

Fatwa of Shari'a Supervisory Board

8-c (SSB – 15– 2016)

In the Name of Allah, the Merciful, the Compassionate

Subject: Fatwa of Diminishing Musharaka Product for Existing Assets

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

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

Structure:

Diminishing Musharaka (DM) is a form of co-ownership in which two or more persons take ownership of a tangible asset in an agreed proportion and one of the co-owners undertakes to buy in periodically the proportionate share of the other co-owner until the title of asset is completely transferred to the purchasing co-owner. Furthermore during the entire tenor of facility, the Bank leases out its undivided share in the asset to the other co-owner.

Accordingly, through DM Agreement the Bank and the Customer will jointly purchase an asset (real estate property, machinery and etc.) and co-own the asset in proportion to their contribution towards the purchase price. On the other hand, Ijara is a lease contract in which usufruct of the asset is transferred to the lessee (Customer) for a specific period in consideration of an agreed rental.

Process Flow:

- The Customer approaches the Bank to avail the DM based financing facility and provides full details of the asset which he/she/it wishes to get financed.
- After internal approvals the Customer will provide a security deposit (where applicable), which would be adjusted as his share in the property at the time of execution of DM Agreement.
- The Customer will sign "Promise to Lease" in which the Customer undertakes to lease the Bank's share in the property, once the Bank gets the ownership of undivided share in the asset.
- The Bank and the Customer enter into a DM Agreement, specifying respective shares of both the parties in the Musharaka and number of units of properties.

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- The Customer and the Bank then enter into a Lease Agreement as per Customer's Promise to Lease, by which the Bank leases its share in the property to the Customer on agreed rentals.
- Along with Lease Agreement, the Customer shall sign Title Agency Declaration, Service Agency Agreement, Sale Undertaking and Purchase Undertaking.

Financing Documents:

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

The SSB Ruling:

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

And all praise is due to Allah.

Shari'a Supervisory Board



Dr. Ahmed Mohiyeldin Ahmed

(Chairman of the SSB)



Dr. M. Taher M. Al-Ibrahim



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