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 15.7 (*Claims Valuation*); and
  - (x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (e) In addition, the Agency Agreement contains provisions relating to Written Resolutions and Electronic Consents (as defined in Condition 15.12 (*Written Resolutions and Electronic Consents*)). All information to be provided pursuant to Condition 15.1(d) above shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.
- (f) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
- (g) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
- (h) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
- (i) Any reference to "**debt securities**" means any notes (including, without limitation, the Notes), bonds, debentures or other debt securities or trust certificates issued directly or indirectly by the Issuer in one or more series with an original stated maturity of more than one year.
- (j) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 15 and Condition 16 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.
- (k) "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located.

## 15.2 Modification of this Series of Notes only

- (a) Any modification of any provision of, or any action in respect of, the Notes, these Conditions, the Agency Agreement and/or the Deed of Covenant may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
- (b) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 15.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:
  - (i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or
  - (ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.
- (c) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
  - (i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or
  - (ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

- (d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be, and on all Couponholders.

## 15.3 Multiple Series Aggregation – Single limb voting

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, **provided that** the Uniformly Applicable condition is satisfied.
- (b) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 15.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
- (c) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents

in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be, and on all Couponholders and couponholders (where applicable) of each other affected series of Debt Securities Capable of Aggregation.
- (e) The "**Uniformly Applicable**" condition will be satisfied if:
  - (i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
  - (ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).
- (f) It is understood that a proposal under Condition 15.3(c) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).
- (g) Any modification or action proposed under Condition 15.3(a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 15.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

#### 15.4 **Multiple Series Aggregation – Two limb voting**

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (b) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 15.1 (*Convening Meetings of Noteholders*;

*Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:

- (i) at least 66.2/3 per cent. of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
  - (ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (c) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
- (i) at least 66 2/3 per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
  - (ii) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be, and on all Couponholders and couponholders (where applicable) of each other affected series of Debt Securities Capable of Aggregation.
- (e) Any modification or action proposed under Condition 15.4(a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 15.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

#### 15.5 **Reserved Matters**

In these Conditions, "**Reserved Matter**" means any proposal:

- (a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;
- (b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (c) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

- (d) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";
- (e) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";
- (f) to change the definition of "Uniformly Applicable";
- (g) to change the definition of "outstanding" or to modify the provisions of Condition 15.9 (*Notes controlled by the Issuer*);
- (h) to change (A) the legal ranking of the Notes or (B) to approve such other arrangement by way of Extraordinary Resolution of the Noteholders as referred to in Condition 4 (*Negative Pledge*);
- (i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 10(a) (*Events of Default*);
- (j) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 21 (*Governing Law and Dispute Resolution*);
- (k) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (l) to modify the provisions of this Condition 15.5;
- (m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or
- (n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in these Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:
  - (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or
  - (ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

#### 15.6 **Information**

- (a) Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 15.2 (*Modification of this Series of Notes only*), Condition 15.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 15.4 (*Multiple Series Aggregation – Two limb voting*), the Issuer shall publish in accordance with Condition 16 (*Aggregation Agent; Aggregation Procedures*) (with a copy to the Principal Paying Agent) the following information:
  - (i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or

action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

- (ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (iii) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 15.1(d)(vii) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*).

#### 15.7 **Claims Valuation**

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 15.3 (*Multiple Series Aggregation – Single limb voting*) and Condition 15.4 (*Multiple Series Aggregation – Two limb voting*), the Issuer may appoint a calculation agent (for the purposes of this Condition 15 and Condition 16 (*Aggregation Agent; Aggregation Procedures*), the "**Claims Calculation Agent**"). The Issuer shall, with the approval of the Aggregation Agent and any appointed Claims Calculation Agent, promulgate the methodology in accordance with which the Claims Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Claims Calculation Agent is appointed, the same person will be appointed as the Claims Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

#### 15.8 **Manifest error, etc.**

The Notes, these Conditions and the provisions of the Agency Agreement may be amended by the Issuer without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless in the opinion of the Issuer, such modification is (i) of a formal, minor or technical nature; or (ii) is made to correct a manifest error; or (iii) not materially prejudicial to the interests of the Noteholders and is other than in respect of a Reserved Matter.

#### 15.9 **Notes controlled by the Issuer**

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, the right to give an Electronic Consent, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) this Condition 15 and (c) Condition 10 (*Events of Default*), any Notes which are for the time being held by or on behalf of the Government of the Emirate of Sharjah, the Sharjah Finance Department, any other public sector instrumentality of the Government of the Emirate of Sharjah or by or on behalf of any Person which is owned or controlled directly or indirectly by the Government of the Emirate of Sharjah, the Sharjah Finance Department or by any other public sector instrumentality of the Government of the Emirate of Sharjah shall be disregarded and be deemed not to remain outstanding.

A Note will also be deemed to be not outstanding if, in accordance with these Conditions, the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously

satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Electronic Consent or Written Resolution, the Issuer shall provide to the Principal Paying Agent a copy of the certificate prepared pursuant to Condition 16.5 (*Certificate*), which includes information on the total number of Notes which are for the time being held by or behalf of the Government, the Sharjah Finance Department or any other public sector instrumentality of the Government (as the case may be) or by or on behalf of any Person which is owned or controlled directly or indirectly by the Government of the Emirate of Sharjah, the Sharjah Finance Department or by any other public sector instrumentality of the Government of the Emirate of Sharjah (as the case may be) and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Principal Paying Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

In these Conditions:

**"public sector instrumentality"** means the Sharjah Finance Department, any agency, any other department or ministry of the Government of the Emirate of Sharjah or any corporation, trust, financial institution or other entity owned or controlled by the Government of the Emirate of Sharjah or any of the foregoing; and

**"control"** means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other Persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

#### 15.10 **Publication**

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 16.8 (*Manner of publication*).

#### 15.11 **Exchange and Conversion**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, these Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders and Couponholders.

#### 15.12 **Written Resolutions and Electronic Consents**

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a global Note held on behalf of one or more of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (the "**relevant clearing system(s)**"), then:

- (a) approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders or (ii) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:

- (i) in respect of a proposal that falls within Conditions 15.1(b) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) and 15.2(c) (*Modification of this Series of Notes only*), the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding Notes in the case of a Reserved Matter or more than 50 per cent. of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter;
- (ii) in respect of a proposal that falls within Conditions 15.3(b) and 15.3(c) (*Multiple Series Aggregation – Single limb voting*), the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate);
- (iii) in respect of a proposal that falls within Conditions 15.3(b) (*Multiple Series Aggregation – Single limb voting*) and 15.4(c) (*Multiple Series Aggregation – Two limb voting*), (x) the persons holding at least 66⅔ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of Conditions 15.12(a)(i), 15.12(a)(ii) and 15.12(a)(iii) above, each an "**Electronic Consent**") shall, for all purposes (including Reserved Matters) take effect as (A) a Single Series Extraordinary Resolution (in the case of Condition 15.12(a)(ii) above), (B) a Multiple Series Single Limb Extraordinary Resolution (in the case of Condition 15.12(a)(ii) above) or (C) a Multiple Series Two Limb Extraordinary Resolution (in the case of Condition 15.12(a)(iii) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the "**Relevant Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the "**Proposer**") so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to "**Relevant Date**" shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

- (b) Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (i) by accountholders in the relevant clearing system(s) with entitlements to any global Note and/or (ii) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Agents shall be entitled to rely on any certificate or other document issued by, in the case of (i) above, the relevant clearing system(s) and, in the case of (ii) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any



form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. None of the Issuer or any Agent shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to Condition 15.1(d) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders and Couponholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

## 16. **AGGREGATION AGENT; AGGREGATION PROCEDURES**

### 16.1 **Appointment**

The Issuer will appoint an aggregation agent (the "**Aggregation Agent**") to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

### 16.2 **Extraordinary Resolutions**

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

### 16.3 **Written Resolutions**

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

### 16.4 **Electronic Consents**

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have

consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

#### 16.5 **Certificate**

For the purposes of Condition 16.2 (*Extraordinary Resolutions*) and Condition 16.3 (*Written Resolutions*), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 15.2 (*Modification of this Series of Notes only*), Condition 15.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 15.4 (*Multiple Series Aggregation – Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

- (a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 15.9 (*Notes controlled by the Issuer*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

#### 16.6 **Notification**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 16 to be notified to the Principal Paying Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

#### 16.7 **Binding nature of determinations; no liability**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 16 by the Aggregation Agent and any appointed Claims Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Claims Calculation Agent in connection with the exercise or non- exercise by it of its powers, duties and discretions for such purposes.

#### 16.8 **Manner of publication**

The Issuer will publish all notices and other matters required to be published pursuant to this Condition 16, including any matters required to be published pursuant to Condition 10 (*Events of Default*), Condition 15 (*Meetings of Noteholders, Modification and Waiver*) and Condition 17 (*Noteholders' Committee*):

- (a) through the systems of Clearstream, Luxembourg, Euroclear, DTC and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared and otherwise in accordance with Condition 14 (*Notices*);
- (b) in such other places and in such other manner as may be required by applicable law or regulation; and
- (c) in such other places and in such other manner as may be customary.

## 17. NOTEHOLDERS' COMMITTEE

### 17.1 Appointment

- (a) Holders of at least 25 per cent. of the aggregate principal amount of the outstanding debt securities of all series of affected debt securities (taken in aggregate) (the "**Relevant Securities**") may, by notice in writing to the Issuer (with a copy to the Principal Paying Agent), appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding debt securities who wish to be represented by such a committee) if any of the following events has occurred:
  - (i) an Event of Default under Condition 10 (*Events of Default*);
  - (ii) any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 10 (*Events of Default*) become an Event of Default;
  - (iii) any public announcement by the Issuer, to the effect that the Issuer is seeking or intends to seek a rescheduling or restructuring of the Notes or any other Relevant Securities (whether by amendment, exchange offer or otherwise); or
  - (iv) with the agreement of the Issuer, at a time when the Issuer has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Notes or any other Relevant Securities are outstanding.
- (b) Upon receipt of a written notice that a committee has been appointed in accordance with Condition 17.1(a) above, and a certificate delivered pursuant to Condition 17.4 (*Certification*), the Issuer shall give notice of the appointment of such a committee to:
  - (i) all Noteholders in accordance with Condition 14 (*Notices*); and
  - (ii) the holders of each series of Relevant Securities in accordance with the terms and conditions of such series of Relevant Securities, as soon as practicable after such written notice and such certificate are delivered to the Issuer.

### 17.2 Powers

Such committee in its discretion may, among other things:

- (a) engage legal advisers and financial advisers to assist it in representing the interests of the holders of the Relevant Securities (including the Noteholders);
- (b) adopt such rules as it considers appropriate regarding its proceedings;
- (c) enter into discussions with the Issuer and/or other creditors of the Issuer; and
- (d) designate one or more members of the committee to act as the main point(s) of contact with the Issuer and provide all relevant contact details to the Issuer.

Except to the extent provided in this Condition 17.2, such committee shall not have the ability to exercise any powers or discretions which the holders of all series of the Relevant Securities (including the Noteholders) could themselves exercise.

### 17.3 Engagement with the committee and provision of information

- (a) The Issuer shall:
  - (i) subject to Condition 17.3(b) below, engage with the committee in good faith;
  - (ii) provide the committee with information equivalent to that required under Condition 15.6 (*Information*) and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations; and

- (iii) pay any properly documented fees and expenses of any such committee (including without limitation, the reasonable and properly documented fees and expenses of the committee's legal and financial advisers, if any) following receipt of detailed invoices and supporting documentation.
- (b) If more than one committee has been appointed by holders of one or more series of Relevant Securities in accordance with the provisions of this Condition 17 and/or equivalent provisions set out in the terms and conditions of any such Relevant Securities, the Issuer shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon the Issuer shall engage with such steering group.

#### 17.4 **Certification**

Upon the appointment of a committee, the person or persons constituting such a committee (the "**Members**") will provide a certificate to the Issuer and to the Principal Paying Agent signed by the authorised representatives of the Members, and the Issuer and the Principal Paying Agent may rely upon the terms of such certificate.

The certificate shall certify:

- (a) that the committee has been appointed;
- (b) the identity of the Members; and
- (c) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of the Issuer and the Principal Paying Agent may rely on conclusively, will be delivered to the Issuer and the Principal Paying Agent identifying the new Members. Each of the Issuer and the Principal Paying Agent will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this Condition 17.4 shall apply, *mutatis mutandis*, to any steering group appointed in accordance with Condition 17.3(b) (*Engagement with the committee and provision of information*).

In appointing a person or persons as a committee to represent the interests of the Noteholders, the Noteholders may instruct a representative or representatives of the committee to form a separate committee or to join a steering group with any person or persons appointed for similar purposes by other affected series of debt securities.

#### 18. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes; **provided that** any additional Notes having the same CUSIP, ISIN or other identifying number of outstanding Notes or any Series must be fungible with such outstanding Notes for U.S. federal income tax purposes if either the outstanding Notes or the additional Notes were or are issued under Rule 144A.

#### 19. **CURRENCY INDEMNITY**

The Specified Currency is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes and the Coupons, including damages. Any amount received or recovered in a currency other than the Specified Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder or Couponholder, as the case may be, in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount of the

Specified Currency which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount of Specified Currency is less than the amount of Specified Currency expressed to be due to the recipient under any Note or Coupon, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 19, it will be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon, as the case may be, or any other judgement or order.

20. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

21. **GOVERNING LAW AND DISPUTE RESOLUTION**

21.1 **Governing law**

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are and shall be governed by, and construed in accordance with, English law.

21.2 **Agreement to arbitrate**

Subject to Condition 21.3 (*Option to litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes and/or the Coupons (including any dispute 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) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition. For these purposes:

- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator 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 (as defined in the Rules); and
- (c) the language of the arbitration shall be English.

21.3 **Option to litigate**

Notwithstanding Condition 21.2 (*Agreement to arbitrate*), any Noteholder or Couponholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law (a "**Notice to Litigate**"). If any Noteholder or Couponholder gives a Notice to Litigate, the Dispute to which such notice refers shall be determined in accordance with Condition 21.4 (*Effect of exercise of an option to litigate*) and any arbitration commenced under Condition 21.2 (*Agreement to arbitrate*) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

#### 21.4 **Effect of exercise of an option to litigate**

In the event that a notice pursuant to Condition 21.3 (*Option to litigate*) is issued, the following provisions shall apply:

- (a) subject to Condition 21.4(c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
- (b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 21.4 is for the benefit of the Noteholders and the Couponholders only. As a result, and notwithstanding Conditions 21.4(a) and 21.4(b) above, to the extent allowed by law, any Noteholder or Couponholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, any Noteholder or Couponholder may take concurrent Proceedings in any number of jurisdictions.

#### 21.5 **Waiver of immunity**

To the extent that the Issuer may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal or arbitral proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity to the full extent permitted by the laws of that jurisdiction in relation to any Proceedings or Disputes. Further, the Issuer irrevocably and unconditionally consents to the giving of any relief or the issue of any legal or arbitral proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings or Disputes.

#### 21.6 **Agent for Service of Process**

The Issuer has irrevocably appointed Maples and Calder at its registered office at 11<sup>th</sup> Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom to receive, for it and on its behalf, service of process in respect of any Proceedings or Disputes in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such agent shall cease to be such agent for service of process, the Issuer shall forthwith appoint a new agent for service of process in England and notify the Noteholders of such appointment in accordance with Condition 16 (*Aggregation Agent; Aggregation Procedures*) within 30 days. Nothing herein shall affect the right to serve process in any other manner permitted by law.

#### 21.7 **Other documents**

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## USE OF PROCEEDS

Save in respect of Sustainable Notes, the net proceeds from each issue of Notes will be applied by the Issuer for its domestic budgetary purposes. If there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

In relation to each Tranche of Sustainable Notes, an amount at least equal to such net proceeds (the "**equivalent amount**") will be applied by the Issuer to finance and/or refinance, in whole or in part, eligible existing projects and/or expenditures ("**Eligible Expenditures**"). Eligible Expenditures may include, *inter alia*, (a) the production and distribution of energy from renewable sources (e.g. solar farms, installation of roof-top solar panels and commercial heat pumps); (b) green buildings (including the development, construction and refurbishment of buildings that meet minimum external green building certification levels); (c) sustainable water and wastewater treatment projects (including the establishment, acquisition, capacity expansion and upgrades of facilities and technologies to treat, distribute and conserve water); (d) clean transportation (including the production, establishment, acquisition, expansion, upgrades, maintenance and operation of low carbon vehicles and related infrastructure); (e) energy efficiency projects (including the establishment, acquisition, expansion and upgrade of transmission lines and energy storage facilities or technologies and/or the associated infrastructure); (f) pollution prevention and control projects (including the establishment, acquisition, expansion, upgrades of waste); (g) the environmentally sustainable management of living natural resources and land (including sustainable agricultural practices that are certified to an independent standard); (h) affordable housing and basic infrastructure; and (i) access to essential services such as healthcare and education, in each case as further described in the "*Use of Proceeds*" section of the Sustainable Financing Framework published on the Issuer's website (at: <https://www.sfd.gov.ae/En/PUBLICATIONS/Emirate%20of%20Sharjah%20-%20Sovereign%20Sustainable%20Financing%20Framework.pdf>) (as amended, supplemented, restated and/or otherwise updated on such website from time to time, the "**Sustainable Financing Framework**").

The Sustainable Financing Framework is aligned with, among other publications, the guidelines specified in the 2021 edition of the Green Bond Principles ("**GBPs**") published by the International Capital Market Association ("**ICMA**"), the 2021 edition of the ICMA Social Bond Principles ("**SBPs**") and the 2021 edition of the ICMA Sustainability Bond Guidelines ("**SBGs**").

The Issuer has appointed S&P Global Ratings to assess the Sustainable Financing Framework and its alignment with, among other publications, the SBGs, the GBPs and the SBPs, and to issue a second party opinion in respect thereof. Such opinion has been published on the Issuer's website referred to above. The Sustainable Financing Framework, any second party opinion delivered in respect thereof or any public reporting by or on behalf of the Issuer in respect of the application of the proceeds of any issue of Sustainable Notes shall not be deemed to be incorporated in and/or form part of this Base Offering Circular.

If a project to which all or part of the equivalent amount has been applied ceases for any reason to be an Eligible Expenditure, the Issuer shall endeavour to substitute such project for a replacement Eligible Expenditure as soon as practicable once an appropriate replacement Eligible Expenditure has been identified.

The Issuer intends to publish on its website referred to above, reports relating to the application of the equivalent amount to such financing and/or refinancing, in whole or in part, of Eligible Expenditures and on the associated environmental and/or social impacts of Eligible Expenditures. The allocation reports will be updated annually and the impact reports will be published at least a biennial basis, in each case until such time as the equivalent amount has been so allocated in full or the relevant Sustainable Notes have matured.

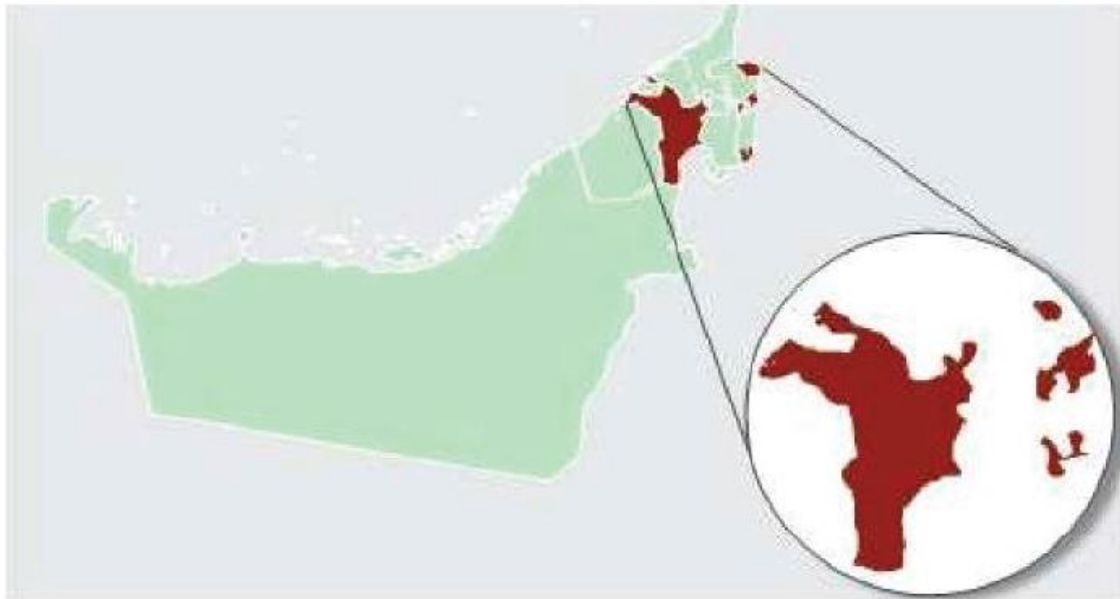
None of the Sustainable Financing Framework or any of the above reports, verification assessments or the contents of any of the above websites are incorporated in and/or form part of this Base Offering Circular. See also "*Risk Factors – Factors which are material for the purpose of assessing the market risks associated with notes issued under the Programme – Risks related to the structure of a particular issue of Notes – Sustainable Notes may not meet investor expectations or requirements or be suitable for an investor's investment criteria*".

## DESCRIPTION OF THE EMIRATE OF SHARJAH

### Introduction

The Emirate of Sharjah ("**Sharjah**" or the "**Emirate**") is one of seven emirates which together comprise the federation of the United Arab Emirates (the "**Federation**"). The Federation was established on 2 December 1971. On formation, the Federation comprised the following emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain and Fujairah. Ras Al Khaimah joined in February 1972. Abu Dhabi is the capital city of the UAE. The President of the UAE is His Highness ("**H.H.**") Sheikh Mohamed bin Zayed Al Nahyan, who is also the ruler of Abu Dhabi, the capital city of the UAE. H.H. Sheikh Dr. Sultan Bin Mohammed Al Qasimi ("**H.H. The Ruler**") became the ruler of Sharjah in 1972 and was appointed to the Supreme Council (as defined below).

### Location



Sharjah is the third-largest emirate in the UAE. Sharjah borders the Arabian Gulf to the west and shares land borders with all of the other six emirates. The Emirate comprises a main territory, incorporating Sharjah City and the less densely populated Central Region, and three exclaves on the UAE's east coast (Khorfakkan, Dibba Al-Hisn and Kalba), which each provide access to the Arabian Sea and the Indian Ocean through the Gulf of Oman. The island of Sir Bu Nair also forms part of Sharjah. In total, Sharjah covers an area of 2,590 square kilometres, or 3.3 per cent. of the UAE's total area (excluding islands).

The main city of Sharjah, Sharjah City, is situated between the emirates of Dubai and Ajman on the five kilometre deep salt strip running along the west coast. Sharjah City is located around 170 kilometres from the UAE's capital of Abu Dhabi. The length of the coastline falling under the Emirate is approximately 30 kilometres in total, including a 16-kilometre continuous stretch on the Arabian Gulf around Sharjah City.

The UAE as a whole extends along the south-east coast of the Arabian Gulf, from the Kingdom of Saudi Arabia to Ras Al Khaimah in the north and across parts of the Musandam peninsula to the Gulf of Oman in the east. The UAE covers an area of 83,699 square kilometres in total.

### History

There is evidence of human settlement dating back to around 120,000 years ago, located in what is now present-day Sharjah (which means "rising sun" in Arabic). Graveyards and adjacent settlements have been found which point to Neolithic communities who lived there from 11,000 years ago. As early as the second century AD, a map drawn by the Greek geographer Ptolemy indicated the settlement of Sarcoa (where present-day Sharjah is located).



The arrival of envoys from the Prophet Muhammad (peace be upon him) in 630 AD also added to the rich cultural heritage of the region.

Sharjah's modern history began around 1727, when the Al Qasimi clan took over the area of present-day Sharjah and declared the polity independent. While European powers competed for regional supremacy during the eighteenth century (in order to control the lucrative trade routes in and around the Arabian Gulf), a local power, the Qawasim, was gathering strength. At the beginning of the nineteenth century, the Qawasim had built up a fleet of over 60 large vessels and could put nearly 20,000 sailors to sea, eventually provoking a British offensive to control the maritime trade routes between the Arabian Gulf and India.

Following the defeat of the Qawasim by the British, Sharjah and the other emirates of the current UAE each entered into a separate treaty with the British. Such a treaty was also motivated by a sense of resistance to the growing Ottoman imperial influence, which was beginning to make its presence felt in the area. Thus, on 8 January 1820, Sheikh Sultan bin Saqr Al Qasimi signed the General Maritime Treaty with Great Britain. The emirates eventually became collectively known as the Trucial States or Sheikhdoms and the area was generally known as the Trucial Coast. The Sheikhdoms were each led by a Sheikh, who typically belonged to the most influential tribe in that area (being the Al Qasimi dynasty in the case of Sharjah). In Sharjah, alongside fishing and trading, pearling was a primary income-generating industry that lasted into the late 1940s. The first international airport on the Trucial Coast was established in Sharjah in 1932.

The British remained in the area until their withdrawal from the region in 1971. Steps were then taken by the rulers of the seven emirates to bring the individual Sheikhdoms together into a single Federation. This resulted in the formation of the Federation by six of the seven emirates of the UAE (including Sharjah) in December 1971, with Ras Al Khaimah joining in February 1972.

In May 1976, the seven emirates agreed to merge their armed forces. In 1979, the ruler of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum, became Prime Minister of the Federal Government. H.H. Sheikh Zayed bin Sultan Al Nahyan of Abu Dhabi served as President of the UAE from 1971 until his death in November 2004. He was succeeded by his son, H.H. Sheikh Khalifa bin Zayed Al Nahyan, as ruler of Abu Dhabi and President of the UAE until his death in May 2022. H.H. Sheikh Khalifa bin Zayed Al Nahyan was succeeded by H.H. Sheikh Mohamed bin Zayed Al Nahyan in May 2022.

## Population

According to the Federal Competitiveness and Statistics Centre (the "FCSC"), the UAE had a population of approximately 9.2 million in 2020. The population of the UAE has grown significantly since 1975, reflecting an influx of foreign labour, principally from the Indian subcontinent, as the emirates have developed.

Recent population growth in Sharjah has been lower than in some of the other emirates. As a result, the population as a percentage of the UAE's population has decreased from approximately 20 per cent. in 2005 to approximately 15 per cent. in 2015. The table below illustrates this growth since 1975.

	<u>Sharjah population</u>	<u>Total UAE population</u>
1975 .....	78,790	557,887
1980 .....	159,317	1,042,099
1985 .....	228,317	1,379,303
2005 .....	793,573	4,106,247
2015 .....	1,408,699	9,104,000
2022 .....	1,800,000*	N/A

Source: FCSC; Government internal sources, official census data for 1975, 1980, 1985, 2005 and 2015.

\* Preliminary data, Department of Statistics and Community Development.

In January 2017, the Sharjah Department of Statistics and Community Development published the Sharjah Census 2015. The official total population of Sharjah was 1,408,699 in 2015. The most recent census, started in September 2022, preliminarily indicates that Sharjah's population had risen to 1.8 million in 2022. According to the latest data published by the FCSC in 2015, UAE nationals officially make up less than 12 per cent. of the overall population of the UAE and 18.5 per cent. of the Emirate's population. In keeping with the rest of the UAE, expatriates resident in Sharjah are mainly from the Indian subcontinent and other Arab countries.

Education and training are an important strategic focus for the Emirate (see "*The Economy of Sharjah — Infrastructure — Education*" below). Based on the Sharjah Census 2015, for the population aged 10 or more, approximately 26.8 per cent. of the active population had university or equivalent level degrees and a further 39.5 per cent. had completed secondary education. A new census was started in September 2022. The detailed results of the census will be published once available. For the 2023-2024 academic year, American University of Sharjah had a headcount of 5,876 students and University of Sharjah had a headcount of 18,594 students. The Government believes that one of its key future challenges will be the creation of jobs for the local population and has undertaken initiatives with the Federal Government to educate and motivate young UAE nationals to join the workforce, with a particular emphasis on the private sector (see "*The Economy of Sharjah — Infrastructure — Education*" below).

## **Relationship between the UAE Constitution and Sharjah**

### ***The UAE Constitution***

The original constitution of the UAE (the "**Constitution**") was provisional and established the legal framework for the Federation. The Constitution was made permanent pursuant to a constitutional amendment in May 1996 (which also confirmed Abu Dhabi as the permanent capital of the UAE).

The major principle articulated by the Constitution in relation to the separation of powers between the Federation and the individual emirates is that, on specific legislative and executive matters (or solely legislative matters), competencies were conferred on the Federation, with each individual emirate remaining sovereign within its own territory on all residuary matters.

Accordingly, pursuant to Articles 120 and 121 of the Constitution, the Federal Government has exclusive legislative and executive competence in relation to: foreign affairs; national security and defence; nationality and immigration; finance, taxation and public borrowing of the Federal Government; education; public health; postal, telephone and other communications services; and air traffic control and the licensing of aircraft. The UAE's monetary and exchange rate policy is also managed on a Federal basis by the UAE Central Bank. See further "*Monetary and Financial System*" below.

Similarly, pursuant to Article 121 of the Constitution, the Federation has exclusive legislative (but not executive) competence in relation to, for example, labour relations, banks, insurance, major codal legislation, intellectual property protection, the delimitation of territorial waters, the extradition of criminals and the establishment and regulation of free trade zones. In relation to these competencies, the implementation of the Federal legislation is left to the executive authorities of each emirate.

Article 122 of the Constitution confirms that "the Emirates shall have competence in relation to all matters where the Federation does not hold exclusive competence in accordance with the provisions of the preceding two Articles".

Accordingly, the governments of the individual emirates retain flexibility in the governance and management of their own emirates. Examples of the sectors for which the Government has retained responsibility include its customs controls, local planning authorities and tourism. The natural resources and wealth in each emirate are considered to be the public property of that emirate.

### ***Federal Supreme Council***

The UAE is governed by the Supreme Council of the rulers of each of the emirates (the "**Supreme Council**"). This is the highest Federal governing body and consists of the rulers of the seven emirates. The Supreme Council elects, from its own membership, the President and the Vice President of the UAE (each for renewable five-year terms). The Supreme Council is vested with legislative as well as executive powers. It ratifies Federal laws and decrees, plans general policy and approves the appointment, resignation or dismissal of the Prime Minister.

In 1971, the then-ruler of Abu Dhabi, H.H. Sheikh Zayed bin Sultan Al Nahyan, was elected as the first President of the UAE and was re-elected President for successive five-year terms until his death in November 2004. In 1971, the then-ruler of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum, was elected as the first Vice-President of the UAE and continued as Vice-President until his death in 1990. Both were succeeded by their respective Crown Princes, H.H. Sheikh Khalifa bin Zayed al Nahyan, who became ruler of the emirate of Abu Dhabi in 2004, and H.H. Sheikh Mohammed bin Rashid Al Maktoum, who became the ruler of the emirate of Dubai in 2006 (after having succeeded his brother, Sheikh Mohammed bin Rashid

Al Maktoum, who served as Ruler of Dubai following the death of H.H. Sheikh Rashid bin Saeed Al Maktoum); and were elected by the members of the Supreme Council to become, respectively, President (for the ruler of Abu Dhabi) and Vice-President (for the ruler of Dubai) of the UAE. H.H. Sheikh Khalifa bin Zayed Al Nahyan was succeeded by H.H. Sheikh Mohamed bin Zayed Al Nahyan in May 2022.

H.H. The Ruler has represented Sharjah in the Supreme Council since becoming the ruler of Sharjah in 1972.

### ***Federal Council of Ministers***

The Federal Council of Ministers (the "**Cabinet**") is described in the Constitution as "the executive authority" for the Federation and is responsible for implementing policy decisions of the Supreme Council. The Cabinet is the principal executive body of the Federation. Based in Abu Dhabi, the Cabinet is headed by the Prime Minister (H.H. Sheikh Mohammed bin Rashid Al Maktoum) and consists of his two Deputy Prime Ministers (H.H. Sheikh Saif bin Zayed Al Nahyan and H.H. Sheikh Mansour bin Zayed Al Nahyan) and other ministers. These ministers are normally selected (for no fixed term) by the President of the Supreme Council on the recommendation of the Prime Minister. The Constitution defines the competencies of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual Federal budget.

### ***Federal National Council***

The Federal National Council is a parliamentary body which comprises 40 members, all of whom are UAE nationals. Each emirate appoints members for a particular number of seats based on the emirate's population and geographical size. Abu Dhabi and Dubai have eight members each, Sharjah and Ras Al Khaimah have six members each and the other emirates have four members each. The nomination of representative members is left to the discretion of each emirate, and the members' legislative term is four calendar years. The members represent the UAE as a whole rather than their individual emirates.

Presided over by a speaker, or two deputy speakers, elected from amongst its members, the Federal National Council has both a legislative and a supervisory role under the Constitution. This means that it is responsible for examining and, as appropriate, amending or rejecting all proposed Federal legislation, and is empowered to summon and to question any Federal minister regarding ministry performance. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself, and its amendments to, or rejection of, draft legislation placed before it can ultimately be overridden by the Supreme Council.

In 2006, reforms were made with a view to enhancing public participation in indirect elections to the Federal National Council. Under these reforms, the ruler of each emirate will select an electoral college whose members should be at least 100 times the number of Federal National Council members for that emirate. The members of each college elect half of the Federal National Council members for their emirate, with the remainder being appointed by the relevant ruler.

### ***Soft Power Council***

The Soft Power Council reports directly to the UAE Cabinet and leads Sharjah's national agenda by defining a comprehensive strategy to reinforce the country's position with governments and citizens around the world and develops a soft power strategy for the state, including in fields of science, culture, technology, humanitarian work and the economy.

### ***Legal and Court System***

There are three primary sources of law in the UAE, namely:

- Federal laws and decrees applicable in all seven emirates;
- local laws, i.e., laws and regulations enacted by the emirates individually; and
- *Shari'a* (Islamic) law.

The secondary form of law is trade custom or practice. In the absence of Federal legislation on areas specifically reserved to Federal authority, the ruler or local government of each emirate will apply his or its own rules, regulations and practices.

The Federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance of each emirate. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of Federal laws and arbitrate on inter-emirate disputes and disputes between the Federal Government and the emirates.

In accordance with the Constitution, three of the seven emirates (Dubai, Abu Dhabi and Sharjah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective emirates.

Sharjah's judicial system mirrors the structure of the Federal judicial system and is comprised of a Court of First Instance, a Court of Appeal and a Court of Cassation.

### ***International Relations***

Pursuant to Article 120 of the Constitution, foreign policy and international relations are a Federal matter and, accordingly, Sharjah has no ability to enter into direct agreements with foreign governments other than, under certain conditions, "limited agreements of a local and administrative nature" with neighbouring states.

The foreign policy of the UAE is based upon a set of guiding principles laid down by the UAE's first President, H.H. Sheikh Zayed bin Sultan Al Nahyan. He derived these principles from his belief in the need for justice in international dealings between states, including the necessity of adhering to the principle of non-interference in the internal affairs of others and the pursuit, wherever possible, of peaceful resolution of disputes, together with support for international institutions, such as the United Nations (the "UN").

Within the Arabian Gulf region, and in the broader Arab world, the UAE has sought to enhance co-operation and to resolve disagreement through the pursuit of dialogue. Accordingly, one of the central features of the country's foreign policy has been the development of closer ties with its neighbours in the Arabian Peninsula. The Co-operation Council for the Arab States of the Arabian Gulf (colloquially known as the Gulf Co-operation Council) (the "GCC") region, which comprises the UAE, the State of Kuwait, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar and the Sultanate of Oman, was founded at a summit conference held in Abu Dhabi, in May 1981.

At the broader level of the Arab world as a whole, the UAE is committed to building a sense of common purpose among both its people and its governments and, to this end, has supported the strengthening of common institutions, such as the Arab League. Beyond the Arab world, the UAE has pursued a policy of seeking, wherever possible, to build friendly relations with other nations, both in the developing and in the industrialised world. The UAE also maintains cordial relations with other regional states and has established good relations with the United States, China and the European Union as well as with various developing nations in Africa and many of the countries of the former Soviet Union.

Since the establishment of the UAE, the country has played an active role in the provision of financial aid to developing countries and has been a contributor of emergency relief to countries and areas affected by conflict and natural disasters. Countries that have benefited in recent years from the UAE's financial aid include Pakistan, Palestine, Syria, Sudan, the Republic of Yemen, Bahrain and Egypt. The philosophy behind the aid policy is two-fold: first, the provision of help for the needy is a duty incumbent on all Muslims; and second, the country's policy on utilisation of the revenues from its oil and gas production has always included a component that they should be devoted, in part, to helping other countries that have fewer natural resources.

The UAE is also an active participant in a number of multilateral aid-giving institutions, including the International Bank for Reconstruction and Development, the IMF, the International Development Agency and regional bodies such as OPEC, the Fund for International Development, the Arab Gulf Fund for the UN, the Arab Bank for Economic Development in Africa, the Abu Dhabi based Arab Monetary Fund and the Islamic Development Bank. In addition, the UAE is a member of various other international organisations including, *inter alia*, the GCC, the UN, the Arab League, the Organisation of Islamic

Countries, OPEC, the World Health Organisation (the "**WHO**"), the International Organisation for Industrial Development, the World Trade Organisation and the Asia-Pacific Economic Co-operation.

The UAE currently has an impasse with the Islamic Republic of Iran and the Kingdom of Saudi Arabia over certain border issues. Since 1971, the three Arabian Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by Iranian forces. The UAE believes that the islands should be returned to Sharjah and Ras Al Khaimah, respectively, which claim sovereignty over them, and is seeking to resolve the dispute through bilateral negotiations or a reference to international arbitration. The UAE renewed its demand for an end to Iran's occupation of these islands in September 2022.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified agreement with the Kingdom of Saudi Arabia on the border between the two countries.

The UAE, along with other Arab states, participated in the Saudi Arabian led intervention in Yemen, which began in 2015. The intervention was in response to requests for assistance from the internationally recognised but domestically contested Yemeni government of President Abd Rabbuh Mansur Hadi. The request was due to a Houthi tribal offensive, aimed at Yemen's provisional capital of Aden.

The UAE also joined another Saudi Arabian-led coalition of 34 largely Muslim nations formed in December 2015 to combat Islamic extremism, in particular Islamic State (also known variously as Daesh, ISIS or ISIL).

On 5 June 2017, Saudi Arabia, the UAE and Bahrain announced that they would close their airspace and territorial waters with Qatar within 24 hours of the release of the announcement. Saudi Arabia also closed its land border with Qatar, which is Qatar's only land border. Saudi Arabia, the UAE, Bahrain and Egypt also ended diplomatic ties with Qatar. Yemen, Jordan, Libya, Comoros, Senegal and Mauritania also joined the Saudi-led group shortly thereafter and several other countries including Chad, Djibouti, Maldives and Niger announced that they had downgraded their diplomatic ties with Qatar. On 5 January 2021, the UAE, Saudi Arabia, Bahrain and Egypt agreed to restore diplomatic relations with Qatar. Leaders of the six Gulf Cooperation Council member states signed the Al Ula Declaration, lifting the embargo on Qatar and establishing the renewal of diplomatic and economic relations. It remains unclear how the Al Ula Declaration will be implemented and, although the UAE has announced the re-opening of its land, air and sea borders to Qatar, it is still unclear if and when border controls will reach pre-June 2017 levels. In addition, Qatar has issued a number of claims against the UAE, Saudi Arabia, Egypt and Bahrain since the blockade. For example, in July 2020, Qatar Airways commenced proceedings against this bloc of countries seeking damages of at least U.S.\$5.0 billion. Other claims have been in relation to, amongst others, suspension of postal services and pharmaceutical investments as a result of the blockade against Qatar. It is not yet known whether Qatar will withdraw these claims against the UAE.

### ***COVID-19 Impact and Response measures Adopted in the UAE and Sharjah***

Governments in the UAE took significant steps to address the complex public health and economic impacts of the COVID-19 pandemic. On 14 September 2020, the UAE announced the emergency approval for the use of the COVID-19 vaccine, subsequently offering a range of vaccines to its citizens and residents free of charge and on an optional basis.

During the course of 2020, the Federal Government enacted several measures to limit the spread of the virus, including closure of schools, nurseries, shopping malls, parks, dine-in restaurants, and various tourist attractions. The Federal Government implemented a six-month suspension of work permit fees to cut the cost of doing business, support SMEs and accelerate major infrastructure projects. As part of their National Epidemic Control Plan, the Federal Government also imposed wide-ranging travel restrictions (including grounding of flights and halting visa issuance), which had an adverse impact on tourism, suspended prayers at mosques and other large gatherings, and enacted teleworking arrangements in government offices and obliged employers to provide the necessary technical tools to perform work remotely. The Federal Government also launched an "Early Leave" initiative for all expatriate private sector employees. Most of these restrictions have been since lifted.

In Sharjah, the Government introduced a range of measures across various sectors intended to mitigate the economic impacts of the operating restrictions put in place across the UAE and, in November 2020, the Government of Sharjah approved a stimulus package of approximately AED 512.0 million. The package

included incentives to support the government, private entities, businesses and individuals, boost business continuity and mitigate the overall economic impact of the COVID-19 pandemic.

The COVID-19 pandemic had a significant impact on supply chain, logistics and transportation. In response to this, the Emirates Food Security Council developed mechanisms to ensure a steady and sustainable food supply to the UAE such as increasing the total food inventory for long periods by 30 per cent. Additionally, the UAE Ministry of Community Development and Ministry of Economy collaborated to launch the Al Meer Initiative to provide essential food supplies to 12,000 vulnerable and foreign workers.

Effective from 15 March 2020, the UAE Central Bank implemented the Temporary Economic Support Scheme (the "**TESS**"), which included a range of measures aimed at mitigating the economic effects of COVID-19 within the UAE. Such measures included allowing banks operating in the UAE access to loans and advances extended from the UAE Central Bank at zero cost against collateral to be used by the banks to grant temporary loan deferral relief to private sector corporate and SME customers and retail clients. In addition (subject to the terms of the TESS), banks were allowed to tap into the capital conservation buffer up to a maximum of 60 per cent. without supervisory consequences and the domestic systemically important banks (the "**D-SIBs**") were allowed to use 100 per cent. of their D-SIB buffer without supervisory consequences (in each case, until 15 March 2021).

In total, the UAE Central Bank announced AED 256 billion (approximately 22 per cent. of GDP in 2019) TESS measures which comprised of: (i) halving of banks' required reserve requirements from 14 per cent. to 7 per cent.; (ii) zero-interest rate collateralised loans to banks (AED 50 billion); (iii) allowing the use of banks' excess capital buffers (AED 50 billion); (iv) 15 to 25 per cent. reduction in provisioning for SME loans; (v) increase of loan-to-value ratio for first-time home buyers by 5 percentage points; (vi) limiting bank fees for SMEs; (vii) waiver of all payment service fees charged by the UAE Central Bank for six months; (viii) raising the limit on banks' exposure to the real estate sector to 30 per cent. of risk-weighted assets, subject to adequate provisioning; and (ix) allowing banks to defer loan repayments until the end of 2020.

On 8 August 2020, the UAE Central Bank announced further measures to facilitate banks' lending to the economy and the relaxation of the Net Stable Funding Ratio and the Advances to Stable Resources Ratio effective through the end of 2021 (source: IMF – Policy Responses to COVID-19). On 16 November 2020, the UAE Central Bank announced the TESS would be extended until 30 June 2021 to continue to support individuals and businesses affected by COVID-19. In April 2021, the UAE Central Bank announced that a number of measures would be extended until 31 December 2021 and in some instances 30 June 2022. The measures that were extended to 30 June 2022 included temporary lowering of the capital conservation buffer and the capital buffer for systemically important domestic banks as well as temporary prudential relief with respect to the liquidity coverage ratio, eligible liquid assets ratio, net stable funding ratio, and advances to stable resources ratio. The programme to support new lending and financing also continued until 30 June 2022. The remainder of the measures under TESS ended on 30 June 2022.

#### *Impact of the COVID-19 Pandemic*

While the economic and fiscal costs of COVID-19 cannot be fully disaggregated from other factors, it is clear that COVID-19 had a significant adverse impact on Sharjah as well as on many other countries. This is reflected in Sharjah's various economic indicators and financial data for 2020, 2021 and 2022. These indicators broadly show a pattern of re-emerging steady economic growth from 2021, following a contraction in 2020.

#### *The Government*

The relationship between the Federal Government and the governments of each emirate in the UAE is laid down in the Constitution, which allows for a degree of flexibility in the distribution of authority and executive responsibilities. The Constitution states that each emirate shall exercise all powers not assigned to the Federation. Each emirate has its own local government, consisting of departments or authorities, so that each emirate retains sufficient political and financial autonomy.

The legislative and executive powers of the government in Sharjah lie primarily with the ruler, supported by the deputy rulers and the Sharjah Executive Council (the "**SEC**"). The ruler of Sharjah is H.H. Sheikh Dr. Sultan bin Mohammed Al Qasimi ("**H.H. The Ruler**"), who was appointed Ruler of Sharjah on 25 January 1972. H.H. Sheikh Sultan Bin Mohammed bin Sultan Al Qasimi assumed the title of Crown

Prince in 1999. H.H. the Crown Prince holds the titles of Deputy Ruler of Sharjah and Chairman of the SEC.

The ruler's office provides support and advice to H.H. The Ruler in all his functions as the ceremonial and functional head of the Government. H.H. The Ruler delegates certain day-to-day aspects of the management of Sharjah's Government and its dependencies to the SEC. As Chairman of the SEC, the Crown Prince oversees the implementation of all strategies and plans of governmental bodies and departments. In an effort to increase public participation in politics, the Sharjah Consultative Council (the "SCC") was established in 1999 by Emiri Decree No. 3. Like the UAE's Federal National Council, the SCC works closely with the SEC in reviewing legislation and the accountability of Government agencies on issues of policy. In January 2016, for the first time, elections were held for registered Sharjah citizens to elect half of the 42 members of the SCC.

The various departments and other arms of the Government and their respective executives operate under the powers and responsibilities specifically delegated to them from time to time by H.H. The Ruler. The laws adopted in Sharjah are passed by virtue of a decree of H.H. The Ruler.

The public sector of the Government consists of centralised departments and independent authorities.

There are more than 70 centralised Government departments, including:

- Directorate of Public Works;
- Department of Culture and Information;
- Finance Department;
- Real Estate Registration Department;
- Economic Development Department;
- Sharjah Petroleum Council;
- Sharjah Police;
- Department of Customs;
- Town Planning Department;
- Department of Civil Aviation; and
- Sharjah City Municipality

Independent authorities in Sharjah, which are wholly or majority publicly owned but operate at arm's length from the Government and are often referred to as government-related entities ("GREs"), include: (i) Bee'ah (Sharjah Environment Company); (ii) Sharjah Commerce and Tourism Development Authority; (iii) Hamriyah Free Zone Authority; (iv) Sharjah Electricity, Water and Gas Authority ("SEWA"); (v) Sharjah Airport International Free Zone ("SAIF Zone"); (vi) the Sharjah Investment and Development Authority ("Shurooq") and (vii) the Department of Seaports.

Established in 1992 by H.H. The Ruler, the Financial Control Department (the "FCD") is independent from the main public sector structures and is responsible for regulating and monitoring the financial activities of governmental bodies and departments in a capacity similar to that of an internal auditor, along with companies with direct or indirect government ownership of 20 per cent. or more. The FCD produces quarterly and annual reports which are presented to H.H. The Ruler.

The Government has adopted a strategy for its economy which is intended to complement the economic growth in other emirates such as Abu Dhabi and Dubai. There is a notable focus on citizen welfare and enrichment, with particular emphasis on the preservation and celebration of Islamic heritage and culture, and on education. The Government has created one of the most prestigious higher education campuses in "University City", which is still expanding with a new Islamic university, Al Qasimia University, having been officially opened in April 2015. The Emirate's tourism offering centres on its cultural offering, with

religious and archaeological sites as well as over 20 museums, which culminated in the recognition of Sharjah as the Capital of Islamic Culture for 2014 by the Islamic Organization for Education, Science and Culture (ISESCO), the Capital of Arab Tourism for 2015 by the Arab Council of Tourism Ministers and as the World Book Capital for 2019 by UNESCO. The Government has sought to ensure the provision of high-quality healthcare, environmental improvement and employment opportunities for Sharjah citizens, with the Human Resources Department (a centralised department of the Government) placing citizens into public sector employment since 2005.

As for economic development, Sharjah differs from some other GCC states in that the Government seeks to limit its direct participation in the economy and instead focus on creating a favourable business environment, attracting inward investment, expanding infrastructure to foster future growth and leveraging cultural heritage to economic advantage. As such, Sharjah has a private sector-driven economy, characterised by a large number of smaller companies. The Government created an Economic Department in 1981, subsequently merged in 1999 with the Industrial Development Department to create the Sharjah Economic Development Department (the "**SEDD**") to create a legal and regulatory environment conducive to business success and aimed at attracting foreign and domestic investment. SEDD's role includes working with the private sector to review areas such as improving efficiency in the public sector, expanding the scope of private ownership, increasing the pace of economic growth and easing the shift towards an open market economy. SEDD's strategy focuses on providing modern, streamlined services and regulation to businesses, with a particular focus on e-government, efficient licensing and fair and proportionate regulation and inspection.

To further encourage economic development, the Government also created Shurooq in 2009 with the objective of attracting foreign direct investment in the Emirate (see further "*The Economy of Sharjah — Foreign Direct Investment and Free Zones*" below).

The Government's fiscal stance is set out in its 2023 Fiscal Plan. The Government established the Debt Management Office (the "**DMO**") in 2012 to coordinate borrowing activity in the public sector (for further detail, see "*Indebtedness*" below).

## **The Government's Economic Strategy**

### ***Promoting Long-Term Sustainability***

The Government's economic strategy is focused on sustainable development, i.e. growing the economy in a manner that is socially beneficial, that can be maintained on a long-term basis and that protects the natural environment of the Emirate. The Government considers this crucial to the long-term prosperity of the Emirate.

The Government's strategy has also been designed to ensure the Emirate's continued resilience to short- and medium-term economic shocks. The UAE economy is in a period of relative uncertainty and heightened financial and macro risk, primarily arising from lower global prices for hydrocarbons. Meanwhile, geopolitical risks have evolved significantly and present new considerations (see "*Risk Factors — Risks relating to the Issuer and the UAE*"). In this environment, the Government's focus on sustainable long-term development provides resilience through the Emirate's:

- relatively low reliance on volatile sectors (real estate, hydrocarbons) for economic activity and Government revenues;
- well established concentrations of economic activity in more stable sectors;
- attraction of new companies and foreign investment;
- high-quality infrastructure and public services;
- low commercial exposure to volatile sectors through GREs and investments;
- diverse sources of revenue and ability to reduce expenditure (if necessary); and
- low contingent liabilities.



## ***2023 Fiscal Plan***

In January 2023, the Government announced the Fiscal Plan. The Government has traditionally operated under an annual budgetary cycle, coordinated by the Sharjah Finance Department. Through the Fiscal Plan, the Government for the first time set out its multi-year, medium term-financial plans. The Government plans to balance the primary budget (the budget excluding interest expense on indebtedness) by 2027 and until at least 2030. The Fiscal Plan also details various policy measures, planned budgetary limits and the expected economic and regulatory developments in terms of their impact on revenues and expenditures between 2023 and 2030. The Fiscal Plan is attached as an appendix to this Base Offering Circular. The Fiscal Plan also contains a fiscal forecast of how the Government expects its revenues and expenditures to evolve between 2023 and 2030. This fiscal forecast is subject to a degree of uncertainty and contains a number of assumptions. Some of the measures in the fiscal forecast are still under development and remain subject to revision of the applicable policy or the expected financial effect. In addition, the Government may choose to bring forward additional policy changes that may affect this forecast. This forecast and other forward looking information contained in the Fiscal Plan are subject to the same qualifications and uncertainties as the other forward looking statements in this Base Offering Circular. See "Cautionary Statement Regarding Forward Looking Statements" and "*Risk Factors – Risks Relating to the Issuer and the UAE – The Government's Fiscal Plan may not be successful*".

Detailed budgetary performance data for 2023 is not yet available, as at the date of this Prospectus. However, the preliminary fiscal data for 2023 shows that the Government's net debt increased by AED 9.5 billion between 31 December 2022 and 31 December 2023, and this increase in net debt is normally closely aligned with the budget deficit (subject to some timing and reconciliation differences). The Government's capital injection into BoS accounted for AED 800 million of the increase in net debt and is considered outside the normal budgetary framework. The remaining AED 8.7 billion compares with a forecast budget deficit of AED 8.4 billion in the January 2023 Fiscal Plan. With an estimated AED 4.0 billion in debt interest expenditure, the 2023 primary deficit – the Government's main policy focus – is estimated at AED 4.7 billion, slightly lower than the Fiscal Plan's forecast of AED 4.9 billion.

### ***Focus Areas for Development***

The Government envisages that sustainable economic growth will be determined by its success in fostering the development of the following areas of the economy and society of Sharjah:

#### ***Real Estate and Urban Planning***

The Government has set out an "urban masterplan", focusing on alleviating traffic and reducing urban pollution within the Emirate as well as creating new residential areas to accommodate the expected population growth that will come with sustained economic prosperity. Key components of this masterplan include:

- relocating inner city industrial areas to create new zones on the periphery of the city with better infrastructure access, such as Souq Al Haraj new and used car trading zone, Al Sajaa Industrial Oasis, Emirates Industrial City and Al Hanoo Industrial City;
- expanding the Hamriyah Free Zone and its transport links to highway E311;
- developing new residential districts through traditional zonal development in areas such as Rahmania, and more heavily master planned developments such as Al Jada, Maryam Island, Al Zahia and Tilal City; and
- undertaking major, coordinated real estate developments in prime locations in the Dubai corridor.

See further "*The Economy of Sharjah — Principal Sectors of the Economy*" below.

#### ***Logistics and Infrastructure***

Infrastructure development is considered to be a key enabler for the Emirate's future economic growth and social connectivity. Sharjah is well connected to the other emirates through a series of parallel major multi-lane highways, has comprehensive telecommunication facilities and offers three significant sea ports. The Emirate is also the location of the UAE's third-largest airport, Sharjah International Airport ("**SIA**"), and is adjacent to the world's busiest airport, Dubai International Airport. Several key infrastructure developments

are under way, including the expansion of SIA and road links (see "*The Economy of Sharjah — Infrastructure*" below).

### *Tourism*

The Emirates Tourism Council aims to strengthen the tourism portfolio as part of the recovery plan, complemented by the launch of the National Tourism Strategy 2031. One of the key aims of the Government's economic strategy is to solidify the Emirate's position as an ideal family tourism destination and cultural hub in the GCC region. In 2022 there were 1.24 million hotel guests compared to 1.18 million hotel guests in 2021 and 1.02 million hotel guests in 2020. This number remains lower than pre-COVID-19 hotel guests of 1.8 million in 2019. In recognition of the Government's achievements to date, the Emirate was named the "2015 Capital of Arab Tourism" by the Arab Council of Tourism Ministers.

Sharjah hosts several well-known and popular annual events including the Sharjah International Book Fair, Sharjah Light Festival, Sharjah Water Festival and Sharjah Heritage Days. Moreover, Shurooq undertakes joint venture developments with private sector partners to promote the growth of tourism and tourism related commercial activity in the Emirate through the development of world-class tourism facilities and investment in, among other things, tourism-related projects. For a summary of recent projects, see "*The Economy of Sharjah — Principal Sectors of the Economy — Social Accommodation and Food Service*" below.

The UN Educational, Scientific and Cultural Organization ("UNESCO") named Sharjah as World Book Capital in 2019, under its World Book Capital programme, an initiative launched in 1996 that seeks to promote publishing activities on local and global levels by nominating an annual capital. The programme aims to promote peace, cultural enrichment, and intercultural dialogue through education, communication and the sharing of information. The House of Wisdom, a 12,000m<sup>2</sup> physical and digital library and cultural space located adjacent to Sharjah's University City opened in December 2020, is a lasting monument to the World Book Capital accolade.

### *Education*

The development of the Emirate's education system has been a key priority for the Government, which has led to significant investments in human capital, founded on the belief that an educated population is vital to the long-term growth of the Emirate's economy.

The Emirate is aiming to establish itself as a regional centre for educational excellence and, in order to achieve this, the Government has invested significantly in this area in recent years. For a summary of such investment, see "*The Economy of Sharjah — Infrastructure — Education*" below.

### *Energy and Environment*

The Government regulates and monitors, among other things, the management, operation and maintenance of the Emirate's electricity and water assets and facilities to ensure that present and future consumer demands for water and power services are properly met through sustainable planning and development, and to ensure that local water and electricity projects are managed and operated in line with international best practices and applicable environmental laws.

The UAE has established a number of sustainability programmes and strategy, including among others, the UAE Centennial 2071 Programme, UAE-wide strategies focusing on environmental protection and enhancement and UAE-wide strategies focusing on human and social development. In addition, the UAE hosted the 2023 UN Climate Change Conference ("**COP28**") in November 2023.

One of the key UAE-strategies that focuses on environmental protection and enhancement is the UAE's Energy Strategy 2050, which aims to reduce the UAE's carbon footprint, increase the use of clean energy and increase consumption efficiency. The UAE seeks to become a global hub of the new green economy, allowing it to integrate sustainability principles with long-term economic growth. Additionally, the UAE is emerging as a regional leader in renewable energy, particularly solar energy and is also focused on developing blue and green hydrogen as the fuel of the future. Sustainability is also at the heart of the vision of SEWA, as demonstrated by the implementation of:

- a drive for energy efficiency, with SEWA encouraging all customers to cut power consumption by 30 per cent.;

- investment in network efficiency to cut power losses;
- higher fuel standards benefiting local air quality as well as boosting operational performance; and
- the revision of electricity and water tariffs in order to incentivise energy conservation.

SEWA is also empowered to establish clean energy companies and to enter into joint ventures with companies in the field of renewable and alternative energy.

For further detail, see "*The Economy of Sharjah — Infrastructure — Utilities*" below.

Sharjah contributes to the UAE's sustainability initiatives through a number of projects. For example, Sharjah was designated as the first healthy city in the MENA region by the World Health Organisation in 2015 and has implemented the Eskan Housing Programme to support local citizens' housing needs. The Sobat Greenhouses Project in Al Dhaid aims to create developmental and agricultural communities and produce high-quality organic agricultural products. Sharjah Sustainable City is being developed, which would be the first mixed-use residential project in Sharjah that is expected to be 100 per cent. powered by solar energy and recycle 100 per cent. of its water and waste.

Sharjah is a regional leader in moving to more sustainable waste management practices. The Government established and holds a minority stake in Bee'ah, an environmental services company responsible for waste collection, treatment and disposal in most parts of the Emirate. Working closely with Bee'ah, the Government has set a goal of eliminating waste sent to landfills. This is being achieved through greater source separation of waste, intelligent waste collection systems, sorting technologies to recover materials and the construction of the GCC's first waste to energy plant. Bee'ah has been able to achieve a waste diversion rate of more than 76 per cent. and the Government intends to continue its successful partnership with Bee'ah in Sharjah. In addition, the Sharjah Waste to Energy plant is the first project in a joint venture established with Bee'ah and Masdar, one of the world's leading renewable energy companies. This facility is expected to divert over 300,000 tonnes of non-recyclable waste away from landfills each year and generate 30 MW of clean energy, powering up to 28,000 homes. In addition, to support UAE efforts to enhance the low-carbon energy mix and treat non-recyclable waste, the project aims to achieve the goal of zero waste and carbon neutrality in Sharjah.

### *Health*

Although public healthcare for UAE nationals is a Federal responsibility, the Government plays an important role in encouraging development of the private healthcare sector in the Emirate, as part of a broader strategy to enhance public health among all residents. In 2012, the Government established the Sharjah Healthcare City free zone, designed to capitalise on regional demand for high-quality health services and to attract investment from experienced healthcare providers from the UAE and overseas.

In recognition of the Government's efforts and achievements in developing public health policy in the Emirate, in September 2015, Sharjah City was designated as the Middle East's first Healthy City by the WHO. According to the WHO, a Healthy City is one that "continually creates and improves its physical and social environments and expands the community resources that enable people to mutually support each other in performing all the functions of life, and developing to their maximum potential". The Emirate met 88 per cent. of the accreditation criteria in September 2015, surpassing the 80 per cent. qualifying threshold set by the WHO.

### *UAE Food Security Strategy*

In 2017, the Federal Government established the Ministry of Food and Water Security, which focuses on food waste, nutrition and trade. In 2019, the Federal Government established the Food Security Council to ensure sustainable food supply to the UAE. In addition, the National Food Strategy 2051 aims to position the UAE as the world's leader in the Global Security Index by 2051. The National Food Strategy 2051 has 38 key initiatives and five strategic goals, which include diversifying food import sources and identifying alternative food supply sources. As the UAE still imports 90 per cent. of its food needs, it has placed agriculture, aquaculture and the employment of cutting-edge technology in these sectors as essential in consolidating its food security strategy and to incentivise domestic agricultural production. The UAE is also a major importer of Ukrainian wheat. The UAE started trade talks in December 2022 with Ukraine to

establish a comprehensive economic partnership agreement with Ukraine to boost trade and investment globally.

### **Ratings**

In July 2022, Moody's downgraded Sharjah's main credit rating from Baa3 to Ba1 but changed the rating outlook from negative to stable. The downgrade to Ba1 is driven by Moody's expectation of further significant deterioration in Sharjah's fiscal strength over the next few years, and the absence of a credible fiscal adjustment plan that could stop and eventually reverse the upward trend in Sharjah's debt burden and the weakening of its debt affordability metrics. The stable outlook reflects Moody's view that at the Ba1 level the risks to Sharjah's ratings are balanced. On 27 January 2023, following the announcement of the Fiscal Plan, Moody's published a report noting that the announcement of a multi-year fiscal plan indicates a greater willingness to try and better balance social demands with fiscal and financial stability considerations, which Moody's believes will slow the accumulation of government debt. Moody's also noted that a multi-year plan demonstrates greater transparency in policy making, which is a credit positive. On 1 August 2023, Moody's released an update noting that Sharjah's narrow revenue base, limited track record of fiscal policy effectiveness, and rising debt burden are its key credit challenges. The note also reiterated its remarks of prior reports that the multiyear fiscal adjustment strategy announced in early 2023 marks a potential turning point and indicates the Government's greater willingness to balance social demands against debt sustainability considerations.

In November 2022, S&P affirmed the long- and short-term foreign and local currency sovereign credit rating of Sharjah at BBB- and A-3 respectively with a negative outlook. However, in January 2023, following the announcement of the Fiscal Plan, S&P revised its outlook on Sharjah from negative to stable and affirmed Sharjah's rating at BBB- and A-3. The stable outlook balances S&P's view that Sharjah will introduce sufficient measures to begin stabilising its debt burden over the next two years against risks that the implementation of the necessary expenditure controls and revenue-enhancing measures are weaker than expected. S&P noted that it could lower Sharjah's ratings over the next two years if Sharjah's net debt burden rises sharply or if additional contingent liabilities materialise on Sharjah's balance sheet. However, S&P also noted that it could raise its ratings if Sharjah's fiscal performance significantly strengthens, evidenced by a sustainable reduction in net government debt levels.

There can be no assurance that Sharjah's credit ratings will not be subject to further downgrades or (in the case of S&P) fall below investment-grade status in the future.

### **Business Address**

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## THE ECONOMY OF SHARJAH

### Introduction

Sharjah has a diverse economy, best known for its strength in industry and manufacturing. The economy of Sharjah benefits from Sharjah's membership of the UAE and its political and macroeconomic stability, its advantageous geographic location, its transport and logistical infrastructure, long-established economic clusters in economic free zones and industrial areas, broad-based economic development driven by small and medium-sized enterprises ("SMEs") and the private sector, relatively low costs of doing business, an increasingly well-educated local workforce and the Government's financial robustness.

A founding member of the UAE, Sharjah benefits from the prevailing global view of the country as a stable and tolerant location that is open to trade, tourism and international business. It also benefits from the UAE's strong macroeconomic position and spending by the Federal Government on a range of key government functions, largely funded by fiscal transfers from the Government of Abu Dhabi. Within the UAE, Sharjah is unique in bordering all six other emirates and in holding seaboard on the country's west and east coasts. This central location has been exploited through the development of an extensive network of highways, container ports on both coasts and a growing international airport.

In contrast to some states/countries in the GCC, the Government is not extensively involved directly in the major commercial sectors of the economy. It has minority shareholdings in some strategic enterprises and directly operates critical infrastructure, but otherwise seeks to encourage the private sector to lead economic growth. Clusters of specialisation have developed around the Emirate's 19 industrial areas and two established free zones, with many businesses growing up from the large number of SMEs, and the Government envisages future development in sectors such as tourism, healthcare, environmental industries, logistics and education. Economic activity and growth have been spread broadly across economic sectors, and the economy remains well diversified. Businesses are attracted to Sharjah because of the relatively low cost of property and labour and the low levels of general corporate and personal income tax.

### Gross Domestic Product

Sharjah's GDP was relatively resilient to swings in the macroeconomic cycle in recent years, including the 2008 global financial crisis (with nominal GDP falling in 2009 and subsequently returning to growth in 2010) and the fall in commodity prices in 2015. However, similar to most global economies, the COVID-19 pandemic led to negative growth in 2020 in the UAE and Sharjah, with a return to growth in 2021.

This resilience was the result of the diversified nature of the Emirate's economy, relatively low public sector debt and relatively low dependence on and government exposure to more volatile sectors, such as hydrocarbons and real estate. In 2022, the Emirate's GDP increased (in nominal terms) to AED 136.9 billion (based on preliminary data subject to revision) as compared with AED 130.1 billion in 2021, representing a 5.2 per cent. increase from 2021 in nominal terms. The wholesale and retail trade sector is the largest sector of the Sharjah economy, accounting for 24.0 per cent. of its GDP in 2022, followed by the manufacturing sector, which accounted for 16.7 per cent. of GDP in 2022 based on preliminary estimates. Following review and approval from the FCSA, the DSCD began reporting GDP data for Sharjah in 2020 for a data series starting in 2017, and the new data series differs from and supersedes GDP and other information for Sharjah previously reported by the FCSA.

The UAE has one of the largest economies in the MENA region, with a nominal GDP of AED 1,862 billion in 2022. According to the FCSC, real GDP growth in the UAE was 1.3 per cent. in 2018, 1.1 per cent. in 2019, negative 4.9 per cent. in 2020, 4.3 per cent. in 2021 and 7.8 per cent in 2022. Economic activity in the UAE recovered in 2021 and 2022 following the COVID-19 contraction in 2020.

Sharjah's GDP per capita was approximately AED 76,029 in 2022.

The following table shows the UAE and Sharjah GDP for the years indicated:

	2018	(2018 com- pared to 2019 % change)	2019	(2019 com- pared to 2020 % change)	2020	(2020 com- pared to 2021 % change)	2021	(2021 com- pared to 2022 % change)	2022
UAE Nominal GDP (AED billion).....	1,568	1.11	1,535	(4.96)	1,283	4.35	1,525	7.85	1,862

	<b>2018</b>	<b>(2018 com- pared to 2019 % change)</b>	<b>2019</b>	<b>(2019 com- pared to 2020 % change)</b>	<b>2020</b>	<b>(2020 com- pared to 2021 % change)</b>	<b>2021</b>	<b>(2021 com- pared to 2022 % change)</b>	<b>2022</b>
Sharjah GDP (AED billion) .....	123.9	1.0	125.1	(0.4)	124.6	4.7	130.1	5.2	136.9

Source: FCSC, DSCD

Sharjah's GDP growth has been largely driven by a diverse private sector, with over 60,000 companies registered onshore (i.e. not in one of the free zones) by SEDD, as shown in the table below.

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Number of Licences.....	59,422	59,924	55,711	60,299	63,247	66,365

Source: SEDD.

### Principal Sectors of the Economy

Sharjah's economy is well diversified without any single sector contributing more than 25 per cent. of GDP in 2022. Recent economic growth has been broad-based across multiple sectors.

The following table sets out the contribution of each sector to the economy of Sharjah for the years indicated:

	<b>2019</b>	<b>% of total</b>	<b>2020</b>	<b>% of total</b>	<b>2021</b>	<b>% of total</b>	<b>2022*</b>	<b>% of total</b>
	<i>(AED millions)</i>		<i>(AED millions)</i>		<i>(AED millions)</i>		<i>(AED millions)</i>	
Agriculture, Forestry and Fishing...	1,500	1.2	1,545	1.2	1,580	1.2	1,675	1.2
Mining and quarrying (includes crude oil and natural gas).....	5,204	4.2	3,241	2.6	3,270	2.5	3,454	2.5
Manufacturing.....	20,321	16.2	21,231	17.0	21,875	16.8	22,871	16.7
Electricity, gas and water supply; waste management activities.....	3,130	2.5	4,169	3.3	4,205	3.2	4,454	3.3
Construction.....	10,988	8.8	11,552	9.3	11,787	9.1	12,303	9.0
Wholesale and retail trade; repair of motor vehicles and motorcycles.....	27,850	22.3	28,217	22.7	31,120	23.9	32,895	24.0
Transportation and storage .....	7,527	6.0	6,205	5.0	6,525	5.0	6,800	5.0
Accommodation and food services activities.....	2,799	2.2	2,445	2.0	2,580	2.0	3,045	2.2
Information and communication ....	1,040	0.8	1,062	0.9	1,120	0.9	1,170	0.9
Financial and insurance activities...	10,105	8.1	5,230	4.2	5,390	4.1	5,675	4.1
Real estate activities.....	11,957	9.6	12,490	10.0	12,750	9.8	13,245	9.7
Professional, scientific and technical activities .....	7,305	5.8	6,838	5.5	6,880	5.3	7,045	5.1
Administrative and support service activities.....	2,170	1.7	2,174	1.7	2,185	1.7	2,287	1.7
Public administration and defence; compulsory social security.....	4,942	3.9	9,241	7.4	9,571	7.4	10,205	7.5
Education .....	3,215	2.6	3,346	2.7	3,475	2.7	3,645	2.7
Human health and social work activities.....	1,340	1.1	1,900	1.5	1,948	1.5	2,101	1.5
Arts, recreation and other service activities.....	2,850	2.3	2,821	2.3	2,955	2.3	3,085	2.3
Activities of households as employers .....	905	0.7	862	0.7	875	0.7	897	0.7
<b>Total .....</b>	<b>125,148</b>		<b>124,567</b>		<b>130,091</b>		<b>136,852</b>	
<b>Total Non-oil.....</b>	<b>119,944</b>		<b>121,327</b>		<b>126,821</b>		<b>133,398</b>	

\* Preliminary data subject to revision.

### ***Wholesale and retail trade***

The wholesale and retail trade sector is the largest measured sector of Sharjah's economy and contributed approximately 24.0 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 23.9 per cent. in 2021, 22.7 per cent. in 2020 and 22.3 per cent. in 2019.

The sector is primarily driven by the growth in Sharjah's economy and population as well as an increase in the number of new malls and the number of expatriates choosing to reside in Sharjah. Sharjah is also selected as a base for several wholesalers due to its attractive tax environment and connections to the MENA region.

Most activity in this sector is firmly led by the private sector. Sharjah Holding, a joint venture between the Government and Majid Al Futtaim Properties LLC, is currently developing neighbourhood malls to service residential districts within Sharjah. In March 2021, Majid Al Futtaim Properties LLC opened City Centre Al Zahia, Sharjah's largest mall, a "super-regional" scale complex with a gross leasable area of 136,200 square metres.

As noted above, although most activity in this sector is led by the private sector, the Government has become directly involved in some projects of strategic and/or social importance, including the construction of a fish, meat, fruit and vegetable market in the Jubail district, consisting of a 400-unit facility at a cost of approximately AED 173 million. Completed in 2015, the market in the Jubail district of Sharjah City is exists to protect traditional local trade, enhance product quality and to attract tourists and shoppers to the heritage area of Sharjah City. This model is now being replicated in some of the smaller municipalities in the Emirate.

In addition, the Government has relocated the used-car hub in Sharjah to a new auto mall, the Souq Al Haraj Auto Mall (the "**Auto Mall**") located on one of the outer highways, which covers an area of 420,000 square metres, at a cost of approximately AED 268 million. The Auto Mall is intended to ensure the sustainability of Sharjah's large second-hand car market.

### ***Manufacturing***

The manufacturing sector is the second-largest measured sector of Sharjah's economy and was 16.7 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 16.8 per cent. in 2021, 17.0 per cent. in 2020 and 16.2 per cent. in 2019. While the manufacturing sector is diverse and competitive, the most significant sub-sectors include cement, glass, petrochemicals, paint, dried food and household goods.

Sharjah's manufacturing industries have developed in clusters centred on 19 industrial areas to the east of Sharjah City and on two economic free zones: (i) the Hamriyah Free Zone ("**HFZ**"); and (ii) the SAIF Zone . The Government has allocated land for and commenced the development of new industrial areas along the Emirate's major outer highways, including Emirates International City (covering 25.3 million square metres) and Sharjah Investment Centre (covering 3.0 million square metres), as well as a new research, technology and innovation park situated on 1.8 million square metres of land and established by the American University of Sharjah (see "*The Economy of Sharjah — Foreign Direct Investment and Free Zones — Sharjah Airport International Free Zone*" below).

The Government continues to release land for industrial development to facilitate economic expansion. For example, the Al Sajaa area, situated close to two major highways and in close proximity to Sharjah International Airport and Al Hamriya Port, is currently the site of significant industrial activity, including in the oil and gas and cement sub-sectors, and the Government (through Sharjah Asset Management LLC) completed the first and second phases of a project to sell and lease parcels of land covering an area of 1.31 million square metres in Al Sajaa Industrial Oasis in 2021. The Al Sajaa Industrial Oasis comprises 353 plots for light and medium industrial, mixed, retail and accommodation units and plots are available for sale to UAE Nationals, GCC and Arab residents as freehold investments. All other residents may apply for a 100-year leasehold (usufruct right).

Sharjah Cement and Industrial Development Co. (PJSC) ("**SCIDC**") was established in 1977 under an Emiri Decree issued by H.H. The Ruler and is one of Sharjah's important local manufacturers in the cement

and building materials industry. SCIDC is a private sector company listed on the Abu Dhabi Stock Exchange ("**ADX**"). As at 31 December 2023, the Government held 16.0 per cent. of the shares in SCIDC through Sharjah Asset Management LLC and 9.09 per cent. of the shares in SCIDC through the Sharjah Social Security Fund (the "**SSSF**"). SCIDC recorded a total comprehensive loss for the year 2022 of AED 44.6 million, compared to a loss of AED 2.2 million recorded in 2021. SCIDC's turnover during 2022 was AED 635.5 million compared to AED 493.9 million in 2021, reflecting the increase in construction activity across the UAE.

### ***Real Estate Activities***

The real estate sector is the third-largest measured sector of Sharjah's economy and contributed 9.7 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data, subject to revision), 9.8 per cent. in 2021, 10.0 per cent. in 2020 and 9.6 per cent. in 2019.

Recent initiatives in the sector include the construction of the Sharjah Waterfront City by Sharjah Oasis Real Estate Development. The land reclamation work for the project was completed in 2016 and the development will, upon completion, comprise 5.6 million square metres of residential developments across 10 islands situated around a new creek. The development was listed by the Middle East Economic Digest in 2016 as the third-largest mixed-use development currently underway in the Middle East.

In 2017, the privately-owned development company Arada announced the Al Jada project, a 2.2 million square metre master-planned mixed-use development that is intended eventually to house 70,000 residents, located adjacent to the University City. On 27 February 2020, Arada officially opened the first of three phases of the of the Madar at Al Jada project. Located in the heart of the Al Jada development, Madar Al Jada is a new entertainment complex containing 18 food and beverage outlets, an events hall and an amphitheatre for outdoor events with a maximum capacity of 50 people. Once fully completed, Madar Al Jada will incorporate a large range of facilities and attractions including a large public square, an immersive children's adventure zone, an extreme sports centre, two retail zones, and an 11-screen cinema.

The Al Zahia development is another large residential development under construction, offering 1.3 million square metre mixed-use project in a joint venture partnership between the Government and Majid Al Futtaim Properties LLC (known as Sharjah Holding), located near SIA and the University City of Sharjah. The first phase of the construction of Al Zahia was completed in 2014. In September 2017, Al Zahia launched the Al Lilac project, with the release of 61 luxury four- and five-bedroom villas. In 2018, Al Zahia began the handover of homes in the Al Narjis neighbourhood and in September 2019, the joint venture announced the launch of the Orchid neighbourhood. Further neighbourhoods are planned to be added in phases within the overall development area and the adjacent City Centre Al Zahia mall spanning 136,000 square meters, offering over 360 retail outlets to residents and visitors. In another joint venture between the Government and the private sector, Tilal City permits property buyers to develop their own plots in a location adjacent to a major inter-emirate highway, choosing from a menu of approved design options.

According to Article 4 of Law No. 5 of 2010 on Real Estate Registration in the Emirate of Sharjah, ownership of any real estate property in the Emirate is restricted to UAE and GCC nationals or companies wholly-owned by UAE and GCC nationals. Article 4 of Law No. 5 of 2010 on Real Estate Registration provides for exceptions where: (i) ownership is granted by approval of H.H. The Ruler; (ii) ownership is obtained through heritages, according to a *Shari'a* notification; or (iii) ownership is obtained through the assignment by the owner to one of his or her relatives of first degree.

On 16 November 2014, H.H. The Ruler issued Executive Council Resolution No. 26 of 2014 ("**Resolution No. 26**"), which allowed foreign nationals and companies owned by foreign nationals to own usufruct rights over vacant plots of land for a period of 100 years in Sharjah, and to register such usufruct rights with the Sharjah Real Estate Department. In November 2022, Law No. 2 of 2022 permitted foreign citizens full freehold ownership in designated development areas. The Government intends to utilise the new arrangements for foreign ownership on a limited number of suitable new developments.

According to the Real Estate Registration Department (a centralised department of the Government), in 2023, 38,145 transactions were recorded with the value of these sales transactions amounting to AED 28.5 billion. This compares with sales transactions valued at AED 24.0 billion in 2022, AED 26.3 billion in 2021, AED 15.9 billion in 2020 and AED 24.2 billion in 2019. Most of these transactions were conducted by GCC nationals.



### ***Financial and Insurance Activities***

The financial and insurance activities sector contributed 4.1 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), and 2021, 4.2 per cent. in 2020 and 8.1 per cent. in 2019.

As at 31 December 2023, there were four banks incorporated in Sharjah: BoS, Invest Bank, Sharjah Islamic Bank ("**SIB**") and United Arab Bank. As at 31 December 2023, the Government held 39.25 per cent. of the share capital of BoS, an increase of 22.09 percentage points compared to its holdings of 17.16 per cent. as of 31 December 2022 (following the AED 800 million capital injection discussed below), and 28.46 per cent. of the share capital of SIB through Sharjah Asset Management LLC, a wholly owned subsidiary of the Finance Department. In addition, the SSSF holds a 9.09 per cent. stake in SIB. Both BoS and SIB are listed on the ADX (for further detail on the financial sector, see "*Monetary and Financial System — Banking and Financial Services*" below).

In addition to the holdings described above, in December 2018, the Government offered to support the capital requirements of Invest Bank with an injection of AED 1,115 million in exchange for a 50.07 per cent. stake in the bank, at a purchase price of AED 0.70 per share. The proposal included a commitment to underwrite a subsequent rights issue by Invest Bank during 2019 with up to AED 785 million, should the bank require further capital during the year. The proposal was subsequently accepted by all parties and the initial injection was made in April 2019, giving the Government of Sharjah a 50.07 stake in Invest Bank. The second phase of capital support was completed in December 2023 and consisted of the Government participating pro rata in and underwriting the remaining portion of an issuance of new shares, and the Government issuing a guarantee of up to AED 3.0 billion against final write-offs of legacy assets over a five-year period, with the annual claims capped at AED 800 million. Following the new share issuance, the Government became the 88.11 per cent. majority shareholder in Invest Bank. Invest Bank used the proceeds of the share issuance to pay a one-off upfront fee of AED 2.6 billion to the Government in respect of the guarantee. While the 2024 budget and the projections for years 2025 to 2027 in the Fiscal Plan reflect a balanced forecast of the annual cost of the Invest Bank guarantee to the Government, there is a risk that the actual calls on the guarantee could be higher. In addition, the Government may face pressure to provide further financial support to Invest Bank in the future if the second phase of capital support does not fully meet Invest Bank's capital requirements. The Government has budgeted AED 240 million in expenditures for 2024 in relation to this capital support. Invest Bank is listed on the ADX.

In June 2023, the Government injected AED 800 million capital into BoS, in which it was already the largest shareholder (through Sharjah Asset Management), holding 17.16 per cent. of outstanding shares, through subscribing to the issuance of new shares as a single strategic investor, thereby increasing its shareholding to 39.25 per cent. The new share issuance is designed to enhance the bank's financial position and foster future growth, by expanding total capital to AED 3 billion.

### ***Mining and quarrying***

The mining and quarrying sector, which includes crude oil and natural gas, contributed 2.5 per cent. to Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision) and 2021, 2.6 per cent. in 2020 and 4.2 per cent. in 2019.

The sector is primarily driven by the production and supply of energy for Sharjah's residents and businesses. Although it produces gas and liquid petroleum gas, Sharjah is a net importer of energy and fuel. In recent years, international crude oil prices have experienced large fluctuations. Global oil prices fell gradually in the first two months of 2020 before dropping sharply in March and April 2020, with the price of Brent oil falling below U.S.\$16 per barrel in April 2020. This was primarily due to the impact of the COVID-19 outbreak on the global economy and the increase in supply. Oil prices partially recovered in 2021 with the monthly OPEC Reference Basket price being U.S.\$85.24 per barrel for January 2022. In the first half of 2022, global oil prices rose sharply primarily due to the conflict between Russia and Ukraine, although somewhat moderated later in 2022 and 2023. The monthly OPEC Reference Basket price for December 2023 was U.S.\$79.00. (see "*Risk Factors — Risk Factors Relating to the Issuer and the UAE — The UAE's economy is significantly affected by volatility in international oil prices and its economy has in the past been, and is likely in the future to continue to be, adversely affected by lengthy periods of low oil prices*").

Although Sharjah is the third-largest hydrocarbon producer in the UAE, after Abu Dhabi and Dubai, this sector is just one of several contributors to the Emirate's economy. Total hydrocarbon production in Sharjah amounted to 3.28 million barrels of oil equivalent in 2023, 3.7 million barrels of oil equivalent in 2022, 4.2

million barrels of oil equivalent in 2021, 3.5 million barrels of oil equivalent in 2020 and 3.9 million barrels of oil equivalent in 2019. The decline in production in 2023 compared to 2022 primarily was because it was determined that production at two wells (Mahani-2 and Mahani-3) was not yet commercially viable and one site (Saadi-1) did not demonstrate extractable resources.

In 2023, total hydrocarbon production in Sharjah of 3.28 million barrels of oil equivalent comprised 11.42 billion cubic feet of natural gas, 39.67 kilotonnes of liquefied petroleum gas and 1.08 million barrels of condensates. In 2022, total hydrocarbon production in Sharjah of 3.7 million barrels of oil equivalent comprised 13.2 billion cubic feet of natural gas, 47.8 kilotonnes of liquefied petroleum gas and 1.3 million barrels of condensates. In 2021, total hydrocarbon production in Sharjah of 4.2 million barrels of oil equivalent comprised 16.4 billion cubic feet of natural gas, 51.2 kilotonnes of liquefied petroleum gas and 1.5 million barrels of condensates. In 2020, total hydrocarbon production in Sharjah of 3.5 million barrels of oil equivalent comprised 13.5 billion cubic feet of natural gas, 44.9 kilotonnes of liquefied petroleum gas and 1.2 million barrels of condensates. In 2019, total hydrocarbon production in Sharjah of 3.9 million barrels of oil equivalent, comprised 15.8 billion cubic feet of natural gas, 50.8 kilotonnes of liquefied petroleum gas and 1.3 million barrels of condensates.

All hydrocarbon production in Sharjah is overseen by the Sharjah Petroleum Council, a centralised department of the Government. SNOG, which is a separate legal entity wholly owned by the Government, is responsible for most operations on active onshore production facilities in Sharjah, with revenues from such facilities flowing directly to the Government.

SNOG has embarked on several projects to expand and diversify its portfolio. SNOG awarded an engineering, procurement and construction management contract to Petrofac to construct a liquefied petroleum gas blending and truck loading facility to divert liquefied petroleum gas production to the local market which is now operational. Petrofac International Limited employs approximately 3,000 staff based in Sharjah in a range of functions supporting the hydrocarbon and petrochemical industries.

The Crescent Group was established in Sharjah in 1971 and is the MENA region's oldest privately-owned oil and gas company. The Crescent Group currently operates a portfolio of more than 25 diversified companies through its two main subsidiaries, Crescent Petroleum and Crescent Enterprises. Crescent Petroleum acts as a technical operator in several countries including Egypt, Pakistan, Yemen, Canada, Montenegro, Tunisia and Argentina.

Sharjah based Dana Gas PJSC is the 100 per cent. operator of the Sharjah Western Offshore Concession, the Zora field, approximately 35 kilometres offshore from Sharjah. The production facilities include an offshore platform and onshore gas processing plant, where the gas is processed. The gas is sold to SEWA for power generation, with the associated recovered condensate being sold into the local market. Dana Gas PJSC is the Middle East's largest regional private sector natural gas company established in December 2005 with a public listing on the ADX. It has exploration and production assets in Egypt, the Kurdistan region of Iraq and the UAE.

On 13 January 2019, the Government awarded Eni Areas A, B & C onshore Exploration Concession Agreements. These agreements are the result of the first International Competitive Exploration Licensing Round launched by SNOG in 2018 to explore and develop new hydrocarbon resources through the establishment of new partnerships. Concession Area A and C cover respectively an area of 437 square kilometres and 1,184 square kilometres. Eni will act as operator with 75 per cent. participating interest with SNOG as partner with a 25 per cent. stake. Concession Area B covers an area of 264 square kilometres. SNOG will act as operator with 50 per cent. participating interest with Eni holding 50 per cent. of stake. In January 2020, SNOG and Eni announced discovery of an inland gas field, "Mahani", with gas flow rates of up to 50 million standard cubic feet per day and associated condensates.

### ***Construction***

The construction sector contributed 9 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 9.1 per cent. in 2021, 9.3 per cent. in 2020 and 8.8 per cent. in 2019.

The construction sector is largely driven by activity in the private real estate market and by public projects to construct infrastructure and government buildings. The construction sector contribution of GDP has increased in order to reflect real estate demand and public sector expansion.

### ***Transportation and storage***

The transportation and storage sector contributed 5 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 2021 and 2020 and 6.0 per cent. in 2019. The sector is primarily driven by the Emirate's geographic location (bordering all six emirates and the UAE's west and east coasts), and by the development of air and sea ports.

Established in 1976, GulfTainer Company Limited is based in Sharjah and describes itself as one of the largest privately-owned port management and third party logistics companies in the world. The UAE operations of GulfTainer Company Limited include the Khorfakkan Container Terminal and Sharjah Container Terminal, as well as port operations and logistics in Ruwais Port in Abu Dhabi (for further details, see "*Infrastructure — Ports*" below.)

### ***Public Administration and Defence***

The public administration and defence sector contributed 7.5 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 7.4 per cent. in 2021 and 2020 and 3.9 per cent. in 2019. Some government services (including basic healthcare and education for UAE nationals, as well as business licensing and policing) are provided by the Federal Government, with the remainder provided by the Government (see "*Public Finance — Government Finance — Relationship with the Federal Government*").

### ***Accommodation and Food Service***

The accommodation and food service activities sector, which includes restaurants and hotels, contributed 2.2 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 2.0 per cent. in 2021 and 2020 and 2.2 per cent. in 2019.

Sharjah's restaurants and hotels currently cater to mid-range customers and are priced lower than restaurants and hotels in some nearby geographies. The sector has been identified by the Government as having particular growth potential, with a focus on complementing the existing offering with a larger number of luxury options.

The following table sets out the number of Sharjah hotel rooms and number of guests for each of the years indicated.

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Rooms .....	9,256	9,663	9,585	6,842	7,347	7,925
Guests (in thousands) .....	1,776	1,739	1,794	1,017	1,180	1,240

*Source: Commerce and Tourism Development Authority.*

In 2022, there were 1.24 million hotel guests, an increase of 5.1 per cent. compared to 2021. Hotel occupancy rates for 2022 were 5 per cent. higher than 2021 with total revenue in 2022 for hotels reaching AED 527 million, an increase of 28 per cent. compared to 2021.

Two new hotel establishments opened in 2020: the Pullman (180 rooms) and Al Khan Hotel (55 rooms). As a result of the COVID-19 pandemic, there was a decrease in hotel guests and available rooms due to reduced tourism and restrictions on domestic and international travel, as well as the allocation of some rooms for quarantine purposes, such that out of 10,673 hotel rooms in Sharjah as at 31 December 2020, only 6,842 were operationally available.

Sharjah's tourism proposition is firmly based on the Emirate's focus on Islamic identity, culture and heritage. With over 600 mosques and over 20 museums in Sharjah City, the Emirate was selected as "Capital of Islamic Culture" for the year 2014 by the Organisation of the Islamic Conference and as the "Capital of Arab Tourism" for 2015 by the Council of Arab Tourism Ministers. These honours were met with a series of high-profile events and the opening of new facilities promoting tourism and the Emirate's identity, such as the Islamic Centre, which incorporates a theatre, library, mosque and Al Qasimia Islamic university, new botanical gardens (focusing on the plants that feature in the Quran and other important religious texts), a new performance amphitheatre and shows and exhibitions.

Other long-standing cultural events include the Sharjah International Biennial, an art exhibition hosted by the Department of Culture and Information since 1993, and the Sharjah International Book Fair, the world's

fourth-largest book fair, hosted in the Sharjah Expo Centre since 1982. In recognition of its efforts to promote reading and literature, Sharjah was chosen by UNESCO as the 2019 World Book Capital.

Shurooq undertakes joint venture developments with private sector partners to promote the growth of this sector. Recent projects include a canal-side shopping and leisure district (the Al Qasba), a park, promenade, mosque and leisure and entertainment facility on the Corniche (the Al Majaz Waterfront), a landmark Flag Island, the Al Muntaza Theme Park and the Maraya Art Centre. Amongst other projects, Shurooq is currently working to develop the Emirate's first 5-star hotel resort in Khorfakkan on the east coast, in partnership with the Chedi Group, and has opened a luxury heritage-themed hotel, Al Bait, as the centrepiece of its 15-year masterplan (2010-2025) to restore the historic Heart of Sharjah district.

Shurooq is engaged in strategic joint ventures and partnerships in order to improve Sharjah's ability to attract tourists and investors. Examples of such joint ventures include its partnerships with: (i) Eagle Hills to develop three major projects (Maryam Island, Kalba Waterfront and Palace Al Khan) (ii) Nakheel to develop a new community retail centre; and (iii) Diamond Developers to develop a mixed-used project in Sustainable City.

Shurooq is also developing environmental tourism in the region with the expansion of safari lodges in natural reserve areas. The Kingfisher Lodge commenced operations in 2018 and is located in the Kalba natural reserve area. Al Badayer Oasis Lodge and Al Faya Retreat in the Mleiha area opened in 2019.

### ***Electricity, Gas and Water***

SEWA is 100 per cent. owned by the Government and is responsible for providing power, water and natural gas in the Emirate. The electricity, gas and water supply sector, which focuses on distribution to the public, contributed 3.3 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 3.2 per cent. in 2021, 3.3 per cent. in 2020 and 2.5 per cent. in 2019. As with the mining and quarrying sector, the primary driver of activity in the electricity, gas and water supply sector is demand for utility services from residential, commercial and industrial areas in Sharjah. For further details, see "*Infrastructure — Utilities*" below.

### ***Agriculture, Forestry and Fishing***

The agricultural sector contributed 1.2 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 2021, 2020 and 2019. The sector includes small-scale arable production in areas irrigated from natural oases and aquifers in the north and east of the Emirate, with crops such as vegetables, dates and turf. Dairy and poultry production also form part of the agricultural sector.

### ***Human Health and Social Work Activities***

The human health and social work activities sector contributed 1.5 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 2021 and 2020 and 1.1 per cent. in 2019. The sector is primarily driven by activities of the Government, whether through the direct facilitation of social services or through the enablement of private sector delivery. The Government established the free zone of Sharjah Healthcare City to capitalise on regional demand for high-quality health services. The free zone authority provides basic infrastructure and a light-touch regulatory environment with the intention of attracting a wide range of healthcare providers from the UAE and from overseas. Sharjah Healthcare City is expected to expand the healthcare cluster, which has, in recent years, begun to develop around the adjacent site of University City, with the development of a teaching hospital, nursing college and dental college.

### ***Other sectors***

The Other sectors, comprised of the arts, recreation and other services sector, the education sector and the professional, scientific and technical activities sector, contributed 2.3 per cent. of Sharjah's nominal GDP in 2022 (based on preliminary data subject to revision), 2021, 2020 and 2019, respectively.

The Emirate is continuing to invest in infrastructure to establish itself as a regional centre for educational excellence. In particular, the Government has established the University City, a 15 million square metre site which is home to a growing number of higher education institutions, including AUS, the University of Sharjah, Men's and Ladies' Colleges, Sharjah Higher Colleges of Technology, Skyline University and the Police Sciences Institute. The Sharjah Research Academy has also been established to serve as an umbrella organisation for 10 research institutes specialising in fields such as renewable energy, medical research,

environmental research and engineering research. The Government has implemented a Research Levy of AED 10 on all government service fees of AED 50 or more, which will be used alongside other funding to support a research programme, coordinated by the AUS, aiming to make Sharjah the leading research centre in the region.

### **Inflation**

The table below shows the levels of the General Consumer Price Index ("CPI") (together with its constituent elements) for Sharjah for each of the years indicated.

<b>Major Groups of Expenditure</b>	<b>2019<sup>(1)</sup></b>	<b>2020<sup>(1)</sup></b>	<b>2021<sup>(1)</sup></b>	<b>2022<sup>(2)</sup></b>	<b>2023<sup>(2)</sup></b>
<b>All items of consumer price index</b> .....	<b>108.54</b>	<b>108.22</b>	<b>108.72</b>	<b>104.19</b>	<b>106.06</b>
Food and non-alcoholic beverages .....	108.30	112.15	113.68	106.51	111.64
Tobacco Group.....	186.15	188.22	188.22	99.96	99.74
Clothing and Footwear.....	98.27	98.31	99.26	103.12	108.27
Housing, water, electricity, gas fuel .....	99.30	98.42	94.98	98.26	101.10
Furniture and furnishing, household appliances and repair .....	105.33	101.44	101.25	99.68	102.14
Health.....	100.91	100.30	100.48	100.10	100.47
Transportation .....	116.20	111.39	119.09	121.43	116.09
Telecommunications .....	99.99	99.52	99.20	100.13	101.08
Recreation and Culture.....	102.31	102.40	109.37	112.55	118.60
Education .....	122.15	124.26	127.53	100.32	101.77
Restaurants and hotels .....	112.06	115.61	113.40	106.23	113.62
Miscellaneous goods and services .....	121.23	120.84	112.83	102.19	105.11

<sup>(1)</sup> Base year 2014=100.

<sup>(2)</sup> Base year 2021=100.

Source: *Federal Competitiveness and Statistics Authority*

The table below shows the CPI and the percentage change, year-on-year, of the CPI of Sharjah and of the UAE for each of the years indicated.

	<b>2019<sup>(1)</sup></b>	<b>2020<sup>(1)</sup></b>	<b>2021<sup>(1)</sup></b>	<b>2022<sup>(2)</sup></b>	<b>2023<sup>(2)</sup></b>
Sharjah CPI .....	108.54	108.22	108.72	104.19	106.06
Sharjah CPI (percentage change, year on year) .....	(3.0)	(0.3)	0.46	4.2	1.8
UAE CPI .....	109.0	106.7	106.9	104.8	N/A
UAE CPI (percentage change, year on year) .....	(1.9)	(2.1)	0.18	(2.0)	N/A

<sup>(1)</sup> Base year 2014=100.

<sup>(2)</sup> Base year 2021=100.

Source: *Federal Competitiveness and Statistics Authority*.

Sharjah and the UAE as a whole experienced negative consumer price inflation in 2019, as the one-off impact of the introduction of a national value added tax at a rate of five per cent. on most consumer goods and services worked through the economy and supply chain. In 2020, both Sharjah and the UAE as a whole again saw negative consumer price inflation rates, as the economic restrictions arising from Covid-19 depressed demand for goods and services. While prices remained almost flat in 2021 amid continuing depressed global demand for goods and services, in 2022 the consumer price inflation rate picked up to 4.2 per cent. in Sharjah, led by increasing food and transportation costs, followed by a more balanced inflation environment in 2023, when higher price inflation for items of personal consumption (food, clothing, recreation and culture, restaurants and hotels) was offset by lower figures for essential items such as health, education, telecommunications and utilities, leaving the consumer price inflation rate in Sharjah for 2023 at 1.8 per cent.

### **Employment and Wages**

Data from the 2015 Sharjah Census (the "**2015 Census**") showed that 74 per cent. of Sharjah's residents aged 15 or over were employed, with a further 12 per cent. being domestic workers and 3.0 per cent. being business owners, self-employed or students with employment. 5.3 per cent. of Sharjah's residents were full-time students and 1.6 per cent. were retired, self-supporting or working for free. Only 3.7 per cent. of the resident population were unemployed. In general, expatriates are required to be employed or sponsored by an employed family member in order to remain in the UAE. As a result, expatriates are not entitled to

unemployment benefits or to social services and the Government's focus is on employment for UAE nationals.

The table below shows employment by category of Sharjah based UAE nationals aged 15 or over, based on the results of the 2015 Census. (The detailed census information from 2022 is not yet available.)

	<b>Number</b>	<b>Percentage</b>
Employees and domestic workers .....	61,367	59
Business owners, self-employed and students with employment .....	2,325	2
Full-time students.....	19,260	19
Retired, self-supporting and working for free.....	13,638	13
Unemployed.....	7,175	7
<b>Total</b> .....	<b>103,765</b>	<b>100</b>

Source: Sharjah Census 2015.

The 2015 Census indicated that 80 per cent. of respondents aged 15 and over were working or studying, whereas 13 per cent. were outside the workforce for various reasons (*e.g.*, retirement, doing voluntary work), and 7 per cent. were unemployed.

A new census was started in September 2022. The detailed results of the census will be published once available.

In September 1999, UAE nationals working for private companies became entitled to the same social security and pension benefits as those working for the Federal Government. Under the Federal Government's national pension and social security scheme, nationals who have contributed to the scheme will be eligible for retirement benefits, disability benefits and compensation on death. The General Authority for Pensions and Social Security, an independent entity of the Federal Government, which invests employer and employee contributions to fund the social security programme, was established to operate the scheme. Separate social security provision is made for all members of the military and the police force.

On 2 November 2017, H.H. The Ruler issued Emiri Decree No. 70 of 2017 to establish the SSSF. The decree stipulates that Emirati employees working in Sharjah's government and semi-government entities, including companies and private sector enterprises wholly owned by the Government, will benefit from the pensions and retirement benefits framework established by the SSSF.

In December 2021, the Government announced that all Government entities would adopt a new work-week schedule consisting of four days with Friday, Sunday and Saturday being the new weekend. The change came into effect on 1 January 2022. The extended weekend is part of the Government's efforts to enhance work-life balance while increasing productivity and performance.

## **Infrastructure**

Infrastructure development is considered to be a key component for Sharjah's future expansion, economic growth and social connectivity. Sharjah is well-connected to the other emirates, has good telecommunication facilities, and a well-established road network with large highways linking it to Abu Dhabi, Dubai and the northern emirates and a number of ports. Sharjah is also the location of the UAE's third-largest airport, SIA, and is adjacent to Dubai International Airport, the world's busiest airport.

### **Roads and Railways**

An extensive network of roads has been developed in Sharjah over recent decades. In 2014, the Sharjah Roads and Transport Authority (the "SRTA") was established to combine public transport provision and transport infrastructure planning within the Emirate. The SRTA is developing a strategic transport plan for the Emirate.

The Federal Government is responsible for building and maintaining inter-emirate highways, notably the Sheikh Mohammed Bin Zayed Road and the Emirates Highway on which major upgrade programmes have recently been completed, including widening of busy portions of the route and junction enhancements to create freer traffic flow.

In 2019, the Government completed a major new highway to link Khorfakkan Port on the east coast with Sharjah City which includes the UAE's longest rock tunnel through the Hajar mountains. The total cost of the multi-year project, which was funded by the Government, was approximately AED 5 billion.

Other projects underway for relieving traffic congestion in Sharjah City include multiple surface improvement, road widening and junction amendment projects.

In December 2019, Etihad Rail awarded an AED 4.6 billion civil works and construction contract to a joint venture company formed by China Railway Construction Corporation and National Projects and Construction to link Fujairah and Khorfakkan ports to the network at the Sharjah-Dubai border. In 2015, stage one of the project, which extends 264 kilometres, was delivered, linking the Shah and Habshan gas fields in the Al Dhafra region of Abu Dhabi to the port of Ruwais on the Arabian Gulf, with a capacity of transferring 22,000 tons of sulphur granules daily. The second stage of the project is expected to extend 605 kilometres from Al Ghuweifat on the border with Saudi Arabia to Fujairah on the east coast. Stage A extends over 139 kilometres, linking Ruwais with Al Ghuweifat, stage B, is expected to extend 216 kilometres from Tarif to Seeh Shuaib, stage C, extending 94 kilometres from Jebel Ali to Sharjah and stage D, being 145 kilometres from Sharjah to the ports of Fujairah and Khorfakkan. Construction of the second stage of the project began in January 2020 and major construction works for the second stage have been completed. As of October 2021, stage A has been completed and work on a connection through the town of Al Ghuweifat has also been completed. On 12 October 2022, Etihad Rail completed the tracklaying works on the main line in Sharjah, as part of the last package of the second stage of the project.

### **Ports**

Sharjah has three deep water ports, which provide access to the Indian Ocean and the Arabian Gulf and have a combined capacity of 4 million containers: (i) Khorfakkan Port; (ii) Hamriyah Port; and (iii) Port Khalid.

Khorfakkan Port was established in 1977 and underwent a major expansion in 2010 to handle the growing demand for container vessels. The port has six berths with a total aggregate length of 2.0 kilometres and is dredged to 16.0 metres at mean low water. Khorfakkan Port is the only container port on the UAE's east coast, providing direct access to the Indian Ocean without passing through the Strait of Hormuz. Khorfakkan Port has an open yard storage facility capacity of 600,000 square metres out of a total area of 850,000 square metres.

Hamriyah Port, established in 1986, is located adjacent to HFZ, providing marine access for the free zone's industrial operators. The port, which specialises in the provision of bulk, general and project cargo services, is close to major international shipping lanes. It has six deep water berths, is dredged to 14 metres and has three specialised berths for handling petrochemical shipments. Other services include open yard and warehouse storage facilities. In addition, Hamriyah Port has an inner harbour with a 3.2 kilometre quay wall. At Hamriyah Port there is currently a project underway at the SNOC LPG Terminal for an LPG back-flow facility, which is expected to support LPG import and export and back-flow to the local market.

Port Khalid in Sharjah City was established in 1976 and has three deep water berths ranging from 220 metres to 1,000 metres in length and is dredged to 12.5 metres. Port Khalid also has 16 normal berths of nine metre draft. Port Khalid specialises in the provision of bulk, general and project services and provides open yard and warehouse storage facilities.

### **Sharjah International Airport and Aviation**

SIA is the third-largest airport in the UAE and is differentiated from other airports in the region by its high level of freight services and its close partnership with Air Arabia, which uses SIA as its primary hub. SIA occupies an area of approximately 5,000 acres located to the east of Sharjah City, connected to the city and to other emirates by major highways. In 2014, a new 4,060 metre runway was built, at a cost of around AED 500 million. The table below gives the key figures for Sharjah International Airport for the years indicated.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Passengers (millions).....	13.6	4.2	7.1	13.1	15.3
Aircraft movements (thousands) .....	86.5	33.2	57.6	87.4	98.4
Cargo (thousand tonnes).....	148.8	99.6	140.7	170.5	141.5

SIA recorded 15.3 million passengers during 2023, compared to 13.1 million passengers during 2022 at SIA, an increase of 16.8 per cent. compared with 2022. In addition, aircraft movement increased at SIA in 2023, with 98.4 thousand flights compared with 87.4 thousand flights during 2022. The total cargo handled by SIA for 2023 amounted to 141.5 thousand tonnes compared with 170.5 thousand tonnes in 2022, with airport capacity continuing to be prioritised for passenger use.

SIA hosts flights from 33 airlines (including passenger and cargo airlines) and serves over 100 destinations. The aviation industry was impacted by the COVID-19 pandemic leading to a general decreased demand for air travel. In 2020, as a result of the COVID-19 pandemic, Sharjah International Airport was affected by domestic and international restrictions on the movement of aircraft and passengers. As a result, it hosted fewer passengers, (a decrease of 69 per cent. from 2019) experienced fewer aircraft movements (also a decrease of 69 per cent. from 2019) and handled fewer tonnes of Cargo (a decrease of 33 per cent. from 2019). In 2021, the UAE and Sharjah authorities placed temporary restrictions on movements to and from a more limited number of destinations, responding to changes in the incidence and management of COVID-19 in various countries but the majority of these restrictions have lifted. As a result, it hosted more passengers in 2021 (an increase of 69.0 per cent. from 2020), experienced more aircraft movements (also an increase of 73.5 per cent. from 2020) and handled more cargo (an increase of 41.3 per cent. from 2020).

Sharjah has developed a niche in the sea-to-air traffic sector through the SAIF Zone where sea-to-air transfers can be made within six to eight hours.

As part of the first phase of the expansion of SIA, a second runway was constructed, which became operational in October 2014. The second runway accommodates large new generation ICAO (International Civil Aviation Organization) Code F aircraft such as the Airbus A380.

The second phase of the expansion of SIA is in progress by Sharjah Airport Authority, with the objective of increasing capacity through the construction of a second terminal in addition to the second runway. The planned expansion is expected to increase the airport's capacity to 20 million passengers per annum following completion, which is expected by 2027. Financing for the expansion will come from a combination of Sharjah Airport Authority's existing revenues and debt financing, potentially including export finance where applicable.

Air Arabia was incorporated in 2003 as the first low-cost airline in the Middle East. Its primary hub is SIA and it serves over 190 destinations in the MENA region, Asia and Europe. Air Arabia has contributed to an increase in tourism numbers in Sharjah and the wider UAE and carried 12.0 million passengers in 2019, compared to 8.7 million passengers in 2018. In 2021, Air Arabia served more than 6.7 million passengers, an increase of 54 per cent. compared to the 4.3 million passengers carried in 2020. This was primarily due Air Arabia operating more limited services in 2020 as a result of COVID-19 travel restrictions. In 2022, more than 12.8 million passengers flew with Air Arabia, an increase of 90 per cent. compared with 2021. In 2023, Air Arabia served 16.7 million passengers, reflecting an increase of 31 per cent. Air Arabia is listed on the Dubai Financial Market (the "**DFM**").

### ***Telecommunications***

The UAE has well developed, technologically advanced telecommunications infrastructure and has high mobile telephone penetration. Since 1976, the majority Federal Government-owned telecommunications corporation, Emirates Telecommunications Corporation ("**Etisalat**"), has operated, maintained and developed the national and international fixed-line network, mobile telephony, internet access and cable TV services.

In mid-2004, the Federal Government announced plans to end the monopoly of Etisalat. A regulator, the Telecommunications Regulatory Authority was formed to oversee the process and, in 2006, it granted a licence to Emirates Integrated Telecommunications Company, a new telecom provider (known in the market as "**du**") owned 39.50 per cent. by the Federal Government (through the Emirates Investment Authority), 20.08 per cent. by Mamoura Diversified Global Holding PJSC, 20 per cent. by Emirates Telecommunications and Technology Ltd. and 20.92 per cent. by the public.

The UAE's well developed, technologically advanced telecommunications infrastructure and high mobile telephone penetration contribute to the growth of Sharjah's economy.



## *Utilities*

SEWA is 100 per cent. owned by the Government and is responsible for providing power, water and natural gas in the Emirate.

In 1995, H.H. The Ruler issued Emiri Decree No. 1 of 1995 establishing SEWA. SEWA regulates the ownership, management, operation and maintenance of electricity generation and water desalination plants, water rights, distribution and transport network, electricity transmission and dispatch network and other assets and facilities of the electricity and water sector in the Emirate. The authority also monitors the price of water and power services sold to consumers, in order to ensure fairness and transparency at all times, and that present and future consumer demand, in water and power services is properly met through sustainable planning and development, and that local water and electricity projects are managed and run consistently with international best practices and existing environmental laws. SEWA is also empowered to set up central cooling stations, to establish clean energy companies and to enter into joint ventures with companies in the field of renewable and alternative energy.

Electricity is generated by gas and diesel fired power stations located within the Emirate. In 2022, electricity consumption in Sharjah was 11.9 billion KWH, up from 11.4 billion KWh in 2021, according to data from SEWA.

SEWA supplements locally produced electricity through electricity purchase agreements with the Emirates Water and Electricity Company ("EWEC"), the water and power procuring authority falling under Abu Dhabi Power C through the Emirates National Grid. The total demand for electricity in Sharjah is expected to have increased from 2,000 MW in 2013 to 4,066 MW in 2023. SEWA planned to meet this need by increasing generating capacity, increasing the use of natural gas from Sharjah's own gas fields and by entering into additional electricity purchase agreements with the ADWEC and fuel supply arrangements, subject to commercial negotiations with third parties. Although SEWA has recorded operational losses in recent years, a long-term plan has been devised to address the need for new capacity and to diversify fuel mix and the supplier base in the expectation that this will help improve SEWA's results in the future. SEWA's planned investment programme includes a 1,800 MW combined cycle gas turbine plant in Al Hamriyah, which was procured under the Independent Power Producer structure, with SEWA as the sole off-taker and Sharjah Asset Management LLC as a minority shareholder in the project consortium. By May 2023, 100 per cent. of the work at Al Hamriyah power plant had been completed. Currently, two of the three phases are operational and the third is undergoing testing and commissioning.

Additionally, a 1,026 MW combined cycle gas turbine plant in Al Layyeh was being procured under a conventional Engineering, Procurement and Construction contract model, primarily using export finance with SEWA as the obligor (with no Government guarantee). SEWA is also considering expansion of its water desalination capacity and electricity transmission and distribution network.

In 2022, SEWA provided 116.67 million cubic metres of natural gas to properties, extracted 1,389.1 million gallons of water from underground sources and produced 22,326 million gallons of water through desalination.

## *Education*

The development of Sharjah's education system has been a key priority for the Emirate due to H.H. The Ruler's personal leadership, which has led to significant investments in human capital, founded on the understanding that an educated population is vital to the long-term growth of Sharjah's economy.

The Emirate is aiming to establish itself as a regional centre for educational excellence and, in order to achieve this, has invested significantly in this area in recent years. In particular, the Government has established the University City, a 15 million square metre site which is home to a growing number of higher education institutions, including American University of Sharjah, the University of Sharjah, Men's and Ladies' Colleges, Al Qasimi University, Sharjah Higher Colleges of Technology, Skyline University and the Police Sciences Institute. The Sharjah Research Academy has also been established to serve as an umbrella organisation for 10 research institutes specialising in fields such as renewable energy, medical research, environmental research and engineering research.

The American University of Sharjah is among the top 400 universities in the world according to QS World University Rankings (2023). The American University of Sharjah campus was established in 1997 and had a total enrolment of 5,876 students for the Fall 2023 semester.

In April 1997, the Government established the University of Sharjah through Emiri Decree. Since its establishment, the Government has opened other campuses of the University of Sharjah on the east coast of Sharjah to widen educational access. The university has in excess of 19,000 students and was ranked in the top 650 universities worldwide in the QS World University Rankings (2024).

On January 2019, Government signed a memorandum of understanding (MoU) with Arab Academy for Science, Technology and Maritime Transport - Sharjah Branch (the "**AASTMT branch**"), an Egypt based specialised organisation of the Arab League, to establish AASTMT branch in Khor Fakkan, Sharjah.

The new AASTMT branch in Sharjah allows graduates to specialise in various maritime transport sciences and technologies, in addition to international transport, logistics as well as maritime law. Graduates have access to state-of-the-art specialised educational programs and provide the labour market with calibres in all fields of the maritime industry.

A cluster of health-related education institutes has developed in University City, including a teaching hospital, nursing college and dental college. These will complement Sharjah Healthcare City as an engine for the future sectoral growth.

In April 2015, a new Islamic university, Al Qasimia University, was officially opened in Sharjah, as part of the Islamic Centre being developed to mark Sharjah's status as Capital of Islamic Culture in 2014.

The Government has also developed a new research centre, Sharjah Research Centre, to document detailed information regarding the publishing world in the Middle East. Sharjah Research Centre was opened in 2015. In January 2017, the Government implemented a Research Levy of AED 10 on all Government service fees of AED 50 or more, which will be used alongside other funding to support a research programme, coordinated by the American University of Sharjah, aiming to make Sharjah the leading research centre in the region.

The American University of Sharjah Research, Technology and Innovation (RTI) Park has been developed, adjacent to American University of Sharjah campus, by the university's commercial and investment arm AUS Enterprises. Further development continues. The park encourages research, development and knowledge-intensive businesses to establish themselves in the free zone.

While the Federal Government provides basic education for UAE nationals, the Government supplements this with its own initiatives and funding in order to enhance education in the Emirate. This activity is overseen by the Education Council, a centralised department of the Government. The Government has implemented a "model school" programme, providing equipment, facilities and pedagogic support according to international best practice, initially for a number of pilot schools, but now being rolled out more widely.

Schooling for expatriate children is provided in the private sector, with some Sharjah schools, such as Victoria International School, Choueifat School and Sharjah English School, considered among the top education establishments in the UAE.

## **Foreign Direct Investment and Free Zones**

### *Foreign Direct Investment*

A federal law on Foreign Direct Investment came into force on 23 September 2018, providing a framework to allow increased foreign ownership in selected sectors and setting out a process for applying for majority foreign ownership. This new law classifies activities into three different categories (negative, positive and those which do not fall into either category) and the UAE Cabinet has confirmed that it will be left to the discretion of the local governments at an Emirate level to decide on the percentage of foreign ownership for each sector and activity.

The Sharjah Foreign Direct Investment Office (Invest in Sharjah) has attracted foreign direct investment into Sharjah from outside the United Arab Emirates. Recorded foreign direct investment amounted to AED 1,068 million, AED 878 million, AED 809 million and AED 5,123 million and AED 3,691 million in 2022,

2021, 2020, 2019 and 2018, respectively, using the methodology of the World Bank and the United Nations Conference on Trade and Development. The Sharjah Foreign Direct Investment Office is also active in promoting Sharjah across the globe, including the major markets in India, China, the United States, the Kingdom of Saudi Arabia, France, Italy, and Germany.

### *Shurooq*

Shurooq, the Sharjah Investment and Development Authority, was established by Emiri Decree in 2009 as a public authority to support the economic development of Sharjah. Its objective is to attract foreign direct investment opportunities into the Emirate and to reshape the perception of the Emirate amongst international and regional communities.

Shurooq's main areas of activity are: (i) increasing investment into Sharjah; (ii) creating new employment opportunities; (iii) targeting priority sectors, markets and investors; (iv) improving the business environment of Sharjah; and (v) creating awareness of Sharjah as a business destination.

Shurooq has a general mandate to attract foreign direct investment across the economy. Shurooq undertook a major study in 2012 to identify sectors that had high potential to attract increased levels of investment and to lead future economic growth in Sharjah. This study identified travel and leisure, healthcare, transportation and logistics, and environmental industries as key areas of focus. Shurooq has since been focusing investment promotion activities in these sectors, supported by Government initiatives, such as development of new tourist facilities (travel and leisure); the establishment of a new healthcare free zone (healthcare); the expansion of seaport and airport activities (transportation and logistics); and the elimination of landfilling of municipal waste (environmental industries).

Shurooq also acts directly in the travel and leisure sector through developments and joint ventures (see "*Principal Sectors of the Economy — Social Accommodation and Food Service*"). These projects are intended as breakthrough initiatives to encourage and enable the private sector to bring forward its own future high-quality developments.

### *Sharjah Asset Management*

Initially set up in 2008 as a division of Sharjah Finance Department, in 2012, Sharjah Asset Management LLC ("**SAM**") was established as an independent entity solely dedicated to the expansion of Sharjah's wealth. Its objectives are to create a competitive economy for the emirate through best-in-class investments and deployment of dedicated professionals to maximise returns from investments and enhance the economic development of Sharjah. SAM's operations cover investment, real estate development, asset management and new business ventures. In addition to its shareholdings in various private sector companies (see "*Public Finance — Government Assets and Investments — Government Investments*" below), SAM manages publicly owned assets such as Souq Al Jubail fresh food market, Al Sajaa Industrial Oasis and Souq Al Haraj Auto Mall. It has entered into joint ventures in the real estate sector, such as Tilal Properties and Sharjah Holding, and the service delivery sector, including Rafid Automotive Solutions and Tasjeel vehicle registration service.

### *Free Zones*

Free zones have been established in each of the emirates of the UAE. There are many incentives for foreign corporate entities to set up in one of the free zones in the UAE. Foreign corporate entities can operate in the free zones, and free zone incorporated entities can be 100 per cent. foreign owned unlike corporate entities registered in the UAE. Foreign corporate entities are not permitted to operate in the Emirate outside a free zone unless they operate in conjunction with a local partner. The ability to import into the free zones and to export without any import duties, taxes or currency restrictions being levied on the free zone entity has been a key driver for foreign corporate entities that are registered in the free zones.

### *Free Zones in Sharjah*

The free zones in Sharjah offer 100 per cent. foreign ownership, a tax-free environment, free transfer of funds, competitive pricing, a one stop shop for business services and long-lease periods. The following free zones located in Sharjah are operational: (i) HFZ (supervised by the Hamriyah Free Zone Authority); (ii) SAIF Zone (supervised by the Sharjah Airport International Free Zone Authority); and (iii) Sharjah Healthcare City, which is a free zone dedicated to Healthcare. In addition, Sharjah has a media free zone, Shams (as defined herein), which was established by Emiri Decree in 2016 to play a lead role in growing

the Emirate's media and creative sectors, attracting entrepreneurs and startups and developing local talent. As part of the research programme being undertaken by the Government, the Sharjah Research, Technology and Innovation Park Free Zone has been established adjacent to University City. This free zone is being created to develop and manage an ecosystem that promotes research and development, supports enterprise activities and the triple helix collaboration of industry, government and academia.

Despite strong competition from other free zones, HFZ and SAIF Zone have contributed substantially to economic activity in Sharjah in recent years. The number of companies operating in each of HFZ and SAIF Zone are set out in the following table:

	2019	2020	2021	2022	2023
HFZ .....	5,180	4,811	4,737	4,920	5,155
Saif Zone .....	6,273	5,618	5,562	5,346	5,228
Sharjah Media City .....	4,282	6,992	11,563	13,323	14,789
SRTIP .....	25	55	709	1,431	3,201
Sharjah Publishing City .....	51	175	2,017	6,115	11,094

- *Hamriyah Free Zone*

- HFZ is located 20 kilometres north east of the centre of Sharjah City and is the second-largest industrial free zone in the UAE. As at 31 December 2023, there were 5,155 companies incorporated/licensed in HFZ from over 150 countries. HFZ is currently being expanded to provide increased space in the free zone in the maritime sector as well as the petrochemical and timber sectors.
- Although a significant proportion of tenants in HFZ are involved in heavier and basic industries, due to HFZ's large land area and proximity to the ports, in practice a wide range of activities are conducted by companies operating in the free zone. As at 31 December 2022, the top five tenants in HFZ were: (i) Lamprell Energy Ltd.; (ii) Damen Shipyard Sharjah FZE; (iii) Quality International Co. LTD. FZC; (iv) Eversendai Engineering FZE; and (v) Universal Energy FZE. As at 31 December 2023, the key sectors of HFZ, in terms of the number of companies operating in the free zone, were heavy engineering and equipment (19.0 per cent.), oil and gas, petrochemicals (15.0 per cent.), fabrication units (13.0 per cent.) and professional services (15.0 per cent.).
- To support the SME sector, HFZ provides the Hamriyah SME Zone, a large area, established in 2008, supported by inner harbour facilities, which provides preferential economic treatment for SMEs in terms of discounted lease rents and rent holidays in applicable cases. The Hamriyah Free Zone Logistic Village was established to provide an all in one logistics and distribution centre for companies operating in HFZ, and comprises over 400 warehouse units, ranging from 275 to 600 square metres in size. Hamriyah MB Zone was established to cater for the requirements of micro business owners and offers convenient and practical business solutions for such business owners.
- In addition to the 22 million square metres of land currently endowed to the HFZ in respect of the first and second phases of HFZ's development, another 4 million square metres has been allocated for the third phase of the HFZ's development, which is nearing completion and is set up for sectors such as steel, heavy engineering and allied industries.

- *Sharjah Airport International Free Zone*

- SAIF Zone is located adjacent to SIA, making it easily accessible by road to Sharjah's east and west coast seaports as well as providing connectivity by air. Established in 1995 with 35 companies, as at 31 December 2023, SAIF Zone provided services to 5,228 companies employing over 39,091 people.
- Given its location and the predominance of warehouse and office space, as compared to retail or industrial units, SAIF Zone has a particular focus on light to medium manufacturing, trading and professional services. There are also a number of business

service companies operating from SAIF Zone who support other operators in the zone and the SIA area. For further details, see "*Sharjah International Airport and Aviation*" above.

- *Sharjah Media City*
  - Sharjah Media City ("**Shams**") was established in January 2017, with a vision to be a world-class hub for media and creativity in the region. Shams comprises a tax-free city with modern infrastructure and services. Shams' mission is to make creative entrepreneurship accessible to all aspiring startups, SMEs and established companies striving to grow their business both locally and globally. Shams offers smart innovative services, coupled with a holistic community-centred approach.
- *Sharjah Research, Technology and Innovation Park*
  - The Research, Technology and Innovation Park has been developed adjacent to American University of Sharjah campus, by the university's commercial and investment arm AUS Enterprises. Further development continues. The park encourages research, development and knowledge-intensive businesses to establish themselves in the free zone.
- *Sharjah Publishing City*
  - Sharjah Publishing City is a centrally located and easily accessible free zone located seven minutes from Sharjah International Airport and 15 minutes from Dubai International Airport, with access to over 40 trading ports on Sheikh Bin Zayed Road. As a multifaceted business licensing organisation, Sharjah Publishing City provides business friendly legislation, business support services and offers entrepreneurs the expertise, knowhow, and tools to successfully and seamlessly set up businesses in the UAE, operating out of Sharjah.

## BALANCE OF PAYMENTS AND FOREIGN TRADE

As Sharjah does not prepare separate balance of payment statistics, this section describes the UAE's balance of payments generally.

The UAE has traditionally pursued a free-trade policy for deeper integration into the global trading system. The UAE pursues a free-trade policy by liberalising its trade regime through free-trade agreements ("FTAs") with other countries and organisations. Being a member of the GCC, the UAE's trade policy is closely linked to the trade policy of the other GCC member countries on account of, amongst other things, the GCC Economic Agreement of 2002, which calls for a "collective negotiation strategy" in the conduct of FTAs with major trading partners, and the establishment of the GCC Customs Union in 2003, which was aimed at enhancing economic unity amongst the member states and allowing the member states to engage in FTA negotiations as a unified trading bloc.

### Balance of Payments

Since there are no separate figures on the current and capital account for Sharjah, the table below gives the balance of payments for the UAE for each of the years indicated.

	2018	2019	2020	2021	2022
	<i>(AED billions)</i>				
<b>Current account balance</b> .....	<b>148.7</b>	<b>137.1</b>	<b>77.5</b>	<b>176.2</b>	<b>329.5</b>
Trade balance (FOB).....	314.6	295.5	221.6	287.8	337.2
Total exports of hydrocarbon .....	247.2	220.8	135.1	230.8	341.2
Total of non-hydrocarbon exports .....	410.6	415.0	394.5	415.0	438.8
Re-exports <sup>(1)</sup> .....	521.2	516.6	469.9	545.4	674.6
Total exports and re-exports (FOB).....	1,179.0	1,152.4	999.5	1,191.2	1,454.6
Total imports (FOB).....	(864.4)	(856.9)	(778.0)	(903.4)	(1,117.4)
Services (net).....	0.9	7.6	59.7	98.6	211.2
Investment income (net).....	5.2	7.6	(6.9)	(2.7)	0.2
Transfers (net).....	(169.3)	(173.6)	(196.9)	(205.8)	(219.1)
<b>Financial account</b> .....	<b>(134.7)</b>	<b>(90.4)</b>	<b>(97.1)</b>	<b>(96.8)</b>	<b>(313.2)</b>
Errors and omissions.....	(3.8)	(11.3)	6.0	(3.9)	(5.6)
<b>Overall balance</b> .....	<b>13.4</b>	<b>35.7</b>	<b>(13.1)</b>	<b>85.0</b>	<b>10.8</b>

<sup>(1)</sup> Includes re-exports of non-monetary gold.

Source: UAE Central Bank and UAE government sources.

The UAE has a long history of positive trade balances reflecting the importance of its hydrocarbon exports, its more recent successful diversification into other export industries and its significant volumes of re-exports. From total exports and re-exports, the UAE's hydrocarbon exports accounted for 18.5 per cent. in 2017, 21.0 per cent. in 2018, 19.2 per cent. in 2019, 13.5 per cent. in 2020 and 19.4 per cent. in 2021. The UAE's re-exports accounted for 47.5 per cent. in 2018 and 49.4 per cent. in 2019, 48.8 per cent. in 2020 and 42.0 per cent. in 2021 and 52.1 per cent. in 2022.

The value of the UAE's hydrocarbon exports, the vast majority of which are made by Abu Dhabi, can be volatile as they depend on prevailing oil prices and the prevailing OPEC production quotas policy. Crude oil makes up the largest part of the UAE's hydrocarbon exports, accounting for 52.1 per cent. in 2022.

Data on non-trade flows into and out of the UAE is not complete and is routinely subject to revision, reflecting, in part, weaknesses of the central statistical bodies and, in part, the operations of the large free zones. In general, however, the UAE tends to have a non-trade balance deficit reflecting services outflows underlining the UAE's dependence on foreign services for the development of its industrial and services sectors. In addition, there are significant levels of current transfers principally reflecting expatriate workers' remittances.

The UAE had a positive current account balance in each of 2018, 2019, 2020, 2021 and 2022 equal to 9.8 per cent., 9.9 per cent., 5.9 per cent., 11.7 per cent. and 17.7 per cent., respectively, of the UAE's nominal GDP in each of these years. The reduction in the current account surplus in 2020 reflected lower overall volumes of global trade, as a result of the COVID-19 pandemic, affecting both import and export levels, and particularly a lower value of hydrocarbon exports from the UAE.

The UAE participates in the Article IV consultation process with the IMF. In November 2019, the IMF completed the UAE 2019 Article IV Consultation, which highlighted that economic activity was considered

to be recovering and likely to pick up more momentum in 2020, helped by Expo 2020 and existing fiscal stimulus. It was noted in the consultation that sustaining growth momentum over the medium term and further diversifying the economy should remain key priorities, with government bodies fostering growth of the non-oil private sector, including SMEs, and developing transparent, rules-based fiscal frameworks.

During the course of 2020, the IMF mission team held informal meetings with policy makers to discuss the economic developments and challenges that were caused by the COVID-19 pandemic. On 22 November 2021, the IMF concluded the 2021 Article IV consultation with the UAE. The report summarising this consultation was published on 17 February 2022. The 2021 consultation summary commended the UAE on its successful COVID-19 vaccination programme and swift response to the COVID-19 pandemic, noting that there were still risks to the UAE's macro-economic stability as a result of the pandemic. The IMF team welcomed the UAE's ambitious structural reform agenda, including recent initiatives to support private sector development that could help lift productivity and potential growth and facilitate economic diversification. The main policy recommendations included ensuring the recovery and protecting the most vulnerable, safeguarding financial stability, strengthening fiscal policy frameworks, and fostering economic diversification and higher productivity growth.

On 26 June 2023, the IMF concluded the 2022 Article IV consultation with the UAE. The end of mission press release published in June 2023 noted that UAE economic growth strengthened in 2022, benefitting from a rapid and effective COVID response, supportive fiscal measures, and the benefits of earlier social and business-friendly reforms. Fiscal and external surpluses are expected to remain high on the back of elevated oil prices. Banks are adequately capitalized and liquid overall, but nonperforming loans remain elevated, albeit down from recent peaks, and real estate prices have risen sharply in some segments. The IMF staff team noted that going forward the overall fiscal stance should remain prudent especially given the uncertainties from ongoing tightening in global and domestic financial conditions. It was also noted that major efforts had been advanced under the National AML/CFT Strategy and Action Plan and that reforms under the UAE 2050 Strategy should be sustained with a focus on diversification of the economy.

On 1 June 2014, the UAE was included in MSCI Inc.'s ("**MSCI**") Emerging Markets Index which captures large and mid-cap representation across 26 emerging market countries. The MSCI Emerging Markets Index is based on the MSCI Global Investable Indexed Methodology – a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation size, sector and style segments and combinations.

### ***Capital Account***

In general, the size of the UAE's trade and current account surpluses, coupled with the limited capacity of the local economy to absorb capital, ensures that net foreign capital flows have almost always been outward, entrenching the UAE's position as a net international creditor and foreign investor. Most capital outflows have been directed towards the U.S. and European capital markets although more recently there has also been an increase in direct investment in Europe, Asia, Africa and the wider Middle East. This has included entities wholly or partially owned by the governments of certain emirates purchasing significant stakes in foreign companies as well as major corporations, such as Emirates Telecommunications Corporation (Etisalat), making significant acquisitions in order to boost their regional and international presence.

In 2018, 2019, 2020, 2021 and 2022 the net deficit in the financial account was AED 62.6 billion, AED 126.9 billion, AED 90.4 billion, AED 97.1 billion, AED 96.8 billion and AED 313.2 billion, respectively. The change in 2022 was mainly due to the significant increase in net outflow from the banking sector.

Capital transfers by the private sector decreased from an outflow of AED 140.7 billion in 2018 to outflows of AED 139.6 billion in 2019 and AED 136.9 billion in 2020, but increased to outflows of AED 140.5 billion and AED 140.9 billion in 2021 and 2022, respectively. Public sector net transfers abroad increased from AED 28.6 billion in 2018 to AED 34.0 billion, AED 60.0 billion, AED 65.3 billion, AED 78.2 billion in 2019, 2020, 2021 and 2022, respectively. (*source*: UAE Central Bank).

In 2022, the overall balance of payments was a surplus of AED 10.8 billion, equal to 0.6 per cent. of the UAE's nominal GDP in that year.

According to data from the UAE Central Bank, as at 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the UAE's foreign asset holdings (including the IMF) amounted

to AED 362.6 billion, AED 394.7 billion, AED 388.1 billion, AED 466.5 billion, AED 493.9 billion and AED 592.1 billion, respectively. (see "*Monetary and Financial System — Foreign Reserves*").

The surplus in the trade balance (FOB) increased from AED 314.6 billion in 2018, subsequently decreased to AED 295.5 billion in 2019 and further decreased to AED 221.6 billion in 2020. However, the surplus in the trade balance (FOB) increased to AED 287.8 billion and AED 337.2 billion in 2021 and 2022, respectively. Total exports and re-exports (FOB) decreased from AED 1,179.0 billion in 2018 to AED 1,152.4 billion in 2019 and further decreased to AED 999.5 billion in 2020. Total exports and re-exports (FOB) increased to AED 1,191.2 billion and AED 1,454.6 billion in 2021 and 2022, respectively. The reduction in the surplus in the trade balance (FOB) in 2020 related to the lower value of exported hydrocarbons of all categories, compared with 2019.

### **Composition of UAE Foreign Trade**

The Government has not published data for the imports and exports of Sharjah since 2014, owing to methodological challenges. The section below summarises the UAE's foreign trade, using information compiled by the FCSA. Differences in reporting objectives and methodology mean that the aggregated trade data from the FCSA may not match with the trade totals published by the UAE Central Bank.

<b>Top UAE export destinations, percentage of total non-oil exports (export + re-export) based on value<sup>(1)</sup></b>	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Saudi Arabia.....	15.3%	13.4%	10.0%	11.2%
India.....	8.7%	10.4%	7.8%	10.2%
Switzerland.....	3.9%	9.0%	11.5%	6.6%
Oman.....	8.4%	7.0%	4.8%	4.1%
Kuwait.....	5.1%	4.3%	2.9%	3.9%
Iraq.....	4.4%	4.0%	3.0%	7.7%
Turkey.....	5.2%	3.8%	7.2%	-
China.....	2.5%	3.6%	6.7%	3.1%
United States of America.....	3.9%	3.2%	2.5%	4.0%
Singapore.....	1.8%	2.3%	1.2%	-

<sup>(1)</sup> 2021 data for Turkey and Singapore is not currently available and as a result this table reflects the top eight non-oil exports (export and re-export) destinations only as opposed to the top 10.

<b>Top sources of UAE imports, percentage of total imports based on value<sup>(1)</sup></b>	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
China.....	15.5%	16.4%	18.4%	17.7%
India.....	9.4%	10.7%	7.7%	8.5%
United States of America.....	8.5%	8.0%	7.7%	6.1%
Japan.....	5.6%	5.1%	4.4%	3.8%
Germany.....	4.5%	4.0%	3.4%	2.6%
United Kingdom.....	3.1%	2.9%	2.7%	-
Vietnam.....	3.1%	2.9%	2.7%	2.5%
Saudi Arabia.....	3.1%	2.7%	3.0%	2.9%
France.....	2.7%	2.7%	2.2%	2.5%
Italy.....	2.7%	2.6%	2.6%	2.6%

<sup>(1)</sup> 2021 data for the United Kingdom is not currently available and as a result this table reflects the top nine import destinations only as opposed to the top 10.

<b>Top categories of UAE non-oil exports, percentage of total exports based on value</b>	<b>For the year ended 31 December</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Gold Including Gold Plated With Platinum Unwrought or In Semi-manufactured forms, or In Powder form.....	25.7%	29.0%	41.5%	36.5%
Unwrought Aluminium.....	9.1%	6.8%	4.8%	7.1%
Cigars, Cheroots, Cigarillos and Cigarettes, of tobacco or of tobacco Substitutes.....	5.4%	5.6%	4.6%	4.1%



	<b>For the year ended 31 December</b>			
<b>Top categories of UAE non-oil exports, percentage of total exports based on value</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Petroleum Oils and Oils Obtained from Bituminous Minerals, Other than Crude .....	2.7%	7.2%	3.5%	4.0%
Articles of Jewellery and Parts thereof .....	5.1%	3.8%	2.1%	3.4%
Polyethylene.....	4.0%	3.3%	3.6%	3.4%
Copper Wire.....	4.5%	3.6%	2.6%	3.1%
Polymers of Propylene or of Other Olefins, In Primary forms .....	1.2%	1.9%	2.5%	2.4%
Structures and Parts of Structures eg., Bridges and Bridge Sections, Lock Gates, towers, Lattice Masts, Roofs, Roofing Framework .....	1.6%	1.8%	1.4%	1.3%
Diamonds .....	0.1%	0%	0.001%	0.005%

	<b>For the year ended 31 December</b>			
<b>Top categories of UAE non-oil re-exports, percentage of total re-exports based on value</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Telephones for Cellular Networks.....	16.0%	17.2%	20.7%	19.2%
Diamonds.....	11.5%	9.3%	8.8%	13.1%
Motor cars and other motor vehicles .....	7.3%	6.1%	6.0%	5.4%
Articles of Jewellery and Parts thereof.....	10.9%	11.3%	4.9%	5.3%
Automatic data processing machines and units thereof .....	3.5%	3.4%	5.4%	4.9%
Petroleum Oils and Oils Obtained from Bituminous Minerals, Other than Crude.....	2.3%	5.3%	4.2%	4.1%
Parts and accessories of motor vehicles.....	2.0%	1.9%	2.4%	2.3%
Parts of Aircraft.....	3.3%	2.3%	1.8%	1.5%
Perfumes and toilet waters .....	0.7%	0.7%	0.9%	1.0%
Medicaments Consisting of Products for therapeutic or Prophylactic Uses.....	0.7%	0.7%	1.1%	0.9%

	<b>For the year ended 31 December</b>			
<b>Top categories of UAE imports, percentage of total imports based on value</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Gold (Unwrought Or In Semi-Manufactured Forms) .....	11.3%	12.9%	17.4%	17.8%
Telephones For Cellular Networks.....	8.2%	8.9%	9.5%	10.2%
Diamonds.....	4.9%	4.4%	4.0%	5.5%
Cars.....	6.3%	5.6%	4.8%	4.7%
Articles Of Jewellery And Parts Thereof.....	5.5%	6.0%	2.9%	3.7%
Petroleum Oils Other Than Crude .....	4.7%	5.0%	3.9%	3.3%
Automatic data processing machines and units thereof .....	2.5%	2.3%	3.2%	3.1%
Turbojets, Turbo Propellers And Other Gas Turbines .....	2.6%	2.4%	1.9%	1.6%
Medicaments .....	1.3%	1.3%	1.6%	1.3%
Refined Copper And Copper Alloys, Unwrought.....	1.1%	1.1%	1.1%	1.2%

Source: FCSC

### **Sharjah Foreign Trade**

External trade continues to be a significant contributor to the Sharjah economy. As at the date of this Base Offering Circular, efforts are underway to boost the export of Sharjah's manufactured products by implementing investor-friendly policies including low corporate taxation, zero export taxation, low import duties and free currency transfers. In general terms, Sharjah is a large producer of goods and materials used in manufacturing, construction and industrial activity across the UAE, the Arabian Gulf region and its wider trading zone, extending to the Indian subcontinent, the Levant region, north Africa and east Africa. Major private-sector exporters operate in economic sub-sectors such as oil platform construction, downstream hydrocarbons and petrochemicals, steel manufacture and shipbuilding. Sharjah also hosts a large amount of re-export trade, centered on its free zones, which builds on its ready access to important shipping lanes and Sharjah International Airport. As in the rest of the UAE, many consumer goods are imported into Sharjah, either directly through Sharjah ports or by road transit after arriving at other locations. As at the

date of this Base Offering Circular, detailed foreign trade statistical data for Sharjah is not available from 2015 onwards.

## MONETARY AND FINANCIAL SYSTEM

As Sharjah does not have a separate monetary or financial system, this section describes the UAE's monetary and financial system generally, although certain sections focus specifically on Sharjah where information is available.

### Monetary and Exchange Rate Policy

The UAE's monetary and exchange rate policy is managed by the UAE Central Bank. The predecessor of the UAE Central Bank was the Currency Board which was established as per Union Law No. (2) of 1973. The Currency Board issued the UAE Dirham which replaced the Bahraini Dinar and the Qatari and Dubai Riyal currencies which were in use at the time. The UAE Central Bank was established as a public institution in 1980. The UAE Central Bank promotes financial and monetary stability, efficiency and resilience in the financial system and the protection of consumers through effective supervision intended to support economic growth for the benefit of the UAE and its people. It has powers to issue and manage the currency, manage the UAE's credit policy, develop and manage the banking system in the UAE and is the UAE's representative to international institutions such as the IMF, the World Bank and the Arab Monetary Fund. In addition, the UAE Central Bank has other regulatory tools at its disposal including macro prudential policies, reserve requirements, leverage caps, laws and reforms to strengthen financial stability and supervise the banking system. The UAE Central Bank supervises the UAE banking system through its Banking Supervision and Examination Department.

The objective of the UAE's monetary policy is to facilitate the fixed exchange rate regime and maintaining a stable and convertible currency is a key policy objective. In common with many other GCC countries, and reflecting the fact that oil and gas revenues are priced in U.S. Dollars, the UAE Dirham is pegged to the U.S. Dollar. In the case of the UAE, the exchange rate has been maintained at AED 3.6725 = U.S.\$1.00 since 22 November 1980. There are no exchange controls in the UAE and the UAE Dirham is freely convertible. Monetary policy beyond the policy rate has focused on removing excess liquidity from oil revenues. The UAE Central Bank closely follows the U.S. Federal rate (due to its peg), maintaining the UAE's interest rate in line with rate cuts in the U.S.

The UAE's monetary policy has been focused on protecting its banking sector and a number of measures have been announced by the UAE Central Bank and Federal authorities in this regard. For example, following the 2008/2009 global financial crisis, the UAE Central Bank took a number of steps to reduce the sector's vulnerability to crises, including lending restrictions, revised mortgage caps and retail lending limitations.

### Liquidity and Money Supply

The following table sets out certain liquidity indicators for the UAE for the periods indicated.

Item	For the year ended 31 December					For the six months ended 30 June
	2018	2019	2020	2021	2022*	2023**
	<i>(AED Billions)</i>					
<b>Net International Reserves</b> .....	<b>418.0</b>	<b>485.3</b>	<b>514.6</b>	<b>620.8</b>	<b>861.0</b>	<b>996.3</b>
<b>Central Bank (Net)</b> .....	<b>358.4</b>	<b>394.2</b>	<b>381.1</b>	<b>466.1</b>	<b>476.9</b>	<b>590.0</b>
Gross International Reserves .....	365.4	397.9	391.9	481.5	508.4	606.9
Foreign Liabilities .....	7	3.7	10.8	15.3	31.5	16.9
<b>Banks (Net)</b> .....	<b>59.6</b>	<b>91.1</b>	<b>133.5</b>	<b>154.7</b>	<b>384.1</b>	<b>406.4</b>
Foreign Assets .....	679.6	771.1	849.1	933.2	1,191.0	1,220.7
Foreign Liabilities .....	620.0	680.0	715.6	778.5	806.9	814.4
<b>Net Domestic Assets</b> .....	<b>890.2</b>	<b>927.9</b>	<b>964.1</b>	<b>942.2</b>	<b>842.7</b>	<b>859.0</b>
Claims on Private Sector .....	1,151.8	1,159.1	1,128.4	1,145.8	1,193.6	1,243.7
Net Claims on Government .....	-4.7	51.1	86.7	77.0	(46.7)	(68.9)
Claims on Official Entities .....	209.2	223.6	261.8	277.9	287.0	298.9
Claims on Nonbank Financial Institutions..	32.1	25.9	28.2	26.6	25.7	23.5
Capital and Reserves .....	(378.5)	(417.9)	(419.4)	(428.61)	(439.5)	(460.5)
Other Items (net) .....	(119.7)	(113.9)	(121.6)	(156.54)	(177.5)	(177.7)
<b>Money Supply M<sub>1</sub></b> .....	<b>485.7</b>	<b>515.0</b>	<b>600.0</b>	<b>701.9</b>	<b>737.6</b>	<b>784.0</b>
Currency in Circulation Outside Banks .....	70.5	78.2	94.7	94.1	101.9	115.9
Monetary Deposits .....	415.2	436.8	505.3	607.8	635.6	668.2
<b>Money Supply M<sub>2</sub></b> .....	<b>1,308.4</b>	<b>1,413.1</b>	<b>1,478.5</b>	<b>1,563.0</b>	<b>1,703.6</b>	<b>1,855.3</b>
<b>Quasi – Money</b> .....	<b>822.7</b>	<b>898.1</b>	<b>878.5</b>	<b>861.2</b>	<b>966.0</b>	<b>1,071.3</b>
Foreign Currency Deposits .....	304.3	322.5	331.2	340.4	429.6	468.6
Dirham Deposits.....	518.4	575.6	547.3	520.8	536.5	602.7

Item	For the year ended 31 December					For the six months ended 30 June
	2018	2019	2020	2021	2022*	2023**
Money Supply M <sub>3</sub> .....	1,602.3	1,717.4	1,769.3	1,856.9	2,100.7	2,283.4
Government Deposits .....	293.9	304.3	290.8	293.9	397.1	428.1

Source: UAE Central Bank and UAE government sources.

\* Revised to account for year-end amendments.

\*\*Preliminary

Money supply M1 (which consists of currency in circulation outside of banks (i.e. currency issued less cash at banks) plus monetary deposits in local currency with banks) increased from AED 701.9 billion as at 31 December 2021 to AED 737.6 billion as at 31 December 2022. This was primarily due to a rise in monetary deposits by 4.6 per cent. to reach AED 635.6 billion and a corresponding increase in currency in circulation outside banks by 8.3 per cent. to AED 101.9 billion. Money supply M1 further increased in the first six months of 2023 to AED 784.0 billion due to a corresponding increase in currency in circulation outside banks and monetary deposits.

Money supply M1 plus monetary deposits in local currency with banks increased from AED 600 billion as at 31 December 2020 to AED 701.9 billion as at 31 December 2021. This was primarily due to a rise in monetary deposits by 20.3 per cent. to reach AED 607.8 billion partly offset by a decrease in currency in circulation outside banks by 0.6 per cent. to AED 94.1 billion.

Money supply M1 increased from AED 515 billion as at 31 December 2019 to AED 600 billion as at 31 December 2020. This was primarily due to the rise in monetary deposits by 15.7 per cent. to reach AED 505.3 billion and an increase in currency in circulation outside banks by 21.1 per cent. to reach AED 94.7 billion.

Money supply M1 increased from AED 485.7 billion as at 31 December 2018 to AED 515.0 billion as at 31 December 2019. This change reflected fluctuations in monetary deposits from AED 415.2 billion as at 31 December 2018 to AED 436.8 billion as at 31 December 2019. However, currency in circulation outside of banks increased from AED 70.5 billion as at 31 December 2018 to AED 78.2 billion as at 31 December 2019. The increase reflected both the changes in money supply M1 as well as growth in quasi-monetary deposits in each period.

Money supply M2 (which consists of money supply M1 plus quasi-monetary deposits (i.e. resident time and savings deposits in UAE Dirhams plus resident deposits in foreign currencies)) increased from AED 1,563.0 billion as at 31 December 2021 to AED 1,703.6 billion as at 31 December 2022 due to the rise in money supply M1 and in quasi-monetary deposits. Money supply M2 further increased in the first six months of 2023 to AED 1,855.3 billion due to a corresponding increase money supply M1 and quasi-monetary deposits.

Money supply M2 increased from AED 1,478.5 billion as at 31 December 2020 to AED 1,563.0 billion as at 31 December 2021 due to the rise in money supply M1 partially offset by a decrease in quasi-monetary deposits.

Money supply M2 increased from AED 1,413.1 billion as at 31 December 2019 to AED 1,478.5 billion as at 31 December 2020 as the rise in money supply in M1 was partially offset by a decrease in quasi-monetary deposits. This was primarily the result of low interest rates making term deposits less attractive.

Money supply M2 increased from AED 1,308.4 billion as at 31 December 2018 to AED 1,413.1 billion as at 31 December 2019. Generally, median money supply M2 is considered the best indicator for the availability of liquidity in the economy, as it comprises currency in circulation outside banks, in addition to various deposits of all the resident sectors except the government sector in the UAE.

Money supply M3 (which consists of money supply M2, plus government deposits at banks and at the UAE Central Bank) increased to AED 2,100.7 billion as at 31 December 2022 compared to AED 1,856.9 billion as at 31 December 2021. The increase reflects increases in money supply M2 between 31 December 2021 and 31 December 2022. Money supply M3 further increased in the first six months of 2023 to AED 2,283.4 billion due to an increase in money supply M2 between 31 December 2022 and 31 May 2023.

Money supply M3 increased to AED 1,856.9 billion as at 31 December 2021 compared to AED 1,769.3 billion in 2020. The increase reflects increases in money supply M2 between 31 December 2020 and 31 December 2021.

Money supply M3 increased from AED 1,602.3 billion as at 31 December 2018 to AED 1,717.4 billion in 2019 to AED 1,769.3 billion in 2020. The increases reflected both increases in money supply M2 as well as increases in government deposits in all annual periods (excluding 2020).

### Foreign Reserves

The table below shows the foreign asset holdings of the UAE Central Bank at period end for each of the periods presented.

	As at 31 December					As at 30
	2018	2019	2020	2021	2022	June
	(AED Billions)					2023*
Foreign Assets of the Central Bank.....	362.6	394.7	388.1	466.5	493.9	592.1

Source: UAE Central Bank Balance of Payments and UAE government sources.

\* Preliminary data

As at 30 June 2023, based on preliminary estimates, the foreign asset holdings of the UAE Central Bank amounted to AED 592.1 billion.

The UAE Central Bank's gross international reserves are principally held in deposit accounts with banks outside the UAE or are invested in securities and treasury bills issued by non-UAE issuers. The official reserves figure, however, excludes the stock of publicly controlled foreign assets held in other accounts in investment bodies controlled by individual emirates as well as the EIA.

### Banking and Financial Services

As at 30 June 2023 and in addition to the 21 branches of BoS, Invest Bank, United Arab Bank and SIB (combined) each located in the Emirate, the Emirate also had an additional 53 branches of non-Sharjah based national banks and 13 branches of foreign banks (out of 72 foreign banks and branches throughout the UAE). As at the date of this Base Offering Circular, the Government owned 39.25 per cent. of the share capital of BoS (through SAM), following an equity injection of AED 800 million in June 2023, and 37.55 per cent. of the share capital of SIB (through SAM and SSSF), and 50.01 per cent. of the share capital of Invest Bank.

As at 31 December 2018, BoS, Invest Bank, United Arab Bank and SIB had AED 29,123 million, AED 14,026 million, AED 20,511 million and AED 44,746 million in total assets, respectively.

As at 31 December 2019, BoS, Invest Bank, United Arab Bank and SIB had AED 32,689 million, AED 11,705 million, AED 19,125 million and AED 46,390 million in total assets, respectively.

As at 31 December 2020, BoS, Invest Bank, United Arab Bank and SIB had AED 36,143 million, AED 8,734 million, AED 14,849 million and AED 53,601 million in total assets, respectively.

As at 31 December 2021, BoS, Invest Bank, United Arab Bank and SIB had AED 39,542 million, AED 10,059 million, AED 15,180 million and AED 54,957 million in total assets, respectively.

As at 31 December 2022, BoS, Invest Bank, United Arab Bank and SIB had AED 33,562 million, AED 10,059 million, AED 15,180 million and AED 54,957 million in total assets, respectively.

All banks in the UAE operate under the supervision of the UAE Central Bank.

The table below provides a statistical analysis of the UAE banking sector for the periods indicated.

	As at 31 December					As at
	2018	2019	2020	2021	2022	30 June
	(AED Millions)					2023 <sup>(1)</sup>

Total assets.....	2,868,516	3,082,934	3,188,014	3,321,488	3,667,611	3,873,060
Foreign assets.....	679,647	771,092	849,077	933,169	1,191,027	1,220,740
Foreign assets to total assets (%).....	23.7%	25.0%	26.6%	28.1%	32.5%	31.5%
Foreign liabilities.....	619,990	679,979	715,606	778,461	806,943	814,389
Foreign liabilities to total liabilities (%).....	21.6%	22.1%	22.4%	23.4%	22.0%	21.0%
Deposits <sup>(2)</sup> .....	1,755,650	1,870,184	1,884,545	1,996,527	2,222,226	2,381,999
Residents.....	1,542,237	1,648,812	1,682,102	1,765,533	2,009,696	2,170,851
of which: Corporate.....	590,877	607,023	606,207	671,422	790,086	863,558
Non-residents.....	213,413	221,372	202,443	230,994	212,530	211,148
of which: Corporate.....	91,889	87,964	72,250	82,170	103,101	111,929
Bank credit (domestic).....	1,509,437	1,592,609	1,596,786	1,618,957	1,650,937	1,717,116
of which: credit to private sector <sup>(3)</sup> .....	1,150,018	1,149,953	1,124,913	1,137,528	1,185,901	1,233,964
Total number of national banks and branches....	832	741	619	596	586	583
Total number of foreign banks and branches.....	140	140	134	133	134	133
<b>Number of employees in banks (UAE)<sup>(4)</sup></b>	<b>36,629</b>	<b>35,637</b>	<b>33,444</b>	<b>33,491</b>	<b>35,830</b>	<b>36,314</b>

<sup>(1)</sup> Preliminary.

<sup>(2)</sup> Excluding inter-bank deposits.

<sup>(3)</sup> Including claims on other financial institutions.

<sup>(4)</sup> Excluding auxiliary staff.

Source: UAE Central Bank and UAE government sources.

## Supervision of Banks

The UAE Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank has supervisory responsibility for all banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they are required to contain.

The UAE Central Bank has adopted a Risk Based Supervision ("**RBS**") approach to bank supervision. This approach is forward-looking and is designed to identify, assess, measure, monitor and control key risks that licensed institutions in the UAE banking and financial markets are exposed to. Under the RBS approach, the Enforcement Division of the UAE Central Bank assesses the risk management policies and practices that licensed institutions use to control, reduce and mitigate risk. The Enforcement Division specifically focuses on risk areas that pose the greatest risk to the banks' safety and institutional soundness.

Historically, the UAE Central Bank has not acted as a lender of last resort, a role which has tended to fall on the individual Emirates. However, the introduction by the UAE Central Bank in 2014 of the Interim Marginal Lending Facility (the "**IMLF**") is expected to enable non-Islamic UAE banks to use certain rated or Federal Government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management (see further "*Recent Trends in Banking — Liquidity*" below).

The UAE Central Bank's activities are currently dictated by the 2018 Banking Law, which came into force in the UAE on 30 September 2018. The 2018 Banking Law repealed two of the UAE's older banking laws including the Federal Law No. 10 of 1980 concerning the status of the UAE Central Bank and its roles managing the currency and supervising the activities of banks and finance companies. The second was the Federal Law No. 6 of 1986 in relation to Islamic banking activities. The 2018 Banking Law reconfirms the UAE Central Bank's role in supervising the banking system in the UAE, directing monetary policy and ensuring economic stability through adequate fiscal policies and consumer protection mechanisms. The 2018 Banking Law also extends the scope of authority of the UAE Central Bank through changes designed to modernise the framework for the licensing and supervision of financial services activities in the state to bring regulation in line with international best practice.

The UAE Central Bank is also responsible for regulating anti-money laundering activities in the UAE. It has established a Financial Intelligence Unit and hosted teams from the Financial Action Task Force ("**FATF**") and the IMF which reviewed, discussed and tested existing UAE laws and regulations. The FATF is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

In April 2020, the FATF issued its Mutual Evaluation Report ("**MER**") on the UAE's anti-money laundering ("**AML**") and combatting the financing of terrorism ("**CFT**") measures. Based on an assessment conducted in 2019, the MER analyses the level of the UAE's compliance with the FATF's 40

recommendations and the effectiveness of its AML/CFT system and provides recommendations on how the system could be strengthened. Based on the MER, the UAE's National Strategy has been revised in line with the risks identified in the MER and the UAE's National Risk Assessment.

In March 2022, the FATF added the UAE to its "grey list" of high-risk jurisdictions noting that the UAE has made significant progress in relation to anti-money laundering and counter-terrorism financing since May 2020 but was still expected to make improvements in several areas including in relation to financial crime investigations. The FATF's report released in October 2023 commended the UAE's progress in aligning with standards, highlighting substantial improvements in the anti-money laundering and counter-terrorist financing regulatory framework, and the FATF confirmed that the UAE had satisfied its action plan. On 23 February 2024, the FATF removed the UAE from the "grey list".

The UAE ranks 27 on Transparency International's Corruption Perceptions Index 2022, which ranks 180 countries in terms of their perceived level of public sector corruption. In early 2019, the UAE authorities finalised a national risk assessment shared with key stakeholders and conducted outreach programmes. The output of the national risk assessment was embedded in the UAE Central Bank's risk-based supervisory approach.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the Dubai International Financial Centre except for onshore activities which are still regulated by the UAE Central Bank. Similarly, in the Abu Dhabi Global Market in Abu Dhabi ("**ADGM**"), the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector except for onshore activities.

The UAE Central Bank has published regulations relating to non-bank financial institutions and digital payments and is working on further regulations relating to payments and fintech. A new stored value facilities regulation was issued in November 2020. Further regulations on large value and retail payments systems, and retail payment activities are in the pipeline for 2021. A new crowd lending regulation was issued in November 2020. In April 2021, the UAE Central Bank issued a SME Market Conduct Regulation to promote best practices among licensed financial institutions engaging with SMEs. The objective of the regulation is to enhance SMEs' access to financial products and services.

The UAE Central Bank has commenced work on a bank recovery and resolution framework. New consumer protection regulations were published in early 2021. Consultation on a new regulatory framework for Islamic finance in the UAE was completed in 2020 and a number of new regulations giving effect to the framework were issued in 2020.

A new corporate governance framework for banks operating in the UAE was put in place in 2019. The new Corporate Governance Regulation and accompanying Standards were published in August 2019. The framework introduces sector-wide policies in line with international best practices, such as the inclusion of independent directors in banks' boards and mandatory committees, the reinforcement of the fit-and-proper process for members of boards and senior management and the introduction of minimum disclosure requirements in banks' annual governance reports.

In 2020, the UAE Central Bank developed a FinTech strategy to underpin the Federal government's drive to establish the UAE as a leading global FinTech hub. The strategy aims to stimulate innovation and collaboration within a culture of robust risk management. To ensure effective FinTech strategy implementation, the UAE Central Bank has launched a dedicated FinTech office and initiatives including the development of a common FinTech regulatory framework, the establishment of co-sandboxing arrangements among regulatory authorities to facilitate faster technological developments and streamline regulatory approval processes, the development of an electronic know your customer protocol to enable non-face-to-face and digital onboarding processes, the implementation of a distributed ledger technology based trade finance platform to reduce the risk of trade fraud and the creation of a FinTech talent development programme. In 2014, the UAE's first bitcoin exchanged launched in Dubai and, in July 2021, it was announced that the UAE Central Bank had an interest in issuing a central bank digital currency (the "**CBDC**"). The launch of the CBDC was announced a part of the UAE Central Banks' 2023-2026 strategy. The UAE Central Bank also intends to promote digital transformation in the UAE's financial services sector and increase financial inclusion through the use of digital IDs and artificial intelligence to improve monitoring and compliance.

Since 1999, regulated banks in the UAE have been required to report in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

### ***Characteristics of the Banking System***

The UAE banks are predominantly focused on the domestic market. With much of the economy directly or indirectly dependent on the oil sector, the UAE banks are vulnerable during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity. There is a high degree of state involvement in the UAE banking sector, with the five-largest banks having some degree of ownership by the governments and/or ruling families of individual emirates.

Additionally, a number of banks have developed in the Islamic world, including in the UAE, to serve customers who wish to observe *Shari'a* principles, including the prohibition on the charging of interest on any financial transaction. These institutions offer a range of products, which broadly correspond to conventional banking transactions but are structured to ensure that all relevant *Shari'a* principles are complied with. The principal Sharjah based Islamic bank is SIB.

### ***Anti-Money Laundering Legislation and Measures***

The UAE takes an active part in the fight against money laundering and the financing of terrorism. The crimes of money laundering and financing of terrorism and the financing of illegal organisations are covered under federal criminal statutes and the federal penal code. Federal legislation and the implementation of regulations to combat these crimes are in force throughout the UAE, including the Financial and Commercial Free Zones and their implementation and enforcement are the responsibility of the relevant regulatory and supervisory authorities in either the federal or local jurisdictions.

The principal AML and CFT legislation within the UAE is *Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combatting the Financing of Terrorism and Financing of Illegal Organisations* and implementing regulation, Cabinet Decision No. (10) of 2019 Concerning the Implementing Regulation of Decree Law No. (20) of 2018 *On Anti-Money Laundering and Combatting the Financing of Terrorism and Illegal Organisations*. The legislative and regulatory framework of the UAE is part of a larger international AML/CFT Legislative and regulatory framework made up of a system of intergovernmental legislative bodies and international and regional regulatory organisations.

In 2019, the Supervisory Authorities of the UAE published Anti-Money Laundering and Combatting the Financing of Terrorism and the Financing of Illegal Organisations for Financial Institutions ("**Guidelines**"), to provide guidance and assistance to supervised financial institutions such as the Central Bank of the UAE and aid their understanding and long-term effective performance of their statutory obligations under the legal and regulatory framework in force in the UAE. These Guidelines do not constitute additional legislation or regulation and are not intended to set legal, regulatory or judicial precedent. They are intended instead to be read in conjunction with the relevant laws, cabinet decisions, regulations and regulatory rulings which are currently in force in the UAE and their respective Free Zones. The Guidelines apply to all financial institutions established and/or operating in the UAE and their respective Financial and Commercial Free Zones, whether they establish or maintain a business relationship with a customer, or engage in any of the financial activities and /or transactions or the trade and/or business activities outlined in Articles (2) and (3) of Cabinet Decision No. (10) of 2019 Concerning the Implementing Regulation of Decree Law No. (20) of 2019 on Anti-Money Laundering and Combatting the Financing of Terrorism and Illegal Organisations. These guidelines are also applicable to the members of these financial institutions' boards of directors, management and employees.

Specifically, they are applicable to all such natural and legal persons in the following categories:

- Banks, finance companies, exchange houses, money service business (including *hawaladar* or other monetary value transfer services);
- Insurance companies, agencies and brokers;
- Securities and commodities brokers, dealers, advisers, investment managers; and
- Other financial institutions not mentioned above.



## Structure of the Banking System

Banking institutions in the UAE fall into a number of categories, as defined by the 1980 Law. As at 31 December 2022, there were 21 commercial banks classified as domestic banks, also known as "national" banks. These domestic banks are required to be public shareholding companies with a minimum share capital of AED 40 million and they held 88.0 per cent. of the UAE's total banking assets as at 31 December 2022.

Licensed foreign commercial banks, of which there were 39 as at 31 December 2022, need to demonstrate that at least AED 40 million has been allocated as capital funds for their operations in the UAE. The 1980 Law also licenses financial institutions (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities but are not permitted to accept funds in the form of deposits), investment banks (institutions which may not accept deposits with maturities of less than two years but which may borrow from their head office or other banks and the financial markets) and financial and monetary intermediaries (money and stock brokers).

## Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009, by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier I capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent. Banks in the UAE are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

The following table sets out the capital adequacy ratio of all UAE national banks for each of the periods presented.

	As at 31 December					As at 30
	2018	2019	2020	2021	2022	June
	(%)					
Total capital adequacy ratio.....	17.5	17.7	18.2	17.2	17.4	18.2
Tier I capital adequacy ratio.....	16.2	16.5	17.1	16.1	16.2	17.0

Source: UAE Central Bank

As at 30 June 2023, the total capital adequacy ratio of all UAE national banks was 18.2 per cent. and the tier I capital adequacy ratio was 17.0 per cent.

The Basel Committee on Banking Supervision (the "**Basel Committee**") has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and 13 January 2011, the Basel Committee issued the Basel III Reforms, constituting guidance on the eligibility criteria for Tier I and Tier II capital instruments as part of a package of new capital and liquidity

requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions ("**Basel III**").

Basel III does not replace Basel II, rather, it implements a series of modifications to the existing regulatory structure.

Basel III increases the quantity and quality of the regulatory capital banks are required to hold. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit and market exposures arising from certain assets and transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity. The most significant features of the reforms introduced by Basel III are as follows:

#### *Capital base*

Between 2013 and 2019, the common equity component of capital (known as Core Tier I) increased from 2 per cent. of a bank's risk-weighted assets before certain regulatory deductions to 4.5 per cent. after such deductions. In addition, a new capital conservation buffer was introduced, as well as a zero to 2.5 per cent. counter-cyclical capital buffer. As a result, the overall capital requirement (Tier I and Tier II) increased from 8 per cent. at the Basel II baseline to 10.5 per cent. by 2019 with full Basel III implementation.

#### *Common equity*

Common equity will continue to form the basis of Tier I capital, but other hybrid capital instruments permitted under Basel II will be replaced with instruments that are more loss absorbing and do not have incentives to redeem. Non-qualifying instruments issued on or after 12 September 2010 were derecognised in full from 1 January 2013; certain other instruments issued prior to 12 September 2010 which qualified as Tier I capital under Basel II but do not so qualify under Basel III, consisting of, among other instruments, perpetual non-cumulative preference shares, will be gradually derecognised at a rate of 10 per cent. per year from 2013 to 2023.

#### *Capital charges*

Increased capital charges will be introduced with respect to re-securitisation exposures and certain liquidity commitments held in the banking book will require more capital. With respect to a bank's trading books, more robust risk assessment methodologies will be utilised to value assets and increased counterparty and market risk charges will be assessed for exposure to other financial institutions and securitised assets.

#### *Leverage ratio*

A minimum 3 per cent. leverage ratio, measured against a bank's gross (and not risk-weighted) balance sheet, was adopted on a trial basis until 2018 and definitively adopted in 2019.

#### *Liquidity standards*

A "liquidity coverage ratio" requiring high-quality liquid assets to equal or exceed certain cash outflows was adopted in 2015, thereby ensuring that a bank has sufficient high-quality liquid assets to survive a one-month period of market stress. In addition, a "net stable funding ratio" requiring "available" stable funding sources to equal or exceed "required" stable funding was adopted in 2018, thereby ensuring that a bank has access to capital or high-quality funding to survive a one-year period of market stress.

The UAE Central Bank issued guidelines on the implementation of Basel III in July 2012 under the heading "Liquidity Regulations at Banks" (see "*Liquidity*" below for further details). Since then, the UAE Central Bank has been preparing local institutions for the implementation of the Basel III standards. In addition, on 23 February 2017, the UAE Central Bank published the "Regulations re Capital Adequacy" (the "**February 2017 Regulations**") in the Official Gazette issue 612, which became effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements. The February 2017 Regulations are supported by accompanying standards (the "**Accompanying Standards**") which were published by the UAE Central Bank on 17 January 2018 in its Circular No. 28/2018 entitled "Standard re Capital Supply" and were expressed to be effective from 31 December 2017. The Accompanying Standards elaborate on the supervisory expectations of the UAE Central Bank, as set out in the February 2017 Regulations, with

respect to the relevant Basel III capital adequacy requirements and how they will be applied by the UAE Central Bank to banks in the UAE.

In November 2020, the UAE Central Bank issued the "Regulations re Capital Adequacy" standards (the "**November 2020 Regulations**"). The following standards of the November 2020 Regulations are effective as of August 2021: Tier Capital Supply, Tier Capital Instruments, Pillar 2 - ICAAP, Credit Risk, Market Risk and Operational Risk.

The standards on credit risk, market risk, operational risk and other remaining capital standards were initially issued on 7 January 2020 and were supposed to become effective on 30 June 2020 but were postponed due to COVID-19. The UAE Central Bank decided to implement the remaining capital standards in a phased-in approach instead, starting with the standards on credit, market and operational risk, which became effective in the second quarter of 2021 (phase 1). The standards on counterparty credit risk, equity investment in funds, securitisations, leverage ratio and Pillar 3 (except for credit value adjustment ("CVA")) became effective in the fourth quarter of 2021 (phase 2). The remaining standard on CVA and Pillar 3 for CVA became effective from 30 June 2022.

As part of the TESS, banks in the UAE were able to utilise 100 per cent. of their domestic systemically important bank buffer and 60 per cent. of their capital conservation buffer without supervisory consequences until 31 December 2021. In addition, the UAE Central Bank is allowing banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter allows any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five-year period until 31 December 2024.

### **Liquidity**

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies based in the UAE. According to preliminary data made available by the UAE Central Bank, resident deposits constituted approximately 90.4 per cent. of total deposits of the UAE bank deposits (excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements) as at 31 December 2022 and 91.1 per cent. of total deposits as at 30 June 2023. Of these, government and GRE deposits constituted approximately 29.5 per cent. of total resident deposits as at 30 June 2023 (excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements).

In line with Basel III requirements, the UAE Central Bank has issued UAE Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the "**Liquidity Notice**") which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which are intended to apply until the Basel III LCR and NSFR (each as defined in the table below) come into effect. These include the following:

	<b>Ratio</b>	<b>Applicability Period</b>
Interim ratios:	Liquid Asset Ratio (LAR $\geq$ 10%)	1 January 2013 – 30 June 2015
	Eligible Liquid Assets Ratio (ELAR $\geq$ 10%)	1 July 2015 – December 2017

	<b>Ratio</b>	<b>Applicability Period</b>
	Advances to Stable Resources Ratio (ASRR < 100%)	1 June 2013 – December 2017
Basel III ratios:	Liquidity Coverage Ratio (LCR > 100%)	January 2018 onwards
	Net Stable Funding Ratio (NSFR < 100%)	January 2018 onwards

The liquid asset ratio (the "**LAR**") was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the eligible liquid assets ratio (the "**ELAR**"). Under the ELAR, UAE banks are required to hold an amount equivalent to at least 10 per cent. of their liabilities in high-quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also includes the option for UAE banks to apply to the UAE Central Bank to move to assessment of bank liquidity as against the LCR, in addition to the ELAR, with effect from 1 January 2016. Any UAE banks taking up this option were required to comply only with the ELAR until 1 January 2016, after which date they are required to move to a dual-compliance regime as to liquidity as against the ELAR and the LCR (subject to receipt of UAE Central Bank approval).

The liquidity coverage ratio (the "**LCR**") represents a 30-day stress scenario with combined assumptions covering both bank-specific and market-wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30-day stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with high quality liquid assets at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail high quality liquid assets for this purpose.

The advances to stable resources ratio (the "**ASRR**") is an interim ratio that recognises both the actual uses as well as the likely uses of funds in terms of contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

The net stable funding ratio (the "**NSFR**") is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE bank's contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding ("**ASF**") factors to the sources of funds and required stable funding (usage) factors to asset classes and off-balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III NSFR standard.

### **Provisions for Loan Losses**

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss, depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the UAE Central Bank on 11 November 2010, all banks in the UAE were required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

The table below shows the non-performing loans ratio and the net non-performing loans ratio for the years indicated.

	<b>For the year ended 31 December</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
			(%)		
Non-performing loans ratio .....	5.3	6.0	7.6	7.3	6.6
Net non-performing loans ratio .....	1.6	2.3	3.1	2.8	2.6

\* Presented in compliance with the latest Financial Soundness Indicators Compilation Guide (2019 FSI Guide) issued by the IMF.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

### ***Large Exposures***

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits.

On 11 November 2013, the Central Bank published Central Bank Notice No. 32/2013 on large exposures (the "**Large Exposure Notice**") amending certain existing large exposure limits imposed by the Central Bank. The Large Exposure Notice was then replaced by the Large Exposures Regulation introduced by the Central Bank on 22 May 2023. Exposures above limits imposed by the Large Exposures Regulation are subject to approval by the Central Bank. Set out below is a table showing a summary of the limits under the Large Exposures Regulation (defined as a percentage of the bank's capital base calculated under Basel II):

	<b>Cap as percentage of capital base</b>	
	<b>Individual</b>	<b>Aggregate</b>
UAE federal government	Not applicable	Not applicable
Foreign sovereigns rated at least AA-	Not applicable	Not applicable
UAE local governments	Not applicable	150%
Non-commercial entities of UAE local governments	25%	150%
Commercial entities of UAE federal government and UAE local government	25%	100%
Self-sustainable commercial entities of UAE federal and local governments	25%	Not applicable
A single borrower or a group of related borrowers	25%	Not applicable
Shareholders who own 5 per cent. or more of the bank's capital and their related entities	20%	50%
Globally systemic bank exposure to another globally systemic bank	15%	Not applicable
UAE incorporated bank's exposure to its foreign branches	Not applicable	30%

## Cap as percentage of capital base

	Individual	Aggregate
Exposure to bank's non-bank subsidiaries and affiliates	10%	25%
Board members	5%	25%

### *Mortgage Cap Regulation and Consumer Loan Regulation*

The UAE Central Bank introduced regulations regarding bank loans and other services offered to individual customers by way of a circular dated 23 February 2011 the ("**Retail Circular**") on retail banking and notice no. 31/2013 dated 28 October 2013 (which was published in the UAE official gazette (the "**Official Gazette**") on 28 November 2013 and entered into force on 28 December 2013) (the "**Mortgage Regulations**"). These regulations, amongst other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products such as residential mortgage loans. For example, the Retail Circular requires that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months.

The Mortgage Regulations, which supersede UAE Central Bank notice no. 3871/2012 dated 30 December 2012, provide that the amount of mortgage loans for non-nationals should not exceed 75 per cent. of the property value for a first purchase of a home with a value of less than AED 5 million and, for a first purchase of a home with a value greater than AED 5 million, should not exceed 65 per cent. of the property value. For the purchase of a second or subsequent home, the limit for non-nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for UAE nationals are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

On 12 December 2021, the Central Bank signed a memorandum of understanding with the Central Bank of Iraq to enhance co-operation in banking supervision and set out an enhanced framework to supervise bank exposures to the real estate sector. The new standards cover all types of on-balance-sheet loans and investments and all off-balance-sheet exposures to the real estate sector and entered into effect on 31 December 2021, starting with a one-year observation period.

On 4 May 2022, the UAE Central Bank announced that it would increase its base rate by 50 basis points to 2.25 per cent. effective 5 May 2022 in response to inflationary pressures. On 15 June 2022, the UAE Central Bank announced that it decided to raise its base rate by 75 basis points effective from 16 June 2022. This decision was taken following the United States Federal Reserve Board's announcement on 15 June 2022 to increase the interest on reserve balances by 75 basis points. In February 2023, the UAE increased its base rate by a further 25 basis points. The most recent rate increase was in May 2023 when the UAE Central Bank announced that it would raise the base rate by 25 basis points to 5.15 per cent. from 4.90 per cent. The decision followed the United States Federal Reserve Board's announcement to increase interest rates by a quarter of a percentage point. In July 2023, the United States Federal Reserve Board announced another interest rate increase, increasing to base rate to 5.25 per cent. As a result, the UAE Central Bank also increased its base rate to 5.4 per cent. in July 2023.

In July 2023, in order to reduce the burden of higher interest rates on home loans for UAE nationals, the UAE Central Bank implemented a number of measures, which included, among others, the extension of the mortgage repayment period tenor and a cap of 50 per cent. of income to customer payments.

### *Reserve Requirements*

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

### ***Position of Depositors***

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the Federal Government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

### ***Establishment of a Credit Bureau in the UAE***

Al Etihad Credit Bureau ("**AECB**") is a Federal Government company specialised in providing UAE based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations.

### ***Federal Debt Management***

In October 2018, UAE Federal Law No. 9 of 2018 Concerning Public Debt (Public Debt Law) was issued. The Public Debt Law permits the UAE Federal Government to issue sovereign debt through the sale of bonds or other debt instruments, which is intended to support the UAE Central Bank in liquidity management in the UAE banking system and is intended to help the UAE banking sector meet international liquidity rules. The Public Debt Law further established that the total amount of outstanding UAE federal public debt shall not, at any time, exceed the amount determined by the cabinet, at maximum of 250 per cent. of the Federal Government's own stable revenue. In addition, the Public Debt Law is intended to enable banks operating in the UAE to purchase government bonds in AED or foreign currencies, which is intended to help them comply with Basel III requirements. The Public Debt Law also expressly permits the UAE Federal Government to provide guarantees on behalf of federal government authorities and corporations which are wholly owned by the UAE Federal Government. Public debt that can be allocated for infrastructure projects cannot exceed 15 per cent. of the total outstanding public debt at any time.

The Public Debt Law establishes a federal Public Debt Management Office, which will have various support roles within the UAE Ministry of Finance, including the following:

- responsibility for proposing public debt management strategies and policies in coordination with the UAE Central Bank, implementing the strategies and policies approved by the Cabinet, and providing recommendations on issuance of public debt instruments;
- monitoring financial risks as well as other risks associated with issuing and trading any public debt instruments, and proposing solutions to manage and control these risks;
- advising the Minister of Finance on investments involving any public debt surplus, identifying risk levels on borrowing or issuing any guarantees for government projects as well as playing an important role in the development of policies and procedures created to manage and reduce risks in the public debt portfolio;
- working closely with the UAE Central Bank with regard to the management of the issuance and sale operations of government bonds, treasury bills, and any other public debt instruments;
- setting short and long-term objectives for the UAE's public debt management;
- issuing reports on the management and implementation of public debt;
- preparing the annual debt issuance plan; and
- coordinating with local governments in each emirate to support and develop a highly efficient primary and secondary financial market by issuing public debt instruments in the state, in which each local government shall establish a public debt office if local public debt instruments are issued.

Decretal Law No. 11 of 2021 on Issuing Foreign Public Debt of the Federal Government further authorises the Minister of Finance to determine the purposes and terms of foreign public debt to be issued in accordance with the public debt strategy of the Federal Government approved by the Cabinet for the years 2021-2023 (the "**Public Debt Strategy**").

### **Insurance**

The insurance sector plays an important role in the UAE economy, not only through its direct contribution to the economy but also by facilitating the operation of other sectors such as logistics, services, health and transport. The investment of premiums by the insurance sector in the UAE economy supports economic development and maintains positive competitiveness between insurance companies.

The insurance sector in the UAE was originally overseen by the Insurance Authority, which was established by Federal Law No. 6 of 2007 Regarding the Establishment of the Insurance Authority and Regulation of Insurance Operations (the "**Insurance Law**") as an independent authority with responsibility to organise and regulate the UAE insurance sector and to ensure implementation of international best standards in the insurance market and to monitor the solvency of insurance companies by applying laws and regulations aimed at protecting the rights of the beneficiaries of insurance policies. In September 2019, the Ministry of Justice issued a resolution forming a committee to investigate the potential merger of the Insurance Authority into the SCA, to form a single financial services regulator. The committee was responsible for identifying the implications of the merger and submitting its recommendations to the Cabinet, along with the proposed legislation. The merger between the two took place in July 2020.

In October 2020, the powers and responsibilities of the Insurance Authority were assumed by the UAE Central Bank. The UAE Central Bank now has the power to regulate and supervise the insurance sector as well as propose and implement legislation to regulate it. The UAE Central Bank is responsible for protecting the rights of the insured and monitoring the solvency of the UAE's insurance companies.

As at 31 December 2022, there were 62 insurance companies operating in the UAE (comprising 23 national insurance companies, 23 national takaful insurance companies and 27 foreign insurance companies), with 491 total related insurance professions, including 168 insurance broker companies, 29 insurance agents companies, 51 insurance consultants, 136 loss and damage adjusters, 74 actuaries, 20 third-party administrators and 13 insurance policies price comparison websites.

The following table sets out the UAE total written premiums by value for each of the years 2018 to 2022:

	<b>As at 31 December</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(AED Millions)</i>				
General insurance premiums .....	31,748	32,526	32,166	32,940	37,282
Life insurance premiums .....	11,971	11,495	10,331	11,377	10,140
Total premiums .....	<u>43,718</u>	<u>44,021</u>	<u>42,497</u>	<u>44,317</u>	<u>47,422</u>

*Source: UAE Central Bank*

According to the UAE Central Bank, gross written premiums increased by 6.5 per cent. in 2022 to AED 47.2 billion in 2022 based on preliminary estimates. Gross written premiums amounted to AED 44.6 billion in 2021, an increase of 4.9 per cent. compared to AED 42.5 billion in 2020. Gross written premiums of all types of insurance amounted to AED 44.0 billion in 2019.

There is an absence of published statistical data on the insurance sector in Sharjah. Al-Buhaira National Insurance Company is a public shareholding company incorporated in the Emirate and is listed on the ADX. It undertakes several classes of insurance business, including life insurance, saving and accumulation of funds. In addition to its head office, Al-Buhaira National Insurance Company has two further branches located in Abu Dhabi and Dubai.

### **Shari'a compliance**

The Federal Law No. 14 of 2018 entered into force with effect from 23 September 2018 and requires financial institutions licensed by the UAE Central Bank to operate their business activities in compliance with the rules, standards and general principles established by the Higher Shari'a Authority and, in certain



circumstances, requires such financial institutions to obtain the consent of the Higher Shari'a Authority before undertaking certain licensed financial activities.

### **Capital Markets**

The capital markets in the UAE are regulated by a number of entities including the Securities and Commodities Authority (the "**SCA**"), which licenses intermediaries to trade on the Dubai Financial Market (the "**DFM**") and the Abu Dhabi Securities Exchange ("**ADX**"). The SCA is a Federal Government organisation but has financial, legal and administrative independence.

The other significant stock exchange in the UAE is Nasdaq Dubai (formerly known as the Dubai International Financial Exchange or DIFX) which commenced operations in September 2005 and, as an entity based in the DIFC, is separately regulated by the DFSA.

On 1 June 2014, the UAE was included in MSCI Inc.'s ("**MSCI**") Emerging Markets Index which captures large and mid-cap representation across 26 emerging market countries. The MSCI Emerging Markets Index is based on the MSCI Global Investable Indexed Methodology – a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation size, sector and style segments and combinations.

In May 2018, the SCA issued Chairman Decision No. 20/R.M. of 2018 on the Offering or Issuance of Islamic Securities (the "**ISRs**"), in order to add an additional layer of disclosure and transparency to the UAE's sukuk market and strengthen investor protection. The ISRs apply to (i) domestic issuers of Shari'a-compliant securities seeking to offer those securities either within or outside the UAE, and (ii) foreign issuers of certain Shari'a-compliant securities seeking to offer those securities into the UAE. The ISRs outline a number of key disclosure requirements that must be included in the offering document, a number of specific requirements in respect of the fatwa as well as the continuing obligations that apply to Shari'a-compliant securities, including the provision of an annual Shari'a report.

Between 2019 and 2022, the SCA introduced a number of new rules including, among others, allowing UAE public joint stock companies to use technology to streamline governance procedures, including enabling shareholders to attend and vote in general meetings electronically and allowing public joint stock companies to call general meetings using text messages or emails, new fund passporting rules and rules related to the listing of Special Purpose Acquisition Companies ("**SPACs**") in the UAE.

In addition, there has been a significant increase in volume for initial public offerings in the UAE since the start of 2022.

### **Dubai Financial Market**

The DFM, which is now, along with Nasdaq Dubai, owned by Borse Dubai, was established by the Government of Dubai in 2000 as an independent entity and operates as a market for the listing and trading of shares, bonds and investment units issued by companies, investment funds and other local or foreign financial institutions that conform to its listing requirements.

The following table sets out the number of traded shares, the value of traded shares, and the number of executed transactions on the DFM and the closing price of the DFM Index as at 31 December for the years indicated.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Number of traded shares (billions) .....	40.0	65.5	50	38.5
Value of traded shares (AED billions).....	53.1	65.6	72.3	90
Number of trades (millions) .....	0.6	1.0	0.8	1.4
Market capitalisation (AED billions).....	375.5	341.5	410	582
DFM Index year-end index closing price .....	2,765	2,492	3,196	3,336

Sources: Dubai Statistics Centre, DFM.

### **Nasdaq Dubai**

Nasdaq Dubai (formerly known as the Dubai International Financial Exchange or DIFX) commenced operations in September 2005. On 22 December 2009, DFM announced that it had made an offer to Borse Dubai Limited and the NASDAQ OMX Group to acquire Nasdaq Dubai. The offer was valued at U.S.\$121

million and comprised U.S.\$102 million in cash and 40 million DFM shares. The merger was approved by Borse Dubai Limited and the OMX Group and was completed on 11 July 2010. Subsequent to the transaction, both Nasdaq Dubai and DFM are operating as two distinct markets that are subject to different regulatory frameworks. Nasdaq Dubai is regulated by the Dubai Financial Services Authority and the DFM is regulated by the SCA.

Nasdaq Dubai's standards are comparable to those of leading international exchanges in New York, London and Hong Kong. Nasdaq Dubai allows regional and international issuers access to regional and international investors through primary or dual listings. Investors can access Nasdaq Dubai through a unique mix of regional and international brokers.

Nasdaq Dubai currently lists equities, equity derivatives, Dubai gold securities, structured products, sukuk and conventional bonds.

The following table sets out the number of traded shares, the value of traded shares and the number of executed transactions on Nasdaq Dubai, the market capitalisation of Nasdaq Dubai and the closing price as at 31 December of the FTSE Nasdaq Dubai UAE 20 Index (which tracks 20 liquid stocks listed on the DFM, the Abu Dhabi Securities Exchange and Nasdaq Dubai) for the years indicated:

	<b>For the year ended 31 December</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Trading volume (millions).....	165	151	189	35	47
Trading value (AED millions).....	4,234	5,921	5,746	78,057	42,432
Number of transactions .....	26,882	40,724	16,345	1,518	985
Market capitalisation (AED millions) .....	57,496	44,220	3,436	2,990	2,526
FTSE Nasdaq Dubai UAE 20 year-end closing price....	3,074	3,184	3,062	4,285	3,989

Sources: Dubai Statistics Centre, Nasdaq Dubai

## PUBLIC FINANCE

### Government Finance

#### *Government Budget and Financial Information*

The Government sector in Sharjah is defined as consisting of entities known in Sharjah as centralised departments. The wider public sector in Sharjah consists of independent authorities which are wholly or majority publicly-owned (see "*Description of the Emirate of Sharjah — Relationship between the UAE Constitution and Sharjah — The Government*" above for further details).

The centralised departments of the Government negotiate their individual budgets with the Finance Department on an annual basis, with the final budgets being approved by Sharjah Executive Council and H.H. The Ruler. The budget-setting arrangements for independent authorities vary from entity-to-entity, depending on their constitutional documents and established practice. All centralised department revenues flow to accounts managed by the Finance Department on behalf of the Government and are used to fund the Government's expenditure. The Finance Department controls the expenditure of centralised departments on a detailed, line-by-line basis, to ensure consistency with the budget.

Major project expenditure and a number of "non-departmental" items, such as debt servicing and grant schemes are also managed centrally by the Finance Department, rather than through departmental budgets.

Decentralised departments and independent authorities may, depending on their financial circumstances, receive financial support from the Government in the form of grants, free land allocations, the assumption of certain payment obligations or loans from the Government. Alternatively, if they are cash-generating, these entities may be required to make dividend-like payments to the Government.

#### *Government Consolidated Accounts*

The Government does not prepare consolidated annual or quarterly accounts.

#### *Government Cash Flow Analysis*

The Government regularly prepares detailed cash flow statements to centrally control and report its liquidity and payment commitments. The table below sets out the detailed cash flow statements for the years indicated, excluding debt financing.

Each area of the Emirate of Sharjah has a Municipality authority, which is responsible for providing local services. There are nine Municipality authorities, of which Sharjah City Municipality is the largest. These Municipality authorities were in the past considered independent authorities and not consolidated into the Government budget. However, since 2016, the Municipalities have been treated as centralised departments, and have been consolidated. This change is reflected in the tables below.

	For the year ended 31 December					
	2019	2020	2021	2022	2023 <sup>(b)</sup>	2024 <sup>(b)</sup>
	<i>(AED millions)</i>					
<b>Cash Inflows</b>						
Department of Customs .....	894	717	790	799	832	800
Economic Development Department .....	817	657	785	894	801	970
Sharjah Police .....	988	825	893	866	834	930
Town Planning Department .....	85	112	75	94	80	90
Directorate of Public Works .....	3	221	—	—	—	—
Roads and Transport Authority .....	874	681	676	558	619	533
Sharjah Municipality.....	1,292	1,070	1,213	1,337	1,480	1,834
Other Municipalities and other departmental revenues .....	750	594	670	987	1,716	952
New revenue initiatives.....	-	-	-	-	-	1,200
Oil, gas and LPG.....	567	76	368	1,853	1,200	1,200
Land sales .....	67	179	514	331	1,600	1,600
Bank tax.....	56	68	58	38	60	60
VAT receipts.....	2,795	1,404	1,790	1,920	2,139	2,298
Shares/Dividends .....	200	75	30	143	100	100
Transfer from GREs, and other revenues .....	1,050	1,303	205	230	700	875
Increase in Sharjah Social Security Fund.....	1,085	944	845	945	948	1,200
<b>Total Cash Inflows .....</b>	<b>11,523</b>	<b>8,705</b>	<b>8,912</b>	<b>10,957</b>	<b>13,050</b>	<b>14,642</b>

	For the year ended 31 December					
	2019	2020	2021	2022	2023 <sup>(b)</sup>	2024 <sup>(b)</sup>
	(AED millions)					
<b>Cash Expenditure</b>						
<b>Departmental expenditure</b>						
Police .....	(1,476)	(1,506)	(1,606)	(1,735)	(1,617)	(2,695)
Roads and Transport Authority .....	(320)	(295)	(340)	(384)	(516)	(536)
Social Services .....	(600)	(661)	(684)	(741)	(728)	(843)
Culture and Information .....	(201)	(178)	(165)	(203)	(217)	(228)
Media/TV .....	(447)	(585)	(466)	(489)	(522)	(559)
Customs .....	(323)	(332)	(343)	(376)	(398)	(432)
Sports Council .....	(564)	(563)	(601)	(646)	(633)	(698)
Town Planning .....	(208)	(210)	(210)	(221)	(246)	(262)
Al Diwan Al Amiri, Sharjah .....	(165)	(137)	(164)	(183)	(104)	(109)
Museums .....	(178)	(172)	(181)	(191)	(201)	(207)
Economic Development .....	(208)	(213)	(214)	(229)	(254)	(273)
Islamic Affairs and Awqaf .....	(155)	(162)	(167)	(175)	(185)	(196)
e-Government .....	(111)	(124)	(120)	(118)	(211)	(262)
Public Works .....	(101)	(101)	(105)	(109)	(123)	(138)
Police Sciences Academy .....	(107)	(109)	(123)	(133)	(150)	(159)
Sharjah Municipality .....	(1,252)	(1,314)	(1,362)	(1,637)	(1,721)	(1,788)
Other Municipalities .....	(772)	(820)	(880)	(1,030)	(1,100)	(1,246)
Other departmental expenditures .....	(2,353)	(2,092)	(2,496)	(3,040)	(3,293)	(3,889)
Forecast departmental underspend .....	—	—	—	—	600	800
<b>Total departmental expenditures .....</b>	<b>(9,541)</b>	<b>(9,574)</b>	<b>(10,227)</b>	<b>(11,640)</b>	<b>(11,619)</b>	<b>(13,720)</b>
<b>Central expenditure</b>						
Payments toward capital projects .....	(4,252)	(2,604)	(5,838)	3,700	(3,000)	(1,533)
Debt Interest .....	(1,282)	(1,371)	(1,750)	2,257	(3,889)	(4,645)
Capital injection to Sharjah Asset Management .....	—	(918)	—	—	—	—
Invest Bank .....	—	—	—	—	(240)	(240)
Subsidies, Grants and Central Spending .....	(2,527)	(2,023)	(1,814)	(2,070)	(2,702)	(2,914)
<b>Total expenditures .....</b>	<b>(17,602)</b>	<b>(16,490)</b>	<b>(19,629)</b>	<b>(19,666)</b>	<b>(21,449)</b>	<b>(23,052)</b>

Source: Sharjah Finance Department

<sup>(b)</sup>: Sharjah Finance Department budget data and does not reflect actual results.

Total cash inflows decreased from AED 11.5 billion in 2019 to AED 8.7 billion in 2020, primarily as a result of the impact of the COVID-19 pandemic and associated policy response measures, which curtailed economic activity and reduced a number of revenue items. Total cash inflows increased to AED 8.9 billion in 2021 as the economy began to recover from the impact of COVID-19.

The Government's revenues for 2022 increased to AED 11.0 billion, primarily as a result of higher departmental revenues, an increase in transfers from GREs and a sharp rise in oil, gas and LPG revenues.

The Government budgeted for revenues to increase in 2023 to AED 13.1 billion, primarily as a result of expected increases from customs, roads and transport, municipalities, land sales and transfers from GREs.

The Government's other municipalities and other departmental revenues for 2023 was budgeted at AED 1.7 billion, compared to AED 1.0 billion in 2022. This increase reflects new departmental revenue measures, which include revised sewerage fees, new waste collection fees and the expansion of car license plate auctioning. Revenues from other municipalities and other departmental revenues is expected to decrease to AED 1.0 billion in 2024, reflecting the separate reporting of expected revenue from the policy changes described in the Fiscal Plan under the heading "New revenue initiatives".

The Government has budgeted for revenues to increase by 12.2 per cent. from AED 13.1 billion in 2023 to AED 14.6 billion in 2024, primarily due to expected increases in most departments, partially offset by lower budgeted revenues for the customs department and the road and transport authority.

Cash inflows from oil, gas and LPG decreased from AED 567 million in 2019 to AED 76 million in 2020 and AED 368 million in 2021, reflecting lower production quantities and the fall in hydrocarbon prices (in the case of 2021). Cash inflows from oil, gas and LPG were AED 1,853 million in 2022 and were budgeted at AED 1,200 million in each of 2023 and 2024, reflecting the higher market price of hydrocarbons in 2023, potential growth in production volumes and the expectation that prices will be stable in 2024.

Cash inflows from land sales tend to be volatile since they consist of a small number of large payments related to release of land by the Government for project development. (See "*Description of the Emirate of Sharjah — Relationship between the UAE Constitution and Sharjah — COVID-19 Impact and Response measures Adopted in the UAE and Sharjah*" above). These inflows were AED 67 million in 2019 and AED 179 million in 2020. Cash inflows from land sales increased to AED 514 million in 2021 and then fell to AED 331 million in 2022. Cash inflows from land sales were budgeted at AED 1,600 million in each of 2023 and 2024.

Cash inflows from VAT receipts were AED 2,795 million in 2019, AED 1,404 million in 2020, AED 1,790 million in 2021 and AED 1,882 million in 2022, and were budgeted at AED 2,079 million in 2023 and AED 2,298 million in 2024 (including a small provision for initial receipts from corporate income tax). The lower rate of inflows of VAT receipts in 2020 and 2021 reflected the drop in economic activity in 2020, accompanied by a lag effect as the receipts moved through the system.

Cash from bank taxes amounted AED 52 million in 2018, AED 56 million in 2019, AED 68 million in 2020, AED 58 million in 2021, AED 38 million 2022 and was budgeted to be AED 60 million in 2023 and 2024.

### **Government Revenue**

Sharjah's government revenues totalled AED 8.7 billion for the year ended 31 December 2020, decreasing by AED 2.8 billion from AED 11.5 billion for the year ended 31 December 2019, representing a decrease of 24.0 per cent. Sharjah's government revenues totalled AED 8.9 billion for the year ended 31 December 2021, increasing by AED 0.2 billion from AED 8.7 billion for the year ended 31 December 2020, representing an increase of 2.4 per cent. Sharjah's government revenues totalled AED 11.0 billion for the year ended 31 December 2022, increasing by AED 2.0 billion from AED 8.9 billion for the year ended 31 December 2021, representing an increase of 22.9 per cent.

The Government has a relatively diverse (albeit narrow) revenue base. With the exception of a levy on foreign banks and hydrocarbon extraction, there is no traditional direct tax, although the Federal Government introduced a national value added tax at the rate of 5 per cent. with effect from 1 January 2018 and an excise duty on certain goods in October 2017 and has begun implementation of a corporate income tax for companies starting a financial year after June 2023. Sharjah's allocation of revenues from these indirect taxes began to be disbursed by the UAE Federal Government in 2019 leading to an increase in revenues in spite of the decrease in revenue attributable to lowered GRE transfer and land sale revenue. Prior to 2019, there were no VAT revenues and the revenues collected by the UAE Federal authorities in 2018 began to be disbursed in 2019. This beneficial tax environment provides an incentive for businesses and wage-earners to locate to the Emirate.

Licensing, fines and fees provide the majority of revenues, in particular via the Department of Customs, the Economic Development Department and Sharjah Police.

Land sales to private companies and individuals generate significant capital receipts for the Government, as well as providing a means for the Government to manage the pace and location of economic expansion. In addition, this represents an area of particular fiscal flexibility for the Government, which can choose how much land to release for sale or development in a given year, based on market conditions, development priorities and fiscal requirements.

Aggregate oil, gas and LPG revenues have been on a long-term declining path notwithstanding year-to-year fluctuations and in 2022 represented 16.9 per cent. of total cash inflows, reflecting high prices for hydrocarbons. However, such revenues are expected to represent 9.2 per cent. and 8.2 per cent. of revenues in 2023 and 2024, respectively. As such, the Emirate does not display high levels of hydrocarbon fiscal dependency. The new gas field discovered in the onshore "Mahani" site became operational in January 2021 and started generating net revenues from commercial exploitation of the reserve in 2022.

## Government Expenditure

The Government's expenditure totalled AED 19.7 billion in 2022, compared with 19.6 billion in 2021, 16.5 billion in 2020 and AED 17.6 billion in 2019. The majority of this expenditure is incurred by centralised departments, with wages and other staff costs being the largest element of such expenditure. Salary enhancements and high levels of recruitment have increased departmental spending in recent years.

Growth in departmental budgets has reflected the Government's policy priorities, with a particular focus on cultural activities (such as media/TV and culture and information) and social services.

Payments towards capital projects and other "non departmental" expenditure items are managed centrally by the Finance Department.

In addition, the Government has in the past provided significant financial support to important local companies. For example, in 2019 there was a transfer of government-guaranteed debt from a real estate developer to the Government's balance sheet which contributed to an increase in the Government's debt burden. Also, in December 2018, the Government offered to support the capital requirements of Invest Bank P.S.C. ("Invest Bank") with an injection of AED 1,115 million in exchange for a 50.07 per cent. stake in the bank. The proposal included a commitment to underwrite a subsequent rights issue by Invest Bank with up to AED 785 million, should the bank require further capital. The proposal was subsequently accepted by all parties and the initial injection was made in April 2019, giving the Government of Sharjah a 50.07 stake in Invest Bank. The second phase of capital support was completed in December 2023 and consisted of the Government participating pro rata in and underwriting the remaining portion of an issuance of new shares, and the Government issuing a guarantee of up to AED 3.0 billion against final write-offs of legacy assets over a five-year period, with the annual claims capped at AED 800 million. Following the new share issuance, the Government became the 88.11 per cent. majority shareholder in Invest Bank. Invest Bank used the proceeds of the share issuance to pay a one-off upfront fee of AED 2.6 billion to the Government in respect of the guarantee. While the 2024 budget and the projections for years 2025 to 2027 in the Fiscal Plan reflect a balanced forecast of the annual cost of the Invest Bank guarantee to the Government, there is a risk that the actual calls on the guarantee could be higher. In addition, the Government may face pressure to provide further financial support to Invest Bank in the future if the second phase of capital support does not fully meet Invest Bank's capital requirements. The Government has budgeted AED 240 million in expenditures for 2024 in relation to this capital support.

In June 2023, the Government injected AED 800 million capital into BoS, in which it was already the largest shareholder (through Sharjah Asset Management), holding 17.16 per cent. of outstanding shares, through subscribing to the issuance of new shares as a single strategic investor, thereby increasing its shareholding to 39.25 per cent. The new share issuance is designed to enhance the bank's financial position and foster future growth, by expanding total capital to AED 3 billion.

## Overall Budget Position

Government has incurred budget deficits in recent years to support its spending priorities, including capital investment, public service provision and social security.

### Government of Sharjah overall budget 2019 – 2024

	For the year ended 31 December					
	2019	2020	2021	2022	2023 <sup>(b)</sup>	2024 <sup>(b)</sup>
			<i>(AED millions)</i>			
Expenditure.....	(17,602)	(16,490)	(19,630)	(19,666)	(21,449)	(23,052)
Revenue .....	11,523	8,705	8,912	10,957	13,050	14,642
Deficit .....	(6,079)	(7,785)	(10,719)	(8,709)	(8,399)	(8,410)

<sup>(b)</sup> Budgeted and does not reflect actual results.

## Government Assets and Investments

### Government Assets – Cash and Fixed Assets

The Government does not generally hold very large amounts of cash and from time to time uses short-term working capital facilities to balance cash flow. The Government held cash and cash equivalents of AED

5,411 million as at 31 December 2023, AED 2,343 million as at 31 December 2022 and AED 3,765 million as at 31 December 2021.

The Government holds a very large stock of fixed assets, although no comprehensive valuation is available. All unallocated land in the Emirate is *de facto* the property of the Government. The Government also owns land and buildings used for government activities and public services.

### Government Investments

In addition to its ownership of decentralised departments and independent authorities, the Government has minority shareholdings in a number of private sector businesses. The table below shows the principal listed commercial enterprises in which the Government directly held a shareholding as at 31 December 2023, showing a total asset value of AED 6.5 billion. These are generally strategic investments which the Government intends to hold over the medium to long term because of their importance to the Emirate's development. No material change to this portfolio mix has occurred as at the date of this Supplement.

The Government's holdings in listed companies through SAM and SSSF and the value thereof as at 31 December 2023 was as follows (not including the Government's shares in Invest Bank, which is not currently trading):

Company Name	Market Capitalisation (AED Millions)	Sharjah Asset Management Company		SSSF		Combined Shareholding (%)	Combined Value (AED Millions)
		Shareholding (%)	Value (AED Millions)	Shareholding (%)	Value (AED Millions)		
Air Arabia.....	13,160	19.01	2,502	-	-	19.01	2,502
Bank of Sharjah Limited....	1,965	39.25	771	-	-	39.25	771
Sharjah Islamic Bank.....	7,863	28.46	2,237	9.09	715	37.55	2,952
Sharjah Cement and Industrial Development Company .....	360	16.02	58	9.09	33	25.11	90
Dana Gas .....	5,540	3.47	192	-	-	3.47	192
<b>Total Market Value of Listed Shares.....</b>	<b>28,889</b>	<b>-</b>	<b>5,760</b>	<b>-</b>	<b>748</b>	<b>-</b>	<b>6,507</b>

### Relationship with the Federal Government

There were no fiscal flows between the Government and the Federal Government in the years 2017-2023, although in 2020 the Federal Government subsequently took responsibility for collecting Value Added Tax and in 2019 began distributing to each emirate the relevant share of proceeds. Despite a lack of financial flows, the Emirate benefits significantly from a range of public services provided at the federal level including:

- basic education for UAE nationals;
- healthcare for UAE nationals;
- defence and foreign policy;
- certain UAE-wide police and civil defence initiatives; and
- postal services.

In addition, the Federal Government maintains a large public works programme, which covers, in particular, infrastructure and housing.

In 2022, total expenditures by the Federal Government amounted to AED 53,938 million compared to AED 51,964 million in 2021. Federal Government expenditure was budgeted for 2023 at AED 63,066 million.

## INDEBTEDNESS

The Government has adopted a centralised debt policy, administered by the Debt Management Office, which is a division of the Sharjah Finance Department. The DMO directly manages the borrowing of the Government. For decentralised departments and independent authorities, the DMO plays a role in coordinating all borrowing activity, advising entities on how to structure transactions and approach the market, and supporting them in commercial negotiations and the completion of legal processes. Any borrowing from these entities must be approved in advance by the DMO.

### Government Debt

The table below sets out the details of the Government's outstanding debt as at 31 December in each of the years indicated.

	For the year ended 31 December					
	2018	2019	2020*	2021	2022	2023
Gross Debt (AED millions).....	24,742	33,319	42,330	55,451	62,553	75,087
Gross Debt/GDP (%).....	20.0	26.6	34.0	42.6	45.7	n/a
Net Debt <sup>(1)</sup> (AED millions).....	22,214	30,908	40,979	51,686	60,209	69,699
Net Debt <sup>(1)</sup> /GDP (%).....	17.9	24.7	32.9	39.7	44.0	n/a

<sup>(1)</sup> Net Debt is equivalent to Gross Debt minus holdings of cash and cash equivalents.

\* 2020 data restated to include Mubadara in Government sector on a consolidated basis.

The Government's gross debt and net debt as at 31 December 2023 were AED 75,087 million and AED 69,699 million, respectively. Net debt increased by AED 9,490 million since 31 December 2022, reflecting the budget deficit financing requirement.

The Government's gross debt as at 31 December 2022 was AED 62,552 million, and the Government's net debt as at 31 December 2022 was AED 60,209 million. The increase in net debt of AED 8,523 million as compared to 31 December 2021 was lower than the approved 2022 budget, which forecast an increase of AED 9,169 million.

Of the Government's total outstanding indebtedness of AED 75,087 million as at 31 December 2023, 80 per cent. was denominated in U.S. Dollars and 20 per cent. was denominated in AED, after taking account of hedging arrangements. 46 per cent. of the total outstanding indebtedness was subject to floating interest rates, varying at regular intervals (mainly on a quarterly basis) according to certain market benchmarks, and 54 per cent. was subject to fixed interest rates until maturity.

- 9 per cent. of the Government's debt comprised borrowings from Sharjah-based banks;
- 18 per cent. of the Government's debt comprised borrowings from other UAE-based banks;
- 6 per cent. of the Government's comprised borrowings from international banks; and
- 52 per cent. of the Government's debt comprised indebtedness due under the public debt issuances.

The Government has undertaken 13 public sukuk and conventional bond issuances denominated in U.S. Dollars:

- U.S.\$750,000,000 3.764 per cent. trust certificates issued in 2014 by Sharjah Sukuk Limited due 2024;
- U.S.\$500,000,000 3.839 per cent. trust certificates issued in 2016 by Sharjah Sukuk (2) Limited due 2021 (redeemed);
- U.S.\$1,000,000,000 4.226 per cent. trust certificates issued in 2018 by Sharjah Sukuk Programme Limited under the Programme, which was subsequently increased to U.S.\$1,200,000,000 through a tap of the issuance in 2018 due 2028;



- U.S.\$1,000,000,000 3.854 per cent. trust certificates issued in 2019 by Sharjah Sukuk Programme Limited under the Programme due 2026;
- U.S.\$750,000,000 3.234 per cent. trust certificates issued in 2019 by Sharjah Sukuk Programme Limited under the Programme due 2029, which was subsequently increased to U.S.\$1,000,000,000 through a tap of the issuance in 2020;
- U.S.\$1,000,000,000 2.942 per cent. trust certificates issued in 2020 by Sharjah Sukuk Programme Limited under the Programme due 2027;
- U.S.\$1,000,000,000 4.00 per cent. notes issued in 2020 under the Global Medium Term Notes Programme due 2050;
- U.S.\$750,000,000 3.625 per cent. notes issued in 2021 under the Global Medium Term Notes Programme due 2033;
- U.S.\$500,000,000 4.375 per cent. notes issued in 2021 under the Global Medium Term Notes Programme due 2051;
- U.S.\$750,000,000 3.886 per cent. trust certificates issued in 2021 by Sharjah Sukuk Programme Limited due 2030;
- U.S.\$750,000,000 3.200 per cent. trust certificates issued in 2021 by Sharjah Sukuk Programme Limited due 2031;
- U.S.\$1,000,000,000 6.500 per cent. notes issued in 2023 under the Global Medium Term Notes Programme due 2032; and
- U.S.\$750,000,000 6.092 per cent. trust certificates issued in 2023 by Sharjah Sukuk Programme Limited under the Programme, which was subsequently increased to U.S.\$900,000,000 through a tap of the issuance in 2023 due 2034.

On 2 February 2018, the Government conducted an RMB 2,000,000,000 issuance under its onshore “panda bond” programme in the People's Republic of China. The proceeds of the issuance and ongoing coupon payment liabilities were swapped into AED. The bond was redeemed at its planned maturity date.

The maturity profile of the indebtedness outstanding on 31 December 2023 is as set out in the table below and does not include any transactions completed in 2024.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	After 2033
Principal payments ( <i>in AED millions</i> ) .....	10,295	9,378	11,005	10,014	7,563	4,802	3,289	2,764	3,673	2,755	9,549

The Government has no record of default on its indebtedness, current or past.

### Wider Public Sector Debt

The table below sets out the details of the main outstanding debt of GREs as at 31 December 2023.

	Gross Debt Outstanding	Net Debt <sup>(1)</sup>
	<i>(AED millions)</i>	
SEWA .....	13,684	13,229
Sharjah Asset Management .....	2,664	2,469
Shurooq .....	1,758	1,709
Bee'ah .....	1,227	1,435
Seaport Authority .....	392	116
Sharjah Airport Authority .....	210	85
Hamriyah Free Zone Authority .....	38	(169)
SAIF Zone .....	38	(116)
Others .....	756	(1,094)
Total .....	20,765	17,664

<sup>(1)</sup> Net Debt is equivalent to Gross Debt minus holdings of cash and cash equivalents.

Source: Finance Department

The Government does not provide blanket guarantees for the borrowing of any decentralised department or independent authority. However, the Government has guaranteed a number of individual transactions in order to help an entity to obtain the most favourable commercial terms. Requests for such guarantees are appraised by the DMO on a case-by-case basis, taking risk, pricing and strategic importance into consideration.

At the end of 2023, the total debt guaranteed by the Government was AED 372 million, for the AUS research programme and Sharjah Research, Technology and Innovation Park Free Zone. The Government has also provided payment shortfall undertakings in respect of AED 1,863 million in borrowings by Shurooq, the University of Sharjah and Sharjah Asset Management, including a new payment shortfall undertaking for an AED 600 million facility provided to Sharjah Asset Management in 2023. There were no calls in 2023 on guarantees granted by the Government.

### Total Public Sector Debts

The table below sets out the details of the total public sector outstanding debt, including the Government and GREs as at 31 December in each of the years indicated below.

	2018	2019	2020*	2021	2022	2023
Public Sector Gross Debt (AED millions).....	35,605	46,062	57,686	72,869	81,938	95,852
Public Sector Gross Debt/GDP (%) .....	28.7	36.8	46.3	56.0	59.9	n/a
Public Sector Net Debt <sup>(2)</sup> (AED millions) .....	31,053	41,652	53,937	65,840	75,124	87,363
Public Sector Net Debt <sup>(2)</sup> /GDP (%) .....	25.1	33.3	43.3	50.6	54.9	n/a

<sup>(1)</sup> GDP data for 2020 is unavailable as at the date of this Base Offering Circular.

<sup>(2)</sup> Net Debt is equivalent to Gross Debt minus holdings of cash and cash equivalents.

\* 2020 data restated to include Mubadara in Government sector on a consolidated basis.

Public sector net debt was AED 87.4 billion in 2023, AED 75.1 billion in 2022 or 54.9 per cent. of GDP in 2022, AED 65.8 billion or 50.6 per cent. of GDP in 2021, AED 53.9 billion or 43.3 per cent. of GDP in 2020, AED 41.7 billion or 33.3 per cent. of GDP in 2019, and AED 31.1 billion or 25.1 per cent. of GDP in 2018.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

### Book-entry Systems

#### DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to The Depository Trust Company System ("**DTC System**") is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org), but such information is not incorporated by reference in and does not form part of this Base Offering Circular.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the

actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

#### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective

accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

#### **Book-entry Ownership of and Payments in respect of DTC Notes**

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective principal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

#### **Transfers of Notes Represented by Registered Global Notes**

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the

other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (a "**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations nor will the Issuer, any Agent or any Dealer have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

### General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence, ordinary residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption. This summary is based upon the law as in effect on the date of this Base Offering Circular and is subject to any changes in law that might take effect after such date.

### UAE Taxation

Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Sharjah taxation in respect of payments on debt securities (including the Notes). If any such withholding or deduction is required to be, the Issuer has undertaken to gross-up any payments (subject to certain limited exceptions).

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries.

### U.S. Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with purchasers of Registered Notes that are U.S. Holders, acquire such Registered Notes at initial issuance and will hold the Registered Notes as capital assets (generally, property held for investment).

The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Notes through pass-through entities; (viii) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (ix) U.S. Holders that have a functional currency other than the U.S. Dollar; (x) persons required to accelerate the recognition of any item of gross income with respect to the Notes as a result of such income being recognised on an applicable financial statement; and (xi) U.S. expatriates and former long-term residents of the United States) all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, Medicare contribution tax on net investment income considerations, or non-U.S., state or local tax considerations.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Registered Notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or any state thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership (or any other entity or arrangement treated as fiscally transparent for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Notes.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986 (the "**Code**") its legislative history, existing and proposed regulations promulgated thereunder, published

rulings and court decisions, all as currently in effect where applicable and all of which are subject to change at any time, possibly with retroactive effect. No rulings have been or will be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the matters discussed below, and no assurance can be given that the views of the IRS or a court with respect to those matters will not differ from those described below.

**INVESTORS SHOULD CONSULT THEIR TAX ADVISERS TO DETERMINE THE TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF REGISTERED NOTES, INCLUDING THE APPLICATION TO THEIR PARTICULAR SITUATION OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW.**

The Issuer generally intends to treat Notes issued under the Programme as debt, unless otherwise indicated in the supplemental U.S. federal income tax disclosure provided in a prospectus supplement or otherwise.

***Payment of Interest***

*General*

Interest on a Note held by a U.S. Holder, including the payment of any additional amounts whether payable in U.S. dollars or a currency other than U.S. dollars ("**foreign currency**" interest on a "**Foreign Currency Note**"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "*Original Issue Discount — General*" below), will be taxable to such U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("**OID**"), if any, accrued with respect to the Notes (as described below under "*Original Issue Discount — General*" below) and payments of any additional amounts generally will constitute income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of any foreign taxes with respect to the Notes (if applicable).

*Pre-Issuance Accrued Interest*

If a portion of the price paid for a Note is allocable to interest that accrued prior to the date the Note is issued ("**pre-issuance accrued interest**"), the Issuer intends to take the position that, on the first interest payment date, a portion of the interest received in an amount equal to any pre-issuance accrued interest will be treated as a return of the pre-issuance accrued interest and not as a payment of interest on the Note. Amounts treated as a return of pre-issuance accrued interest should not be taxable when received. A U.S. Holder's tax basis in a Note will be reduced by the amount of any non-taxable return of pre-issuance accrued interest. The remainder of this discussion assumes that in determining the issue price of a Note and the amount paid for a Note, there will be excluded an amount equal to the pre-issuance accrued interest. U.S. Holders should consult their tax advisers with regard to the tax treatment of the pre-issuance accrued interest on a Note.

***Original Issue Discount***

*General*

The following is a summary of certain U.S. federal income tax consequences to a U.S. Holder of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes ("**CPDIs**"). If Notes are issued that are characterized as CPDIs, supplemental U.S. federal income tax disclosure may be separately provided in a prospectus supplement or otherwise.

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" (as defined below) over its issue price is at least a *de minimis* amount (generally, 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") generally will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of



qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the "**issue price**" of a Note under the applicable Pricing Supplement will be the first price at which a substantial amount of such Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The "**stated redemption price**" at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A "**qualified stated interest**" payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable in cash or in property (other than in debt instruments of the Issuer) at least annually at a single fixed rate, or a single qualifying variable rate, applied to the outstanding principal amount of the Note (with certain exceptions for lower rates paid during some periods). Notes that provide for multiple rates of interest are more likely to be issued with OID, however the relevant rules are complicated. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. Talk to your own advisers about the applicability of these rules to a particular Note.

If a Note has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the U.S. Holder makes the election described below under "*Election to Treat All Interest as Original Issue Discount*" below. A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or the portion of the taxable year in which the U.S. Holder holds the Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any accrual period a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Notes as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "**adjusted issue price**" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

#### *Acquisition Premium*

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described below under "*Election to Treat All Interest as Original Issue Discount*" below, is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

#### *Election to Treat All Interest as Original Issue Discount*

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described above under "*General*" above, with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under "*Original Issue Discount — Notes Purchased at a Premium*" below) or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant yield method is applied, the issue price of

the Note will equal the U.S. Holder's adjusted basis immediately after its acquisition of the Note, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. However, if the Note has amortisable bond premium, the U.S. Holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable year thereafter. If the election to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed below under "*Market Discount*" below to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

#### *Short-Term Notes*

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but should be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight line basis (or a constant yield basis if an election is made to accrue the OID under the constant yield method) through the date of sale or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

#### *Market Discount*

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's revised issue price, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes *de minimis* market discount. For this purpose, the revised issue price of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight line basis unless the U.S. Holder elects to accrue the market discount on a constant yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

#### *Notes Purchased at a Premium*

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*Original Issue Discount — Election to Treat All Interest as Original Issue Discount*" above. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a capital loss when the Note matures.

#### *Sale or Other Disposition of Notes*

A U.S. Holder's tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments other than qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder generally will recognise gain or loss on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and the tax basis of the Note. Except to the extent described above under "*Original Issue Discount — Market Discount*" or "*Original Issue Discount — Short-Term Notes*" above or attributable to accrued but unpaid qualified stated interest or changes in exchange rates (as discussed below), gain or loss recognised on the sale or other disposition of a Note will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rates applicable to capital gain are currently lower than the maximum marginal rates applicable to ordinary income if the Notes have been held for more than one year at the time of the sale or other disposition. The deductibility of capital losses is subject to significant limitations.

#### *Foreign Currency Notes*

##### *Interest and OID*

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. An accrual basis U.S. Holder may determine the amount of income recognised with respect to a Foreign Currency Note in accordance with either of two methods.

Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if the last day of the accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made such election may translate accrued interest using the spot rate of exchange in effect on the date of receipt. The above election will apply to all debt obligations held by such U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder will recognize, as ordinary income or loss, foreign currency exchange gain or loss with respect to accrued interest income on the date the interest is actually or constructively received, reflecting fluctuations in currency exchange rates between the spot rate of

exchange used to determine the accrued interest income for the relevant accrual period and the spot rate of exchange on the date such interest is actually or constructively received.

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of the Note), a U.S. Holder may recognise foreign exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### *Market Discount*

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

#### *Bond Premium*

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency.

On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount of offset multiplied by the difference between the spot rate in effect on that date, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account will recognise a capital loss when the Note matures.

#### *Sale or Other Disposition of Notes*

A U.S. Holder's tax basis in a Foreign Currency Note will be determined by reference to the U.S. dollar cost of the Note.

The amount realised on the sale, exchange, redemption or retirement of a Note denominated in a Foreign Currency is treated as currency exchange gain or loss to the extent attributable to fluctuations in exchange rates between the time the Note was acquired and the date of disposition. This exchange gain or loss will equal the difference between the U.S. dollar value of the principal amount of the Notes on the date of disposition or receipt of redemption proceeds, as applicable, and the U.S. dollar value of the principal amount on the date the U.S. Holder acquired the Note. This exchange gain or loss will be realised only to the extent of the total gain or loss realised by a U.S. Holder on the disposition or retirement of the Note and will be treated as ordinary income or loss. Aggregate gain or loss in excess of exchange gain or loss on a Note will generally be treated as U.S. source capital gain or loss.

#### *Foreign Tax Credit Considerations*

If UAE-taxes were to be imposed on payments with respect to the Notes, see "*Taxation — UAE Taxation*" above, subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a credit against its U.S. federal income tax liability for any such UAE taxes. A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such UAE taxes, but only for any taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes. The rules relating to foreign tax credits are very complex, and recent changes to the foreign tax credit rules, introduced additional requirements and limitations (although the application of some of these changes has been deferred pending further guidance); each U.S. Holder should consult its own tax advisers regarding the application of such rules and the creditability or deductibility of any UAE taxes.

## **Backup Withholding and Information Reporting**

Information returns may be filed with the IRS in connection with payments of interest in respect of the Notes and the proceeds from sale, exchange or disposition of the Notes held by a U.S. Holder unless the U.S. Holder establishes, if required, that it is exempt from the information reporting rules, for example by properly establishing that it is a corporation. If the U.S. Holder does not establish that it is exempt from these rules, the U.S. Holder may be subject to backup withholding on these payments if it fails to provide a taxpayer identification number or otherwise comply with the backup withholding rules.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, **provided that** the required information is timely furnished to the IRS.

U.S. Holders should consult their advisers regarding any tax reporting or filing requirements they may have as a result of the acquisition, ownership or disposition of the Notes. Failure to comply with certain reporting or filing obligations could result in the imposition of substantial penalties.

## **The proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement (the "**Programme Agreement**") dated 27 February 2024, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and, subject to the terms of the Programme Agreement, to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The relevant Dealers will be entitled in certain circumstances to be released and discharged from their obligations in respect of a proposed issue of Notes under or pursuant to the Programme Agreement prior to the closing of the issue of such Notes, including in the event that certain conditions precedent are not delivered or met to their satisfaction on or before the issue date of such Notes. In this situation, the issuance of such Notes may not be completed. Investors will have no rights against the Issuer or the relevant Dealers in respect of any expense incurred or loss suffered in these circumstances.

### **Transfer Restrictions**

***As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes***

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that either: (i) it is a QIB, purchasing the Notes for its own account or for the account of one or more QIBs and it is aware, and any person on whose account it is acting has been advised, that any sale to it is being made in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act or (ii) it is outside the United States;
- (b) that it, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of Notes;
- (c) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (d) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act from the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of any state or other jurisdiction of the United States;

- (e) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Notes from it of the resale and transfer restrictions referred to in paragraph (d) above, if then applicable;
- (f) that Notes initially offered and sold in the United States to QIBs in reliance on Rule 144A will be represented by one or more Rule 144A Global Notes and that Notes offered and sold outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (g) it understands that before any interest in Notes represented by a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide to each of the Principal Paying Agent and the Registrar a written confirmation substantially in the form set out in the Agency Agreement, amended as appropriate to the effect that such offer, sale, pledge or other transfer is being made in accordance with Regulation S;
- (h) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect, subject as provided in Condition 2.5 (*Transfers of interests in Legended Notes*):

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PRIOR TO THE EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES, OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OF THE SECURITIES ACT FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE

DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (i) if it is outside the United States, that if it should resell or otherwise transfer the Notes, it shall do so in accordance with all applicable securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM, OR A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT."; and

- (j) that the Issuer, each Agent, each Manager and their affiliates or, as the case may be, the relevant Dealer and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer and the Managers or, as the case may be, the relevant Dealer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) of Registered Notes.

## **Selling Restrictions**

### ***United States***

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year (taking into account any unilateral right to extend or rollover the term) 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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (the "**Code**") and Treasury regulations promulgated thereunder.

In respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any substantially identical successor United States Treasury regulation issued for the purposes of Section 4701 of the Code) (the "**D Rules**"), (i) that it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (ii) that it has not delivered and it will not deliver within the United States or its possessions definitive Bearer Notes in that are sold during the restricted period;



- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6) (or any substantially identical successor regulations issued for the purposes of Section 4701 of the Code);
- (d) with respect to each affiliate that acquires Bearer Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer either (i) repeats and confirms the representations and agreements contained in paragraphs (a), (b) and (c) on such affiliate's behalf or (ii) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (a), (b) and (c); and
- (e) it will obtain from any distributor (within the meaning of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4)(ii) or any substantially identical successor United States Treasury regulation issued for the purposes of Section 4701 of the Code) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of paragraphs (a), (b), (c) and (d) of this paragraph (e) insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder, including the D Rules.

In addition, to the extent that the Pricing Supplement or the subscription agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is TEFRA C, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, 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 shall not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of such Bearer Notes, it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions, or otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations promulgated thereunder, including TEFRA C.

Until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S.

Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

This Base Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Offering Circular does not constitute an offer to any person in the United States, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate.

## European Economic Area

Unless the applicable 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 Base Offering Circular as completed by the applicable 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, "**EU 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 EU MiFID II; or;
  - (iii) not a qualified investor as defined in the EU Prospectus Regulation; 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 "*Prohibition of Sales to EEA Retail Investors*" as "Not Applicable", in relation to each Member State of the EEA, 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 Base 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:

- (1) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- (2) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (3) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

**provided that** no such offer of Notes referred to in paragraphs (1) to (3) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU 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 "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

## United Kingdom

### *Prohibition of Sales to United Kingdom Retail Investors*

Unless the applicable Pricing Supplement in respect of any Notes specifies "*Prohibition of Sales to United Kingdom 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 Base Offering Circular as completed by the applicable 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 of the United Kingdom 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 of the United Kingdom by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; 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 "Prohibition of Sales to United Kingdom 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 Base 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:

- (1) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (2) 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
- (3) 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 (1) to (3) 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 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 of the United Kingdom by virtue of the EUWA.

#### ***Other United Kingdom Regulatory Restrictions***

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; 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.

### **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 holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more (excluding that person's principal place of residence);
- (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; or
- (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).

### **Sultanate of Oman**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) this Base Offering Circular has not been filed with or registered as a prospectus with the Capital Market Authority of Oman pursuant to Article 3 of the Capital Market Authority Law (SD 80/98, as amended) (Article 3), will not be offered or sold as an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (SD 18/19, as amended) or Article 3, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016); and
- (b) the Notes have not been and will not be offered, sold or delivered, and no invitation to subscribe for or to purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Oman to any person in Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the 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 Article 8 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (the "**CMA**") resolution number 3-123-2017 dated 9/04/1439H (corresponding to 27 December 2017), as amended by CMA resolution number 8-5-2023 dated 25/06/1444H (corresponding to 18 January 2023) (the "**KSA Regulations**"), 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 KSA Regulations.

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 KSA Regulations or by way of a limited offer under Article 9 of the KSA Regulations. Each Dealer has represented and agreed 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 KSA Regulations.

Each offer of *Notes* shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

### **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, delivered or sold, and will not offer, sell or deliver at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (i) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (ii) 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 Base 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.

### **UAE (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 UAE other than in compliance with any laws applicable in the UAE governing the issue, offering or sale of securities.

#### **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 Financial Services Regulatory Authority (the "FSRA") Financial Services and Markets Regulations 2015 (the "FSMR") and the FSRA Markets Rules;
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the FSRA Conduct of Business Rules; and
- (c) made only in circumstances in which section 18(1) of the FSMR does not apply.

#### **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 DIFC unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the DFSA Rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA Rulebook.

#### **State of Kuwait**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of the Notes is being made in the State of Kuwait, and no agreement relating to the sale of the Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in the State of Kuwait.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the "SFO")) other than: (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) 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(WUMPO)") or which do not constitute an offer to the public within the meaning of the C(WUMPO); 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, in each case 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 in Hong Kong (except if permitted to do so under the 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.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base 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 the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the 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 Base Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the 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, (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.

## **Switzerland**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that neither this Base Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (i) the Notes may not be publicly offered, sold or advertised by it, directly or indirectly, in or from Switzerland; and (ii) neither this Base Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available by it in Switzerland.

## **Malaysia**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) this Base Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia (the "SC") under the Capital Markets and Services Act 2007 of Malaysia (the "CSMA"); and
- (b) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part 1 of Schedule 6 (or Section

229(1)(b)) and Part 1 of Schedule 7 (or Section 230(1)(b)) and Schedule 8 or Section 257(3), read together with Schedule 9 (or Section 257(3)) of the CSMA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals, including approval from the Central Bank of Malaysia to purchase Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers shall be responsible for any invitation, offer, sale or purchase of Notes as aforesaid without the necessary approvals being in place.

#### **General**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply in all material respects 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 Base Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents and agrees that 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 such sale.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issuance of Notes thereunder has been duly authorised by the Law No. (4) of 2017 on the Financial System of the Government of Sharjah and the Executive Council's Resolution No. (39) of 2017 Concerning The Executive Regulations of Law No. (4) of 2017 on the Financial System of the Government of Sharjah.

### Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Main Market of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Market of the London Stock Exchange. The approval of the Programme in respect of Notes is expected to be granted on or about 27 February 2024. Prior to the official listing and admission to trading, however, dealings will be permitted.

Application has also been made to the DFSA for the Notes to be admitted to the DFSA Official List and to be admitted to trading on Nasdaq Dubai. An application may be made for any Tranche of Notes to be admitted to trading on Nasdaq Dubai.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s). Unlisted Notes may also be issued pursuant to the Programme.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code, International Securities Identification Number (ISIN), the Financial Instrument Short Name (FISN) and Classification of Financial Instruments (CFI) code (as applicable) for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

### No Significant Change

There has been no significant change in the financial performance or financial position of the Issuer and there has been no significant change in tax and budgetary systems, foreign exchange reserves, gross public debt and income and expenditure figures of the Issuer, in each case, since 31 December 2023.

### Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Offering Circular which may have or has had in the recent past significant effects on the financial position of the Issuer.



## **Documents Available**

For the period of 12 months following the date of this Base Offering Circular, copies of the following documents will, when published, be made available in electronic form for inspection at the specified office of the Principal Paying Agent:

- (a) a copy of this Base Offering Circular;
- (b) the Agency Agreement;
- (c) the Deed of Covenant; and
- (d) any future supplements to this Base Offering Circular and the documents incorporated by reference herein or therein.

The applicable Pricing Supplement for Notes that are listed on the: (i) Official List and admitted to trading on the Main Market of the London Stock Exchange; and (ii) DFSA Official List and admitted to trading on Nasdaq Dubai will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and the website of Nasdaq Dubai at <http://www.nasdaqdubai.com>.

## **Issuer's Legal Entity Identifier**

The Issuer's Legal Entity Identifier ("LEI") code is 254900ZNL8O3F1CLJO24.

## **Dealer not acting for any prospective or actual holders of Notes**

None of the Arranger or the Dealers is acting for any actual or prospective holders of Notes, and are neither advising nor treating as a client any other person and will not be responsible to any actual or prospective holders of Notes and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this Base Offering Circular and / or the applicable Pricing Supplement or any transaction or arrangement referred to herein or therein. None of the Arranger, the Dealers nor any of their respective affiliates has authorised the content of, or any part of, this Base Offering Circular and/or the applicable Pricing Supplement.

## **Dealers transacting with the Government**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in various financial advisory, investment banking and/or commercial banking transactions with, and may perform services for, the Government of the Emirate of Sharjah and/or the Sharjah Finance Department and/or their affiliates (including any other public sector instrumentality, as defined in the Conditions) in the ordinary course of business for which they have received, and for which they may in the future receive, fees and expenses. In particular, certain of the Dealers are lenders to the Government of the Emirate of Sharjah (and/or the Sharjah Finance Department and/or their affiliates (including any other public sector instrumentality)) and proceeds from the issue of the Notes may be used to repay such outstanding loan facilities. In connection with any offering under the Programme the Dealers may purchase and sell Notes in the open market.

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 Government of the Emirate of Sharjah and/or the Sharjah Finance Department and/or their respective affiliates (including any other public sector instrumentality and including the Notes). Certain of the Dealers or their affiliates that have a lending relationship with the Government of the Emirate of Sharjah and/or the Sharjah Finance Department and/or their respective affiliates (including any other public sector instrumentality) routinely hedge their credit exposure to the Government of the Emirate of Sharjah and/or the Sharjah Finance Department and/or their respective affiliates (including any other public sector instrumentality) 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 the Notes. Any such short positions could adversely affect future trading prices of the 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.

**Issuer's Website**

The Issuer's website is <https://www.sfd.gov.ae/>. Unless specifically incorporated by reference into this Base Offering Circular (see "*Documents Incorporated by Reference*"), the information contained on this website or any other website referred to in this Base Offering Circular is not expressly incorporated by reference into, or otherwise included in, this Base Offering Circular.

## **APPENDIX - FISCAL PLAN**



**Government of Sharjah**  
Finance Department

**حكومة الشارقة**  
دائرة المالية المركزية

**Government of Sharjah**  
**Medium-Term Financial Outlook**  
**January 2023**

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## **Section 1: Introduction**

The Government of Sharjah is committed to achieving sustainable financial performance over the short, medium and long term. Stable public finances underpin economic confidence, inward investment, and the Government's ability to develop the local economy and society.

Sharjah is renowned for taking a responsible, gradual approach to economic development and social change, and the Government applies the same philosophy to public financial management. Under the direction of the Ruler, H.H. Sheikh Dr Sultan Bin Mohamed Al Qasimi, and Sharjah Executive Council, Sharjah Finance Department has developed a modern and sophisticated financial architecture that ensures prudent and transparent management of public funds.

The Government of Sharjah has traditionally operated under an annual budgetary cycle, coordinated by Sharjah Finance Department. Through this Medium-Term Financial Outlook, the Government is setting out its multi-year, medium-term financial plans for the first time. The plans are placed in the context of the Emirate's recent financial history and the Government's longstanding objectives for sustainable economic development and good governance.

This document establishes the Government of Sharjah's policy intention to ***balance the primary budget by 2027, and until at least 2030***. It details various policy measures, planned budgetary limits and expected economic and regulatory developments in terms of their impact on revenues and expenditure over the relevant period: 2023 to 2030. Based on these factors, the document presents a Fiscal Forecast, showing the expected evolution of the main measures of fiscal performance and sustainability, and the degree of compliance with the stated policy intention.

The Fiscal Forecast presented here represents the Government's current best and fairest estimate of how revenues and expenditure will evolve, but is subject to a degree of uncertainty. Some of the measures reflected in the Fiscal Forecast are still under development and remain subject to revision of the applicable policy or the expected financial effect. In addition, the Government may choose to bring forward additional policy changes to further strengthen fiscal performance.

The final section of this document briefly sets out the governance arrangements for medium-term fiscal planning and reporting in the Government of Sharjah.

## **Section 2: Financial context**

### 2.1 Expansion of government activities

In recent years, the Government of Sharjah has increased public borrowing in order to fund a substantial expansion of the activities of the state. This has included:

- a concerted programme of infrastructure development, regenerating urban areas and transforming connectivity in the more remote Central and Eastern Regions of the Emirate;
- a more extensive set of social benefits and welfare, from education and housing to minimum salaries and pensions; and
- significant improvements in the quality and availability of public services and amenities.

### 2.2 Budget deficit

The increase in government expenditure has been supportive of long-term, sustainable economic growth, ensuring that multiple areas of Sharjah remain attractive places to live, work and do business. However, much of the government revenue generated from the anticipated economic benefits will accrue indirectly, or only over a long period of time.

As such, there has been a growing gap between government expenditure and revenue levels over the past decade, with the annual budget deficit reaching AED 6.1 billion by 2019. Despite the UAE's world-leading response to the Covid-19 pandemic, the Government of Sharjah was not completely insulated from the economic and financial effects of movement restrictions, and experienced larger budget deficits in 2020 and 2021 as a result (AED 7.8 billion and AED 10.7 billion respectively).

Financial restraint and improving economic conditions allowed the Government to reduce the budget deficit to AED 8.5 billion in 2022 (preliminary estimate), although this remains high by historical standards.

### 2.3 Public debt

The persistent budget deficit has led to an accumulation of public debt. Sharjah's gross general government debt has risen from extremely low levels by international standards (just 4% of GDP in 2012) to a level more consistent with international norms (estimated 46% of GDP in 2022).



Thanks to active debt management policies and good market access, the Government of Sharjah has kept debt servicing costs at manageable levels, remaining below AED 2 billion until 2021. Nevertheless, the Government's revenue base is small relative to most other governments, meaning that the interest / revenue ratio has reached high levels compared to international norms – reaching an estimated 19.6% in 2021 and 22.5% in 2022.

### **Section 3: Policy stance and Fiscal Objective**

The Government of Sharjah acknowledges that it would not be sustainable to continue to grow expenditure and revenues along the trajectory of the past decade. There would be a further sharp increase in indebtedness, and debt servicing costs would reach unacceptably high levels, relative to revenue sources. The risk of spiralling debt service costs is intensified by the recent sharp increase in interest rates across most markets worldwide.

The Government therefore plans to moderate annual borrowing in order to stabilise debt, relative to revenues and GDP.

This document sets out the Government's new headline **Fiscal Objective**:

***“To balance the primary budget by 2027, and at least until 2030.”***

In other words, by the financial year of 2027, budgetary revenues should be sufficient to cover all budgetary expenditure, excluding debt servicing costs (both principal and interest).

The new Fiscal Objective will guide medium-term and annual financial planning and budgetary allocations. The approved Government Budget for 2023 already reflects the trajectory required by the Fiscal Objective.

Achieving the Fiscal Objective will entail a set of initiatives and measures to contain expenditure growth and raise revenues, introduced over a period of time. The precise mix of expenditure and revenue measures, and the timing of their implementation, will affect the impact of the Fiscal Objective on fiscal aggregates and fiscal performance ratios.

The Government will keep financial performance under review, and will seek to adjust policies and introduce new measures to ensure compliance with the Fiscal Objective on an ongoing basis.

## **Section 4: Key forecast items and fiscal adjustment measures**

Section 5 of this document will lay out the Government of Sharjah's central Fiscal Forecast for the years 2023 to 2030. In order to produce the forecast, it is necessary to make a number of assumptions about the various factors that influence revenue and expenditure levels, as well as economic performance in the Emirate (since this provides the denominator for metrics such as the Debt / GDP ratio).

In this section, the forecast assumptions are separated into:

1. **Forecast items**, meaning contextual or passive factors where the forecast assumes current policies continue to apply and reflects a balanced analysis of the likely future trajectory;
2. **Fiscal adjustment measures**, where the Government has resolved to take or is considering taking active measures to change policy or practice in order to change the trajectory of revenue and / or expenditure levels.

This part of the document explicitly states the key forecast items and fiscal adjustment measures and describes their impact on the Fiscal Forecast, as well as briefly highlighting the level of confidence around given forecasts and any particularly notable risks to implementation of measures.

### **4.1 Key forecast items**

The Fiscal Forecast in Section 5 reflects the following **key forecast items**.

#### **4.1.1 Economic growth**

The forecast assumes that nominal GDP growth will be 5.0% per annum each year, irrespective of the balance between real growth rates and inflation.

This forecast is broadly reflective of recent historical trends, while tending towards cautiousness. It is worth noting that Sharjah, as a relatively small and very open economy with strong interdependencies with other economies, has experienced relatively high levels of volatility in GDP growth, which are likely to recur in future, so the stable annual growth rate in the forecast is unlikely to be accurate in each individual year.

#### 4.1.2 Value added tax

The UAE's Federal Tax Authority administers the value added tax regime across all emirates. While 30% of revenues collected are retained to fund UAE Federal Government activities, the remaining 70% are returned to each emirate and are treated as revenue in the budget.

The Fiscal Forecast assumes that the UAE Federal Government will continue with the current policy regime of rates and exemptions, and that VAT revenues will therefore grow in line with GDP.

#### 4.1.3 Departmental revenues

The Government plans to introduce various policy changes to departments' operating revenue framework that will take effect from 2023, as described in Section 4.2 below. These are reflected in the baseline forecast for 2023.

For subsequent years, the forecast assumes that departments' revenues (from service fees, licensing, fines, etc) will grow in line with GDP forecasts – that is, at a rate of 5.00% per year in nominal terms.

#### 4.1.4 Budgetary contributions from Government-Related Entities (GREs)

The Government of Sharjah owns majority or 100% stakes in a number of independent public-sector entities that operate in commercial environments, known as GREs. While some GREs require subsidy from the Government budget in order to operate in accordance with certain policy objectives, others are profitable and contribute to the Government's revenue budget. The exact amounts of GRE contributions are determined through the annual budgeting process and in-year performance review.

The Fiscal Forecast in Section 5 shows the agreed contributions for 2023 and an assumption of the contributions that can be projected with a strong degree of confidence in future years. The forecast increases from 2027 as a result of the expected boost to performance from Sharjah Airport's expansion project.

#### 4.1.5 Customs revenues

In the 5 years preceding the Covid-19 pandemic, annual customs revenues in Sharjah averaged AED 1.0 billion. The Fiscal Forecast in Section 5 assumes that customs revenues will grow strongly from the actual level of AED 0.8 billion in 2021 to exceed AED 1.25 billion in 2027, before then growing at a slower rate of around 3% per year.

#### 4.1.6 Capital support to Invest Bank

The Government of Sharjah expects to provide capital support to Invest Bank (one of four banks headquartered in the Emirate of Sharjah, with the Government holding 50.01% of shares). This support will give Invest Bank sufficient capital to undertake new business and grow, and will be provided in a form that insulates the bank from the financial impact of provisions relating to legacy business.

The Fiscal Forecast in Section 5 reflects the central estimate of costs arising to the Government budget from the planned capital support. The Government will release details of the planned support mechanism following full consultation with and approvals from the relevant regulatory bodies and shareholder representatives.

#### 4.1.7 Debt interest

The Government's average cost of debt interest is expected to increase as a result of new debt incurred at higher credit margins than older debt it replaces, reflecting the lower international credit ratings held by the Emirate of Sharjah. In addition, both floating rate debt and new fixed rate debt will be affected by the current and expected levels of benchmarks such as Eibor and SOFR, which are at elevated levels as central banks seek to combat inflation. On the other hand, nearly one-fifth of the Government's existing debt stock, AED 12.3 billion, is fixed-rate debt maturing after 2030, the end of the forecasting period, so will not be affected by the above factors.

Taking these factors into account, the Government's average rate of debt interest is expected to rise from 3.6% in 2021 to 5.3% in 2023 and then gradually to 5.6% by 2026, before falling back to 5.25% by the end of the forecast period.

## **4.2 Fiscal adjustment measures**

The Fiscal Forecast in Section 5 reflects the following fiscal adjustment measures that are currently in the process of either policy development or implementation.

### **4.2.1 Corporate income tax**

The UAE Federal Tax Authority intends to introduce a corporate income tax effective for tax years starting on or after 1 June 2023. Subject to various exemptions, deductions and reliefs, a tax rate of 9% will apply to taxable net income in excess of AED 375,000 each year.

Along with representatives from the UAE Federal Government and each emirate, Sharjah Finance Department participates in coordinated work to complete the detailed design and implementation plans for corporate income tax. The item for tax revenues in the Fiscal Forecast reflects the latest understanding of how the new tax will operate and how revenues will be allocated to each emirate. This forecast remains subject to uncertainty as it is difficult to forecast the total tax take accurately – although this exercise has been made easier by the data available from the implementation of value added tax in recent years.

### **4.2.2 Oil and gas**

Through Sharjah National Oil Company (SNOC), the Government of Sharjah is taking coordinated action to replenish its hydrocarbon production capacity, following a decline in recent years.

This includes developing and exploiting gas and condensate reserves in onshore areas such as Mahani (where commercial operations began in 2021) and a number of other sites, as well as oil reserves in areas off Sharjah's east coast.

SNOC is also growing its LPG production capacity, having captured approximately 10% of UAE market share since switching LPG sales exclusively to the local market in 2020.

The expected growth in hydrocarbon production is reflected in the Fiscal Forecast in Section 5, along with price assumptions taken from international benchmarks.

### 4.2.3 Land and real estate

In October 2022, the Government announced the extension of freehold ownership rights in designated areas and developments to all nationalities; previously, only citizens of Arab nationalities could own real estate under freehold, whereas other nationalities could obtain a 99-year leasehold.

This policy change is expected to have a significant positive impact on demand for land and property in Sharjah, helping to stimulate private-sector development. It is also expected to support higher prices and sales volumes for the Government's programme of land sales, under which new areas of the Emirate are released for sale and development each year.

Alongside these steps to open up the real estate market, the Government is also implementing a 1% surcharge on real estate sales to foreign buyers from 2023, in addition to the existing 4% real estate registration fee.

The Fiscal Forecast in Section 5 reflects the expected boost to land sale volumes and prices from the new ownership rights, the proposed increase in transaction registration fees for foreign buyers of real estate, and the expected growth in average sales prices.

### 4.2.4 Waste collection

The Government is reviewing potential new fees for waste collection services for households and businesses in certain areas where these are currently provided free of charge. In addition to raising recurring revenue, this should incentivise more careful use of resources, encourage separation of waste for recycling (where facilities exist) and reduce the environmental impact of waste disposal, including greenhouse gas emissions.

The Fiscal Forecast in Section 5 includes expected revenues accruing to the municipalities, which are centralised departments of the Government, starting from 2023.

### 4.2.5 Sewerage

The relevant Municipality in each region of the Emirate of Sharjah provides sewerage services to most residential, commercial and industrial properties. The revenues from these services are collected by Sharjah Electricity, Water and Gas Authority (SEWA) through utility bills and then

passed on to the relevant Municipality, and are therefore accounted as central government revenues.

The Government is reviewing a potential change from a standardised charging model for sewerage to a volume-based tariff system. In addition to raising additional revenue, this would be intended to incentivise more efficient use of precious water resources, reducing the need for abstraction and desalination, which have environmental impacts including high energy usage.

The Fiscal Forecast in Section 5 reflects the additional revenue expected to accrue to municipalities under the new scheme, starting from 2023.

#### 4.2.6 Staff costs

Salaries and other staff costs make up the largest part of the Government of Sharjah's expenditure budget, exceeding AED 7 billion in 2022.

The Government expects continuing upward pressure on the wage bill, as a result of inflation, a competitive local employment market, the demographics of the current employee cohort, and the policy intent to provide meaningful employment for local citizens. The Government does not plan to cut salaries of existing staff or employee numbers. Instead, the Government intends to cap the growth in staff costs at 5% per year in nominal terms. This will require the application of a number of policy measures, including (but not limited to):

- Limiting new hires to only essential positions, and using redeployment of existing employees instead where possible;
- Restricting promotions more stringently than in previous years; and
- Restricting allowances and bonuses, within the framework of the existing human resources laws.

#### 4.2.7 Operational expenditure

The Government plans to limit growth in non-staff operating costs to 2% per year in nominal terms. The lower growth rate (compared with staff costs) reflects more moderate spending pressures – primarily general price inflation. The Fiscal Forecast in Section 5 reflects the planned growth rate.



#### 4.2.8 Capital projects expenditure

The Government plans to limit the annual budget for capital projects to AED 3.0 billion. This is lower than the budgeted amounts for years 2020 to 2022, but closer to the average level of actual expenditure of the years 2017 to 2021, which was AED 3.5 billion.

The slowdown in capital project expenditure is possible because some major projects – including infrastructure connections to and within the Eastern Region of the Emirate – are now complete and paid. Maintaining this budget will require the Government to keep new project commitments at a lower level than in the previous 5 years.

#### 4.2.9 Grants and subsidies

The Government intends to reduce the grants and subsidies given to entities in the public sector and private sector gradually over the forecast period. There will be a particular focus on reducing support to sports clubs and cultural institutions, and overall the Government plans to reduce total grants, subsidies and other centralised (i.e. non-departmental) expenditure by 5% per year from 2023 to 2030. The Fiscal Forecast in Section 5 reflects this plan.

## **Section 5: Fiscal Forecast**

The Fiscal Forecast presented in this section reflects the various forecasting items and fiscal adjustment measures mentioned in Section 4. It should be considered a *central scenario* based on current trends and policy intentions, but there are clearly significant uncertainties and risks to both the upside and downside. The economic environment will inevitably change in certain ways, and Government policies are unlikely to remain static over the forecast period.

As such, the following Fiscal Forecast represents a fair central view of the likely trajectory of the Government of Sharjah's key fiscal aggregates and metrics over the period 2022 to 2030. It will be supplemented by firm budgets through the regular annual budgeting process.

<b>Year</b>	<b>2022*</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
<b>Values, AED billions</b>									
GDP	137.0	143.9	151.1	158.6	166.6	174.9	183.6	192.8	202.5
Revenues	11.1	13.0	14.5	16.7	17.3	18.0	19.3	20.0	20.6
Expenditure	19.6	21.4	22.0	22.6	23.5	24.0	24.5	25.1	25.7
Debt interest	2.5	3.5	4.0	4.4	4.9	5.2	5.4	5.5	5.7
Budget balance	(8.5)	(8.4)	(7.5)	(5.9)	(6.3)	(6.0)	(5.2)	(5.1)	(5.1)
Primary balance	(6.0)	(4.9)	(3.5)	(1.5)	(1.4)	(0.8)	0.3	0.4	0.6
Debt outstanding	62.6	71.0	78.4	84.4	90.6	96.6	101.8	106.9	112.0
<b>Key Fiscal Ratios</b>									
Balance / GDP	(6.2%)	(5.8%)	(5.0%)	(3.7%)	(3.8%)	(3.4%)	(2.8%)	(2.6%)	(2.5%)
Primary balance / GDP	(4.4%)	(3.4%)	(2.3%)	(0.9%)	(0.9%)	(0.5%)	0.1%	0.2%	0.3%
Gross Debt / GDP	45.6%	49.3%	51.9%	53.2%	54.4%	55.3%	55.4%	55.4%	55.3%
Gross Debt / Revenue	563%	544%	541%	506%	525%	535%	526%	535%	544%
Interest / Revenue	22.5%	27.1%	27.5%	26.6%	28.1%	28.8%	28.0%	27.8%	27.7%

*\* Early preliminary estimates of 2022 financial outturn – subject to revision*

The Fiscal Forecast shows that on the forecast trajectory the Government will be close to meeting its Fiscal Objective of balancing the primary budget by 2027 and until at least 2030.

In the forecast, there is a rapid reduction in the primary budget deficit (i.e. the deficit exclusive of debt servicing costs) as new policy measures and significant forecast items take effect. Expenditure grows, but at a more modest rate (3.4% compounded average growth rate (CAGR)) than in recent years. A significant part of this growth in expenditure comes from higher expected debt interest costs; other expenditure grows at just 2.0% per year. Meanwhile, revenues are forecast to grow at a faster rate than expenditure (8.0% CAGR).

By 2027, the primary budget deficit is forecast to reduce to AED 0.8 billion. While this implies that the Government would need to consider further policy adjustments in order to meet its stated Fiscal Objective in full, the remaining primary budget deficit in 2027 is offset by expected primary budget surpluses in the following three years (AED 0.3 billion in 2028, AED 0.4 billion in 2029 and AED 0.6 billion in 2030).

The trajectory shown in the Fiscal Forecast leads to a broad stabilisation in key metrics of fiscal sustainability. Debt as a proportion of GDP levels out at around 55% as the primary deficit is eliminated, leaving only debt servicing costs to be funded through new net borrowing. The cost of servicing debt stabilises, with interest costs accounting for around 28% of revenues, while the Government's leverage, measured by the ratio of Debt / Revenues, falls to approximately 5.4x, having exceeded 6x in 2021.

These fiscal metrics are at relatively high levels in the context of the financial composition of the Government of Sharjah, with its modest revenue share of GDP. However, the Government views these levels as being manageable, based on:

- the conservatism of the Fiscal Forecast presented here;
- the scope for further policy adjustments, if needed;
- the strong macroeconomic environment and growth potential of Sharjah and the UAE;
- the Government's access to multiple sources of funding; and
- the absence of meaningful currency risk, with all the Government's debt being denominated in AED or US Dollars, and the AED-USD peg considered to be very strong.

The Government's main priority is currently to ensure stable fiscal performance, at a level that is operationally manageable in terms of annual financing requirements and provides sufficient flexibility to respond to shocks. The Fiscal Forecast suggests this aim will be achieved in the central scenario under the stated Fiscal Objective. The Government intends to keep fiscal performance under review, and may later choose to take policy actions to go beyond stabilisation and pursue more significant consolidation.

## **Section 6: Governance and communications**

The Government of Sharjah has established a Medium-Term Financial Planning Committee. Chaired by the Director General of Sharjah Finance Department, the Committee will meet quarterly. Its mandate will be:

1. Reviewing financial reports to assess actual progress towards the objective of balancing the primary budget by 2027 and until at least 2030;
2. Establishment and oversight of all workstreams to analyse, develop, implement and monitor fiscal adjustment policy measures;
3. Recommending adjustments to the initial plans, as required;
4. Publishing updates to the Medium-Term Financial Outlook when appropriate;
5. Annual progress reporting to relevant internal and external stakeholders.

The Government will continue to follow its annual budgeting cycle, under which Sharjah Finance Department prepares the government budget, which is then reviewed by Sharjah Executive Council and Sharjah Consultative Council before being finalised and submitted to H.H. The Ruler for ratification. The Department will develop the budget with due regard to the Medium-Term Financial Outlook and the Government's stated Fiscal Objective.

The Debt Management Office of the Government of Sharjah will be responsible for communicating the details of the Medium-Term Financial Outlook to credit rating agencies, lenders and fixed income investors. Any enquiries relating to this document should be directed to the Debt Management Office ([Investor.Relations@sfd.gov.ae](mailto:Investor.Relations@sfd.gov.ae)).

## **Disclaimer**

*The information in this document does not constitute a legal or moral commitment by the Government of Sharjah, or any of its departments or related authorities or entities, to adopt or achieve a particular set of financial or economic targets, limits or outcomes. Any forward-looking statements, policy statements and forecasts reflect the Government of Sharjah's current assessment based on analysis of available information, but will be subject to a wide range of risks and uncertainties, including potential future changes in the Government of Sharjah's own policy stance. If any of the Government of Sharjah's underlying assumptions prove to be incomplete or inaccurate, the financial, political or economic condition of Sharjah may vary from that expected, estimated or predicted. This document is not a recommendation to make or not to make certain investment decisions, and the Government of Sharjah accepts no liability for any investment or other decision taken with reference to the information contained herein. The information in this document is valid at the time of publication and may be superseded or invalidated by subsequent public statements, data releases or changes to policy or legislation.*

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