KIB Sukuk Limited
(an exempted company incorporated with limited liability in the Cayman Islands)

U.S.$300,000,000

Trust Certificate Issuance Programme

Under the U.S.$300,000,000 trust certificate issuance programme (the “Programme”) described in this offering circular (the “Offering Circular”), KIB Sukuk Limited (in its capacity as issuer and trustee, as applicable, the “Trustee”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the “Certificates”) denominated in any currency agreed between the Trustee and the Dealers (as defined below). Certificates may only be issued in nominal amounts, may be in registered form and the Certificates may only be in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.$300,000,000 (or its equivalent in other currencies, calculated as provided for in the Programme Agreement described herein), subject to increase as described herein. The Certificates may be senior certificates (as defined in the Offering Circular), in which case the Trustee shall, in the case of an issue of Certificates being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe to such Certificates.

In respect of Tier 2 Certificates only, if a Non-Viability Event (as defined herein) occurs, a Write-down (as defined herein) shall occur on the relevant Non-Viability Event Write-down Date (as defined herein), as more particularly described in Condition 11 (Loss-Abatement upon the occurrence of a Non-Viability Event). In such circumstances, the relevant Tier 2 Certificates shall be cancelled (in the case of a Write-down in respect of Tier 2 Certificates) or may be prepaid (in the case of a Write-down in respect of Tier 1 Certificates) by the Trustee, or, at its discretion, may be converted into shares in the parent company or into any other assets. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.$300,000,000 (or its equivalent in other currencies, calculated as provided for in the Programme Agreement described herein), subject to increase as described herein. The Certificates may be senior certificates (as defined in the Offering Circular), in which case the Trustee shall, in the case of an issue of Certificates being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe to such Certificates.

An investment in Certificates issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the ability of the Trustee to fulfill its obligations under the Certificates, see “Risk Factors”.

This Offering Circular to the Certificates being “admitted to trading” (and all related references) shall mean that such Certificates have been admitted to trading on the ISM. The Programme provides that Certificates 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 Trustee, the Bank and the relevant Dealer(s). The Trustee may also issue unsettled Certificates and/or Certificates not admitted to trading on any market. The applicable Pricing Supplement (as defined below) will state whether or not the relevant Certificates will be listed and/or admitted to trading.

Notice of the aggregate nominal amount of Certificates, profit (if any) payable in respect of such Certificates, the issue price of such Certificates and other information which is applicable to each Tranche of such Certificates will be set out in a pricing supplement (the “Pricing Supplement”), which with respect to Certificates to be admitted to trading on the ISM, will be delivered to the London Stock Exchange. Copies of the Pricing Supplement in relation to Certificates to be admitted to trading on the ISM will also be published on the website of the London Stock Exchange through a regulatory information service.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“Regulation S”)). For a description of certain restrictions on offers and sales of Certificates and on distribution of this Offering Circular, see “Subscription and Sale”.

Each Series of Certificates will initially be represented by a global certificate in registered form (a “Global Certificate”). Global Certificates will be deposited on the relevant issue date with, and registered in the name of a nominee for, a common depositary under the Securities Act (“a nominee for a common depositary”). The applicable Pricing Supplement will state whether or not the relevant Certificates will be listed or admitted to trading on any market. The applicable Pricing Supplement (as defined below) will state whether or not the relevant Certificates will be listed and/or admitted to trading.

The Bank has been assigned a long term foreign currency issuer default rating of “A” with a stable outlook by Fitch Ratings Ltd. (“Fitch”). The Programme is expected to be rated “A-” by Fitch.

Fitch is an independent credit rating agency and is not affiliated with the Bank. Fitch is an independent credit rating agency and is not affiliated with the Bank. Fitch is an independent credit rating agency and is not affiliated with the Bank. Fitch is an independent credit rating agency and is not affiliated with the Bank.

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The date of this Offering Circular is 18 November 2020.
The Trustee and the Bank accept responsibility for the information contained in this Offering Circular and the applicable Pricing Supplement for each Series of Certificates issued under the Programme. To the best of the knowledge of the Trustee and the Bank (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular should be read and construed together with any amendments or supplements hereto, with any information incorporated by reference herein and, in relation to any Tranche of Certificates, should be read and construed together with the applicable Pricing Supplement.

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

None of the Arrangers, the Dealers, the Delegate, the Agents or any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty (and no such representation or warranty is implied) or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular or any responsibility for any acts or omissions of the Trustee, the Bank or any other person in connection with this Offering Circular or the issue and offering of the Certificates under the Programme.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the Programme or the issue or sale of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, the Bank, the Arranger, the Dealers, the Delegate or the Agents (each as defined herein). Neither the delivery of this Offering Circular nor any offering or sale of the Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the Trustee or the Bank since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Trustee or the Bank since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Trustee, the Bank, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. The Certificates 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. Subject to certain exceptions, Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). Each purchaser of the Certificates in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. Prospective purchasers are hereby notified that the offer, sale or delivery of Certificates to it will be made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S. For a description of certain restrictions on offers and sales of Certificates and on distribution of this Offering Circular, see “Subscription and Sale”.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Arrangers or Dealers or any affiliate of the Arrangers or Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Arrangers or Dealer or such affiliate on behalf of the Trustee in such jurisdiction.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Trustee, the Bank, the Arrangers or the Dealers to subscribe for, or purchase, any Certificates.
To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Delegate or the Agents accepts any responsibility for the contents of this Offering Circular or for any other statement made, or purported to be made, by the Arrangers, the Dealers, the Delegate, the Agents or on its or their behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each of the Arrangers, the Dealers, the Delegate and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other such statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents that any recipient of this Offering Circular or any other such statements should purchase the Certificates. Each potential purchaser of Certificates should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Certificates should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers, the Delegate or the Agents undertakes to review the financial condition or affairs of the Trustee or the Bank during the life of the arrangements contemplated by this Offering Circular, nor to advise any investor or potential investor in Certificates issued under the Programme of any information coming to the attention of any of the Arrangers, the Dealers, the Delegate or the Agents.

Admission to trading on the ISM is not to be taken as an indication of the merits of the Trustee, the Bank or the Certificates. The Certificates may not be a suitable investment for all investors. Each potential investor in any Certificates 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:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Certificates, the merits and risks of investing in the relevant Certificates and the information contained in this Offering Circular or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Certificates and the impact such investment will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including Certificates where the currency for any Dissolution Distribution Amount or Periodic Distribution Amount (each as defined herein) payments are different from the potential investor’s currency;

(iv) understands thoroughly the terms of the relevant Certificates and is familiar with the behaviour of financial markets; and

(v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor’s overall investment portfolio.

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 (i) Certificates are legal investments for it, (ii) Certificates can be used as collateral for various types of borrowing or raising of finance.
and (iii) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

The Certificates to which this Offering Circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Certificates offered should conduct their own due diligence on the Certificates. If you do not understand the contents of this Offering Circular you should consult an authorised financial adviser.

No advice is given by the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents in respect of taxation or Shari’a matters relating to any Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN SHARI’A ADVISER, TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO SHARI’A, TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY CERTIFICATES.

STABILISATION

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the “Stabilisation Manager(s)”) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may effect transactions with a view to supporting the market price of the Certificates 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 issue date of the relevant Tranche 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 and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action 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.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The applicable Pricing Supplement in respect of any Certificates may include a legend entitled “MiFID II Product Governance”, which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (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 MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PROHIBITION ON SALES TO EEA AND UK RETAIL INVESTORS

If the Pricing Supplement in respect of any Tier 2 Certificates includes a legend entitled “Prohibition of Sales to EEA and UK Retail Investors”, the Tier 2 Certificates 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 or in the UK. 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 MiFID II, or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “Prospectus Regulation”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the “PRIIPs Regulation”) for offering or selling the Tier 2 Certificates or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Tier 2 Certificates or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

SINGAPORE SFA PRODUCT CLASSIFICATION

In connection with Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Certificates, the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded 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).

VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits “banking entities” (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund”, and (iii) entering into certain relationships with “covered funds”. The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a “banking entity” as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by “banking entities” in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a “covered fund” for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular may be deemed to be forward looking statements. The words “anticipate”, “believe”, “expect”, “plan”, “intend”, “targets”, “aims”, “seeks”, “estimate”, “project”, “will”, “would”, “may”, “could”, “continue”, “should” and similar expressions are intended to identify forward looking statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the financial position of the Bank, or the business strategy, management plans and objectives for future operations of the Bank, are forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Bank’s actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward looking statements. These forward-looking statements are contained in the sections entitled “Risk Factors” and “Description of the Group” and other sections of this Offering Circular. The Bank
has based these forward looking statements on the current view of its management with respect to future events and financial performance. These forward looking statements are based on numerous assumptions regarding the Bank’s present, and future, business strategies and the environment in which the Bank expects to operate in the future. Important factors that could cause the Bank’s actual results, performance or achievements to differ materially from those in the forward looking statements are discussed under “Risk Factors”.

Forward looking statements speak only as at the date of this Offering Circular and, without prejudice to any requirements under applicable laws and regulations, the Trustee and the Bank expressly disclaim any obligation or undertaking to publicly update or revise any forward looking statements in this Offering Circular to reflect any change in the expectations of the Trustee or the Bank or any change in events, conditions or circumstances on which these forward looking statements are based. Given the uncertainties of forward looking statements, the Trustee and the Bank cannot assure potential investors that projected results or events will be achieved and the Trustee and the Bank caution potential investors not to place undue reliance on these statements.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Historical financial statements

The financial statements relating to the Bank and its subsidiaries (collectively, the “Group”) included in this Offering Circular are:

- the interim condensed consolidated financial information (unaudited) as at and for the nine-month period ended 30 September 2020 (the “2020 Interim Financial Statements”);
- the audited consolidated financial statements as at and for the year ended 31 December 2019 (the “2019 Financial Statements”); and
- the audited consolidated financial statements as at and for the year ended 31 December 2018 (the “2018 Financial Statements” and, together with the 2019 Financial Statements, the “Annual Financial Statements”).

The 2020 Interim Financial Statements and the Annual Financial Statements are together referred to as the “Financial Statements”.

All financial information in this Offering Circular as at and for the nine-month periods ended 30 September 2020 and 30 September 2019 has been derived from the 2020 Interim Financial Statements. All financial information in this Offering Circular as at and for the years ended 31 December 2019 and 31 December 2018 has been derived from the 2019 Financial Statements and all financial information in this Offering Circular as at and for the year ended 31 December 2017 has been derived from the 2018 Financial Statements.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), as adopted by Kuwait for financial services institutions regulated by the Central Bank of Kuwait (the “CBK”).

The Annual Financial Statements have been audited in accordance with International Standards on Auditing by Ernst & Young Al Aiban, Al Osaimi & Partners (“EY Kuwait”) and Deloitte & Touche Al-Wazzan & Co. (“Deloitte Kuwait”), without qualification as stated in their reports appearing herein.

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

The 2020 Interim Financial Statements have been reviewed by EY Kuwait and Deloitte Kuwait, without qualification, in accordance with International Standard on Review Engagements 2410, "Review of interim
financial information performed by the Independent Auditor of the Entity” as stated in their report incorporated by reference herein.

The Group’s financial year ends on 31 December and references in this Offering Circular to “2019”, “2018” and “2017” are to the 12 month period ending on 31 December in each such year.

Impact of the implementation of IFRS 9 from 1 January 2018
The Group applied, for the first time, IFRS 9 with effect from 1 January 2018 with the exception of requirement of ECL on financing receivables. IFRS 9 was effective for annual periods beginning on or after 1 January 2018 with early application permitted by the IASB. The Group has not restated comparative information for 2017 as permitted by the transitional provisions of IFRS 9. Therefore, the financial information relating to the Group presented in this Offering Circular for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the financial information relating to the Group presented for 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018 and are disclosed in Note 2.2 to the 2018 Financial Statements, which also summarises the key changes to the Group’s accounting policies resulting from the adoption of IFRS 9. The Group’s ECL allowances for various assets are disclosed in Notes 2.2, 9, 10, 11 and 12 to the 2018 Financial Statements.

Certain non-IFRS financial information
This Offering Circular includes references to capital, leverage and certain other ratios. Although these ratios are not IFRS measures, the Bank believes that the capital and leverage ratios in particular are important to understanding its capital and leverage position, particularly in light of current or planned future regulatory requirements to maintain these ratios above prescribed minimum levels. The Bank’s interpretation of any future planned ratios and the basis of its calculation of these ratios may be different from those of other financial institutions.

Presentation of Other Information

Rounding
Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments. For the purposes of calculating certain figures and percentages, the underlying numbers used have been extracted from the relevant financial statements rather than the rounded numbers contained in this Offering Circular. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Currencies
Unless otherwise indicated, in this Offering Circular, all references to:

- “KD” and “dinar” are to the lawful currency of Kuwait and to “fils” are to the sub-unit of dinar (1,000 fils are equal to KD 1); and
- “U.S.$” and “U.S. dollars” are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in dinar. The Group’s functional currency is the dinar and the Group prepares its financial statements in dinar.

Third party and market share data
There is no independently determined financial services industry data available in Kuwait. As a result, any Group market share data included in this Offering Circular represents the Bank’s estimates of the Group’s market shares based on the financial statements published by Kuwaiti banking groups and, where available, industry data, such as that produced by the CBK. All such market share information is referred to herein as
having been estimated and potential investors should note that the data so derived includes significant assets and liabilities outside Kuwait and excludes any Kuwaiti assets and liabilities of non-Kuwaiti banking groups. As a result, it simply represents an approximation of the Group’s actual market shares. Nevertheless, the Bank believes that its estimates of the Group’s market share are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and the Bank’s knowledge of the market within which it operates, the Bank cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Kuwait included in this Offering Circular has been derived from official public sources, including the Organisation of Petroleum Exporting Countries (“OPEC”), the International Monetary Fund (the “IMF”), the Sovereign Wealth Fund Institute, the U.S. Central Intelligence Agency (the “CIA”), the Kuwait Public Authority for Civil Information, the CBK and the Kuwait Central Statistical Bureau (the “KSB”). All such statistical information may differ from that stated in other sources for a variety of reasons, including the fact that the underlying assumptions and methodology (including definitions and cut-off times) may vary from source to source. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Trustee or the Bank to investors who have purchased any Certificates issued under the Programme.

Certain statistical and other information in this Offering Circular, including in relation to gross domestic product (“GDP”), balance of payments, revenues and expenditures, and indebtedness of the Government, have been obtained from public sources identified in this Offering Circular. All statistical information provided in this Offering Circular, and the component data on which it is based, may not have been compiled in the same manner as data provided by, and may be different from statistics published by, other sources, for a variety of reasons, including the use of different definitions and cut-off times. Accordingly, the statistical data contained in this Offering Circular should be treated with caution by prospective investors. The Trustee and the Bank accept responsibility for accurately reproducing all such third party information and as far as each of the Trustee and Bank is aware and is able to ascertain from that published information, no facts have been omitted which would render such reproduced information inaccurate or misleading.

Where information has not been independently sourced, it is the Bank’s own information.

**No incorporation of website information**

The Bank’s website is www.kib.com.kw. The information on this website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

**Certain definitions**

Capitalised terms which are used but not defined in any section of this Offering Circular will have the meaning attributed thereto in the Conditions or any other section of this Offering Circular. In addition, the following terms as used in this Offering Circular have the meanings defined below:

- references to “GCC” are to the Gulf Co-operation Council;
- references to “Kuwait” are to the State of Kuwait; and
- references to the “MENA” region are to the Middle East and North Africa region.
NOTICE TO RESIDENTS IN THE UNITED KINGDOM

Any Certificates to be issued under the Programme which do not constitute “alternative finance investment bonds” (“AFIBs”) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000, as amended (the “FSMA”)) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Offering Circular is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Offering Circular, any applicable Pricing Supplement and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates (whether or not such Certificates are AFIBs) is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”); (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “Promotion of CISs Order”); (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order.

Persons of any other description in the United Kingdom may not receive and should not act or rely on this Offering Circular, any applicable Pricing Supplement or any other marketing materials in relation to any Certificates.

Prospective investors in the United Kingdom in any Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Any prospective investor intending to invest in any investment described in this Offering Circular should consult its professional adviser and ensure that it fully understands all the risks associated with making such an investment and that it has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS IN THE STATE OF KUWAIT

Unless all necessary approvals from the Kuwait Capital Markets Authority (the “CMA”) pursuant to Law No. 7 of 2010, and its executive bylaws (each as amended) (the “CML Rules”) together with the various resolutions, regulations, directives and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the marketing and sale of the Certificates, the Certificates may not be offered for sale, nor sold, in Kuwait.

This Offering Circular is not for general circulation to the public in Kuwait nor will the Certificates be sold by way of a public offering in Kuwait. In the event where the Certificates are intended to be purchased onshore in Kuwait, the same may only be so purchased through a licensed person duly
authorised to undertake such activity pursuant to the CML Rules. Investors from Kuwait acknowledge that the CMA and all other regulatory bodies in Kuwait assume no responsibility whatsoever for the contents of this Offering Circular and do not approve the contents thereof or verify the validity and accuracy of its contents. The CMA, and all other regulatory bodies in Kuwait, assume no responsibility whatsoever for any damages that may result from relying (in whole or in part) on the contents of this Offering Circular. Prior to purchasing any Certificates, it is recommended that a prospective holder of any Certificates seeks professional advice from its advisors in respect to the contents of this Offering Circular so as to determine the suitability of purchasing the Certificates.

NOTICE TO RESIDENTS IN THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this 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 the Kingdom of 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 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 Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Certificates, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of this Offering Circular. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to or made available to the public generally.

KINGDOM OF SAUDI ARABIA NOTICE

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia (“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 Saudi Arabia (the “Capital Market Authority”). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss howsoever arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Offering Circular he or she should consult an authorised financial adviser.
NOTICE TO RESIDENTS IN THE STATE OF QATAR

Any Certificates 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 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. The Certificates are not and will not be traded on the Qatar Stock Exchange. The Certificates 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 the State of Qatar.

NOTICE TO RESIDENTS IN THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Certificates and this Offering Circular shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for any Certificates issued under the Programme.

NOTICE TO RESIDENTS IN MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Offering Circular or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 (the “CMSA”) of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Bank and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Circular.
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RISK FACTORS

Each of the Trustee and the Bank believes that the following factors may affect both the Trustee’s ability to pay amounts owing under Certificates issued under the Programme and the Bank’s ability to satisfy its obligations under the relevant Transaction Documents (as defined in the Conditions). All of these factors are contingencies which may or may not occur. However, should any of these factors occur, it would have the potential to materially adversely affect the Bank’s business, results of operations, financial condition and prospects and thereby affect its ability to perform its obligations in respect of the relevant Transaction Documents.

Factors which each of the Trustee and the Bank believes may be material for the purpose of assessing the market risks associated with Certificates issued under the Programme are also described below.

Each of the Trustee and the Bank believes that the factors described below represent the principal risks inherent in investing in Certificates, but the inability of the Trustee to pay Periodic Distribution Amounts (as defined in the Conditions), Dissolution Distribution Amounts (as defined in the Conditions) or other amounts on or in connection with any Certificates and of the Bank to pay amounts owing under the Transaction Documents may occur for other reasons and neither the Trustee nor the Bank represents that the statements below regarding the risks of holding any Certificates are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision. Words and expressions defined elsewhere in this Offering Circular shall have the same meanings in this section.

Factors that may affect the Trustee’s ability to fulfil its obligations under or in connection with the Certificates

The Trustee has no operating history and no material assets

The Trustee is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 9 January 2020 and has no operating history. The Trustee’s only material assets, which will be held on trust for Certificateholders, will be the Trust Assets in respect of each Series of Certificates issued, including the obligation of the Bank to make payments to the Trustee under the relevant Transaction Documents to which it is a party relating to each Series. Therefore, the Trustee is subject to the same risks that affect the Bank to the extent that those risks limit the Bank’s ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. The ability of the Trustee to pay amounts due on the Certificates is dependent upon receipt by the Trustee from the Bank of amounts to be paid pursuant to the relevant Transaction Documents, which may not be sufficient to meet all claims under the Certificates and the relevant Transaction Documents. See “—Risks relating to the Bank’s ability to fulfil its obligations under the Transaction Documents”.

The Trustee has not engaged, and will not engage, in any business activity other than the issuance of Certificates under the Programme, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other related activities as required under the Transaction Documents. As the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

Risks relating to the Bank’s ability to fulfil its obligations under the Transaction Documents

The Group is exposed to the credit risk of borrowers and other counterparties and anticipated future growth in, or deterioration in the quality of, the Group’s financing receivables or sukuk investment
securities could result in an increase in its credit risk profile and a deterioration in its financial condition

Risks arising from adverse changes in the credit quality and recoverability of financing receivables, securities and amounts due from counterparties are inherent in a wide range of the Group’s businesses, principally in its financing and investment activities. In particular, the Group is exposed to the risk that customers may not make payments in respect of their financing according to their contractual terms and that the collateral (if any) securing the payment of this financing may be insufficient. The Group regularly reviews and analyses its financing receivables and credit risks, and the Group’s provision for impairment losses on its financing receivables is based on, among other things, its analysis of current and historical delinquency rates and financing management and the valuation of the underlying assets, as well as numerous other management assumptions. However, these internal analyses and assumptions may give rise to inaccurate predictions of credit performance, particularly in a volatile economic climate. See “—The Group’s risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks” below.

As at 31 December 2019, the Group’s gross financing receivables along with bank exposures amounted to KD 2,032.1 million (compared to KD 1,792.1 million as at 31 December 2018). As at 31 December 2019, the Group’s NPF portfolio was KD 37.8 million (compared to KD 17.3 million as at 31 December 2018) and as at 31 December 2019 its provision for impairment losses in respect of its financing receivables along with bank exposures amounted to 2.61 per cent. (compared to 2.86 per cent. of its gross financing receivables as at 31 December 2018). In addition, as at 30 September 2020, the Group’s gross financing receivables along with bank exposures amounted to KD 2,171.2 million and its NPF portfolio was KD 78.8 million. The increase in the Group’s NPF portfolio was principally the result of a higher provision charge relating to one large corporate client (for further detail see “Financial Review—Recent Developments”).

To the extent that the Group’s financing receivables increase in the future, reflecting one of its strategic aims to become the Islamic bank of choice in Kuwait, and its credit exposure consequently increases, management of the Group will need to continually monitor the credit quality of the financing receivables. This will be particularly important should economic conditions in Kuwait deteriorate in the future. See “Risk management—Credit Risk” and “—The Group’s risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks” below.

Any failure by the Group to maintain the quality of its assets through effective risk management policies could lead to higher impairment provisioning and result in higher levels of defaults and write-offs, all of which would be likely to reduce the Group’s profitability, which could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates.

The Group could be materially adversely affected by any deterioration in economic conditions in Kuwait, which is largely dependent on developments in international oil and gas prices

The Group’s operations are focused in Kuwait, with 90.14 per cent. of its financial assets exposed to credit risk as at 31 December 2019 being concentrated in Kuwait.

Kuwait’s economy, as is the case with the economies of a number of other countries in the MENA region, is dependent on oil and gas and related industries, as well as the prices and production quantities of these commodities. Oil prices have, however, been volatile in recent years, which has impacted economic growth in Kuwait. For example, based on data on the OPEC website, oil prices decreased significantly from July 2014 (when the monthly average price of the OPEC reference basket was U.S.$105.61) to January 2016 (when the monthly average price of the OPEC reference basket was U.S.$26.50). The fluctuations have continued since then, with the yearly average OPEC reference basket price per barrel being U.S.$40.76 in 2016, U.S.$52.43 in 2017, U.S.$69.78 in 2018 and U.S.$67.96 in 2019. Oil prices have been significantly affected by the Covid-19
pandemic and have fallen sharply since February of 2020 and may fall further in the near future. In April, in response to storage capacity concerns, oil prices briefly fell below zero. The OPEC Reference Basket price has since recovered slightly, reaching U.S.$41.06 on 8 October 2020 (source: OPEC data obtained on 11 October 2020).

Reflecting these trends and according to KSB data (which in the case of 2019 data, is a provisional estimate only), nominal GDP in Kuwait grew by 16.0 per cent. in 2018 and decreased by 3.7 per cent. in 2019, with the oil sector decreasing by 8.8 per cent. and the non-oil sector growing by 1.0 per cent. in 2019. Real GDP in Kuwait increased by 1.2 per cent. in 2018 and by 0.4 per cent. in 2019, with the oil sector increasing by 1.2 per cent. in 2018 and decreasing by 1.7 per cent. in 2019 and the non-oil sector growing by 1.3 per cent. in 2018 and increasing by 3.0 per cent. in 2019. Oil sector real GDP is principally affected by changes in production and prices. The non-oil sector in Kuwait has been supported by Government spending on development plans and projects. According to the KSB, Kuwait’s real GDP in the year ended 2019 was estimated at KD 39,424.8 million.

Potential investors should note the significance of changes in international oil prices on Kuwait’s economy. For instance, financial institutions, such as the Bank, may experience lower liquidity or higher financing receivables losses or impairments if Government expenditure in Kuwait is reduced as a result of budgetary pressures caused by low oil prices. Should international oil prices decline significantly in the future for an extended period, this will be likely to adversely affect Kuwait’s economy. Additionally, although the CBK has the ability to offset the components of the undisclosed weighted basket of international currencies of Kuwait’s major trade and financial partner countries against which the dinar is pegged (the “KD Basket”), there can be no assurance that the CBK will maintain the KD Basket at its current level, which could lead to higher inflation and negatively affect confidence in Kuwait’s economy.

Further, the impact of oil prices on Kuwait’s economy could materially adversely affect many of the Group’s borrowers and contractual counterparties. This, in turn, would adversely affect the Group’s business, in particular through increases in the Group’s non-performing financing (“NPF”) portfolio (which comprises facilities where the profit or a principal instalment is past-due for more than 90 days and the carrying amount of the facility is greater than its estimated recoverable value), increased impairment provisions, which would negatively impact the Group’s profitability, and reduced demand for financing and other banking services, which in turn could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates. See “—The Group’s financial assets and depositors’ accounts are concentrated in Kuwait” below.

The Group could also be affected by any future material adverse changes in regional and global financial markets and economic conditions

The Group operates in the Kuwaiti financial services industry, which is integrated with, and is dependent on, regional and global financial markets. Such regional and global financial markets are in turn affected by regional and global economic conditions. Enhanced credit risks for the Group could arise from a general deterioration in regional or global economic conditions or from systemic risks within the regional or global financial systems.

The global financial services industry generally prospers in periods of economic growth and stable geopolitical conditions and benefits from capital markets that are transparent, liquid and buoyant and experience positive investor sentiment. However, any future increase in market volatility resulting from regional or global events could result in a material reduction in the availability of financing, both for the Group and its customers.

There was significant volatility and disruption in the global capital and credit markets during the global financial crisis, which commenced in late 2007. At times since then, there has also been a material reduction in the availability of financing, both for financial institutions and their customers. As a result, many financial institutions have been compelled to rely on central banks and governments to provide liquidity and, in some
cases, additional capital. Governments around the world, including in Kuwait and other countries in the MENA region, have taken actions intended to stabilise financial markets and prevent the failure of financial institutions. See “Overview of banking and finance regulations in Kuwait”. Despite such measures, international capital and credit markets have continued to experience periods of significant volatility, with the current material factors contributing to uncertainty being the trade dispute between the United States and China and volatility in certain primary commodities markets such as oil and political turmoil in certain countries and regions.

Additionally, the ongoing outbreak of the coronavirus Covid-19 may affect investment sentiment, result in sporadic volatility in global capital markets and impact financial markets. In addition, the outbreak has resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses which may have a material adverse effect on the global economy, slow national economic development and impact the Group’s results. The duration, impact and severity of the outbreak cannot be predicted and may be significant, particularly in the short term. See – “The Group’s business, results of operations and financial condition may be adversely affected by the impact of Covid-19”.

The Group’s business growth and results of operations were adversely affected by the global financial crisis and the impact it had in Kuwait. In particular, many countries in the MENA region experienced significant declines in real estate prices and in stock exchange indices and these factors adversely affected companies engaged in the real estate sector (including developers, construction companies and others) and investment companies. Reflecting a lack of diversification in Kuwait’s economy, Kuwaiti banks had significant concentrations of these companies as borrowers and, as a result of the difficulties these companies experienced, Kuwaiti banks, including the Group, significantly increased their provisions in 2009 compared to prior years, which in turn adversely affected their results of operations.

If comparable market disruptions and levels of volatility recur, due to Covid-19 or otherwise, the Group may experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, increased credit losses and impairment charges, and lower profitability and cash flows. The Group’s business and financial performance may also be adversely affected by future recovery rates on assets (including real estate and equity securities which it has accepted as security), particularly as the historical assumptions underlying asset recovery rates may prove to be inaccurate.

Changes in interest rates and/or widening credit spreads can create a less favourable environment for certain of the Group’s businesses and could lead to a decrease in the demand for certain financing arrangements and other products and services offered by the Group. In addition, fluctuations in interest rates and credit spreads have affected the fair value of financial instruments held by the Group.

In addition, although economic conditions are different in each country in the MENA region, investors’ reactions to developments in one country may affect the price of securities of issuers in other countries in the MENA region, including Kuwait. Accordingly, the market price of the Certificates may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Group.

The Group’s business, results of operations and financial condition may be adversely affected by the impact of Covid-19

The recent spread of Covid-19 and the measures imposed by government bodies around the world to limit its spread have disrupted the global economy, financial markets and business productivity. The outbreak has resulted in the implementation of travel restrictions, quarantines and extended shutdowns of certain businesses globally (in particular, in relation to the travel and hospitality sectors), the impact of which is highly uncertain and, if prolonged, could have materially adverse consequences, including lower economic growth (both regionally and globally) and increased volatility. It is currently unclear how long these restrictions will be in place and what their ultimate impact will be on global and local economies.
A substantial amount of the Group’s business involves providing credit and other financial services to individuals, corporates, industries or governments that may be detrimentally impacted by Covid-19 and therefore be unable to repay their financings as they fall due or have a lower demand for the products and services offered by the Group. The Group may also be limited in its ability to service clients as it has restricted operations in some of its branch offices and set up the necessary infrastructure to allow some essential employees to work from home to the extent possible. The CBK and the Government have implemented a number of measures to mitigate the impact of the Covid-19 pandemic on Kuwait’s domestic economy and the banking sector (as described further below) which has in turn allowed the Group’s management to implement a revised strategy to continue operations and support credit growth, whilst at the same time maintaining a conservative approach to risk management and capital preservation. The Group’s management monitors the balance sheet and liquidity on a day-to-day basis, in line with regulatory guidance. However, in such an unprecedented economic environment, and for the reasons outlined above, Covid-19 could have a material and adverse impact on the Group’s business, results of operations and financial condition.

A number of central banks and governments have announced financial stimulus and economic support packages aimed at helping against the negative impact of Covid-19. In Kuwait, as a temporary measure to mitigate the impact of the Covid-19 pandemic on Kuwait’s domestic economy and the banking sector, the CBK has relaxed some of the regulatory requirements with effect from 1 April 2020. The CBK has reduced the liquidity ratio from 18 per cent. to 15 per cent. and has reduced the minimum limit for both LCR and NSFR from 100 per cent. to 80 per cent. The CBK also reduced the minimum capital adequacy requirement from 13 per cent. to 10.5 per cent. by releasing the capital conservation buffer of 2.5 per cent. The CBK has also decreased the minimum CET1 ratio requirement to 7 per cent. from 9.5 per cent. and reduced the minimum Tier 1 ratio requirement to 8.5 per cent. from 11 per cent. According to the CBK, these amendments will be in effect until the end of 2020, when they will be reviewed again. In addition, SMEs have also been subject to Government support by (i) providing loans on concessional and long term basis; (ii) postponing social security contributions by private business owners in affected sectors; and (iii) supporting salaries of nationals registered under Chapter Five of the Social Security Decree Law No. 61 of 1976 in the affected sectors for a period of six months starting 28 May 2020. Whilst these measures are expected to help against the negative impact of Covid-19, the impact of these measures cannot be predicted and a prolonged period of reduced global liquidity and growth may have materially adverse consequences on economic growth and the Group’s clients or affect the Group’s employees and operations. The Group’s total CAR as at 30 September 2020 was 18.25 per cent.

In order to prepare itself for the potential adverse consequences resulting from the impact of Covid-19, the Group has run several macro-economic scenarios and internal models by incorporating changes to, amongst other things, weights of economic scenarios, reduction in oil prices, drop in real estate prices and a negative GDP growth. However, the results of these scenarios are based on judgments and estimates and a variety of factors which are outside of the Group’s control can affect the losses which actually materialise. Whilst the Group has established policies and control procedures that are intended to ensure that its significant accounting estimates and judgments are well controlled and applied consistently, due to the uncertainty surrounding the Group’s judgments, the estimates pertaining to these matters and the impact of macro-economic factors over which the Group has no control, should the estimated values for such items prove substantially different to actual values, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future rules or interpretations, the Group may experience unexpected losses. See further “Description of the Group – Recent Developments – Impact of Covid-19”.

Security interests or guarantees in respect of financing receivables provided in favour of the Group may not be sufficient to cover any losses and may not be legally enforceable

As at 31 December 2019, 53 per cent. of the Group’s financing receivables were fully secured by collateral, including share pledges governed by Kuwaiti law and pledged real estate collateral. As at the same date, 14.07
18

per cent. of the Group’s financing receivables comprised financing provided to retail customers against salary and/or other eligible collateral in accordance with CBK rules.

Although certain Islamic financing structures used by the Group, such as the ijara structure, permit the registration of the relevant underlying assets, such as real estate, in the Group’s name, other structures require a customer to pledge assets. The practice of pledging assets (such as share portfolios and real estate assets) to obtain financing is subject to certain limitations and administrative restrictions under Kuwaiti law. In particular, such security may not be enforced without a court order. As a result, security over certain pledged assets may not be enforceable in Kuwaiti courts. Accordingly, the Group may have difficulty foreclosing on collateral (including any real estate collateral) or enforcing guarantees or other third party credit support arrangements when customers default on their financing.

In addition, even if such security interests are enforceable in Kuwaiti courts, the time and costs associated with enforcing security interests in Kuwait may make it uneconomical for the Group to pursue such proceedings, adversely affecting the Group’s ability to recover its financing losses.

The Group typically requires additional collateral in the form of cash and/or other assets in situations where the Group may not be able to exercise rights over pledged shares or where it enters into guarantees or other third party credit support arrangements for financing made to individuals and corporations. Any decline in the value or liquidity of such collateral may prevent the Group from foreclosing on such collateral for its full value or at all in the event that a customer becomes insolvent and enters bankruptcy, and could thereby adversely affect the Group’s ability to recover the full amounts advanced to the customer, which in turn could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates.

The Group’s financial assets and depositors’ accounts are concentrated in Kuwait

As at 31 December 2019, 90.1 per cent. of the Group’s financial assets were geographically concentrated in Kuwait. The Group’s financial assets principally comprise its financing receivables, due from banks and investment securities. Together, the Group’s financial assets constituted 94.2 per cent. of its total assets, or KD 2,532.4 million, as at 31 December 2019 (compared to 93.6 per cent. of its total assets, or KD 2,030.7 million, as at 31 December 2018).

The Group’s sukuk investments, which aggregated KD 131.8 million as at 31 December 2019, principally comprise of securities issued by financial institutions in Kuwait, and Government and government related entities.

The Group’s depositors’ accounts constituted 63.6 per cent. of its total liabilities, or KD 1,469.6 million as at 31 December 2019 (compared to 69.7 per cent. of its total liabilities, or KD 1,318.5 million, as at 31 December 2018).

As a result, any deterioration in general economic conditions in Kuwait or any failure by the Group to manage effectively its geographic risk concentrations could have a more significant adverse effect on the Group’s business than on that of a more diversified bank. See “—The Group could also be affected by any future material adverse changes in regional and global financial markets and economic conditions”.

The Group has significant customer and sector concentrations

The Group’s 20 largest customers, based on gross financing receivables, accounted for 22.0 per cent. of its total credit risk exposures as at 31 December 2019 (compared to 24.6 per cent. as at 31 December 2018).

Although diversified by industry sector, the Group’s credit risk exposure with respect to its financial assets is concentrated on the construction and real estate industry sectors which, as at 31 December 2019, accounted for 30.7 per cent. of the Group’s credit risk exposure (excluding contingent liabilities) (compared to 35.3 per cent.
as at 31 December 2018). In addition, the banking and financial institutions sector accounted for 30.7 per cent. of the Group’s credit risk exposure (excluding contingent liabilities) as at 31 December 2019 (compared to 24.4 per cent. as at 31 December 2018). Further, financing to retail customers accounted for 10.4 per cent. of the Group’s credit risk exposure (excluding contingent liabilities) as at 31 December 2019 (compared to 12.1 per cent. as at 31 December 2018).

As a result, a material weakening in the credit quality of, or a default by, any one or more of the Group’s large counterparties, or any factors which negatively impacted any of the sectors to which the Group has significant exposure, could result in the Group having to make significant additional impairment provisions and experiencing reduced financing income. Sector specific factors might include:

- a significant decline in real estate values which would weaken the credit quality of the Group’s construction and real estate customers and could also reduce the value of the real estate collateral which the Group holds; and

- continued low levels of economic growth or a recession in Kuwait which, particularly if coupled with increased levels of unemployment and falling house prices, could materially adversely impact the ability of the Group’s retail customers to repay their financing.

Each of the above factors would also be likely to impact the other banks and financial institutions in Kuwait which are customers of the Group in a similar manner to that in which they impact the Group.

In terms of liabilities, the Group’s 20 largest deposits as at 31 December 2019 constituted 60.3 per cent. of its total deposits at that date (compared to 62.8 per cent. as at 31 December 2018). The withdrawal or non-renewal of its deposits by any one or more of the Group’s large depositors could require the Group to obtain replacement funding from other sources which may not be readily available or may be significantly more expensive, which would reduce the Group’s net financing margin and adversely impact its operating income and profitability, which in turn could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates. See further “—The Group is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business” below.

The Group is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business

Liquidity risk is the risk that the Group will be unable to meet its obligations, including funding commitments, as they become due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Credit markets worldwide experienced a severe reduction in liquidity in the final quarter of 2008 and the first half of 2009. Since then, market conditions have been volatile with financial institutions continuing to experience periods of reduced liquidity.

The perception of counterparty risk between banks has also increased significantly since the final quarter of 2008, which led to reductions in certain traditional sources of liquidity, such as the debt markets, asset sales and redemption of investments. The Group’s access to these traditional sources of liquidity may be restricted or available only at a higher cost and there can be no assurance that the Government will continue to provide the levels of support that it has provided to date to the Kuwaiti banking sector. See “—Neither the Trustee’s obligations under the Certificates nor the Bank’s obligations under the Transaction Documents are guaranteed by the Government” below.

In addition, uncertainty or volatility in the capital and credit markets may limit the Group’s ability to refinance maturing liabilities with long-term funding or may increase the cost to the Group of such funding. The Group’s
access to any additional financing it may need will depend on a variety of factors, including market conditions, the availability of financing generally and to entities in the financial services industry specifically, and the Group’s financial condition, credit ratings and credit capacity.

The Group has historically relied on both customer and interbank deposits, which are mainly short-term and generally low cost in nature, to meet most of its funding needs. The availability of deposits is subject to fluctuation due to factors outside the Group’s control, including possible loss of confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time or may cause the Group to increase the profit distributions on its deposits to ensure that it retains sufficient deposits. As at 31 December 2019, 39.2 per cent. of the Group’s non-equity funding (which comprises amounts due to banks and financial institutions and depositors’ accounts) had remaining contractual maturities of up to one month or was payable on demand and 90.2 per cent. had remaining maturities of one year or less or was payable on demand. The Group may experience outflows of deposits at times when liquidity is constrained generally in Kuwait or when its major depositors experience short- or longer-term liquidity requirements. Particularly if international oil and gas prices fall significantly, the Group’s large Kuwaiti governmental depositors may start to withdraw part or even all of their deposits with it.

In addition, the Group’s deposits are geographically concentrated and the Group is reliant on certain large deposits from a limited group of Government-related and private sector corporate customers. See “—The Group’s financial assets and depositors’ accounts are concentrated in Kuwait” above and “—The Group has significant customer and sector concentrations” above.

If a substantial portion of the Group’s depositors, or any of its largest depositors, withdraw their demand deposits or do not roll over their time deposits at maturity, the Group may need to seek other sources of funding or may have to sell, or enter into sale and repurchase or securitisation transactions over, certain of its assets to meet its funding requirements. There can be no assurance that the Group will be able to obtain additional funding as and when required or at prices that will not affect its ability to compete effectively and, if the Group is forced to sell assets to meet its funding requirements, it may suffer material losses as a result.

In extreme cases, if the Group is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, through deposits, the interbank markets, the international capital markets or through asset sales, this could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates.

The Group could be adversely affected by the soundness or the perceived soundness of other financial institutions and counterparties

Against the backdrop of constraints on liquidity and the high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions that became most evident following the bankruptcy of Lehman Brothers in 2008, the Group is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. As was experienced in 2008 and 2009, concerns about, or a default by, one institution could also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Group or other institutions. This risk, often referred to as “systemic risk”, may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom the Group interacts on a regular basis.
Systemic risk, should it materialise, could have a material adverse effect on the Group’s ability to raise new funding and on its business generally.

The Group could be adversely affected if it is unable to effectively monitor and control the level of or, where required, successfully restructure its impaired financing with customers in financial distress, or if its impairment allowances are insufficient to cover its financing losses

As at 31 December 2019, the Group’s NPF ratio (calculated as NPF portfolio divided by total gross financing receivables and expressed as a percentage) was 1.86 per cent. (compared with 0.97 per cent. as at 31 December 2018). As at 31 December 2019, the Group had KD 37.8 million of NPFs and carried impairment provisions (along with provision for bank exposures) of KD 53.1 million to cover potential financing losses (compared with KD 17.3 million of NPFs and carried impairment provisions (along with provision for bank exposures) of KD 51.3 million to cover potential financing losses as at 31 December 2018). In accordance with IFRS 9 as adopted by Kuwait for financial services institutions regulated by the CBK, effective as of 1 January 2018, the Group is required to reflect the impairment calculated as a charge to the consolidated statement of profit or loss.

As at 31 December 2019, the Group’s impairment provision coverage ratio (including collateral) amounted to 244.5 per cent. of the Group’s NPFs (compared to 343.2 per cent. as at 31 December 2018). However, there is no guarantee that the impairment allowances recognised by the Group will be sufficient to cover its actual financing losses. Impairment provision coverage ratio (including collateral) is calculated as a sum of general and specific provisions and collaterals against NPF divided by NPF.

If the Group fails to, where required, appropriately restructure or monitor and control the levels of, and adequately provide for, its NPFs, the Group may need to make further impairment charges which in turn could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates.

The Group has significant credit-related contingent liabilities and commitments that may lead to potential losses

As part of its normal banking business, the Group issues guarantees, letters of credit and acceptances which are accounted for off the Group’s balance sheet until such time as they are actually funded or cancelled. In addition, the Group makes revocable commitments to advance financing to its customers. Although these commitments are contingent, they nonetheless subject the Group to both credit and liquidity risks. As at 31 December 2019, the Group had KD 527.2 million in such contingent liabilities and commitments outstanding, equal to 22.0 per cent. of its combined financing receivables and contingent liabilities (including commitments) (compared to KD 455.7 million in such contingent liabilities and commitments outstanding, equal to 22.1 per cent. of its combined financing receivables and contingent liabilities (including commitments) as at 31 December 2018).

Although the Group anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, the Group may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This would result in the Group needing to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive, which would reduce the Group’s net financing margin which in turn could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates. See further “—The Group could be adversely affected by market risks” below.
A negative change in the Bank’s credit rating could limit its ability to raise funding and may increase its funding costs

The Bank has a long-term foreign currency issuer default rating of A+ with stable outlook from Fitch. This rating, which is intended to measure the Bank’s ability to meet its debt obligations as they mature, is an important factor in determining the Group’s cost of borrowing funds.

There is no assurance that the Bank’s rating will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely if circumstances in the future so warrant. A downgrade of the Bank’s credit rating, or a negative change in its outlook, may:

• limit the Bank’s or any other member of the Group’s ability to raise funding;
• increase the Bank’s or any other member of the Group’s cost of borrowing; and
• limit the Bank’s or any other member of the Group’s ability to raise capital.

In addition, actual or anticipated changes in the Bank’s credit rating may negatively affect the market value of the Certificates.

According to Fitch, a significant factor underpinning the Bank’s rating is Fitch’s assessment that there is an extremely high probability of support for the Bank from the Kuwaiti authorities, if needed. Any event that causes Fitch or any other applicable rating agency in the future to adjust this view would be likely to result in a negative change in the Bank’s rating. See “—Neither the Trustee’s obligations under the Certificates nor the Bank’s obligations under the Transaction Documents are guaranteed by the Government” below.

In addition, the credit rating assigned to the Bank may not reflect the potential impact of all risks related to an investment in any Certificates issued under the Programme, the market, additional factors discussed in this Offering Circular and other factors that may affect the value of the Certificates. A security rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

The Bank may not be able to raise capital as and when needed on commercially attractive terms

The Basel Committee on Banking Regulation and Supervisory Practices (the “Basel Committee”) has set international standards for the capital adequacy of banks. The minimum capital adequacy ratio recommended by the 1988 Basel Committee guidelines is 8.0 per cent. Pursuant to its Basel III reforms, the Basel Committee recommended a minimum total capital adequacy ratio of 8.0 per cent., which can rise to 10.5 per cent. after factoring in the capital conservation buffer over a period of time (currently extending to 2019). However, the CBK, as the banking regulator in Kuwait, requires Kuwaiti commercial banks to maintain a capital adequacy ratio based on the final instructions entitled “Implementing Capital Adequacy Standards – Basel III – for conventional banks” issued by the CBK on 24 June 2014, as may be amended or superseded from time to time (the “Instructions”). Pursuant to the Instructions, Kuwaiti commercial banks were required to maintain a capital adequacy ratio of 12.5 per cent. of risk-weighted assets by the end of 2015, which increased to 13.0 per cent. in 2016. Additionally, commercial banks are required to maintain additional capital (0.5 per cent. to 2.0 per cent. depending on the bank’s size and complexity, as determined by CBK) in the form of a domestic systemically important bank (“D-SIB”) charge.

However, as a temporary measure to mitigate the impact of the Covid-19 pandemic on Kuwait’s domestic economy and the banking sector, the CBK has relaxed some of the regulatory requirements. The CBK reduced the minimum capital adequacy requirement from 13 per cent. to 10.5 per cent. by releasing the capital conservation buffer of 2.5 per cent. with effect from 1 April 2020. The CBK has also decreased the minimum CET1 ratio requirement to 7 per cent. from 9.5 per cent. and reduced the minimum Tier 1 ratio requirement to
8.5 per cent. from 11 per cent. According to the CBK, these amendments will be in effect until the end of 2020, when they will be reviewed again.

As at 31 December 2019, the Bank’s tier 1 capital adequacy ratio (calculated according to Basel III standards as implemented in Kuwait) was 18.05 per cent. and its total capital adequacy ratio was 19.24 per cent. (compared with a tier 1 capital adequacy ratio of 15.45 per cent. and a total capital adequacy ratio of 16.63 per cent. as at 31 December 2018), in each case above the levels required by the CBK at that date of 11.0 per cent. (tier 1 capital) and 13.0 per cent. (total capital).

A variety of factors may affect the Bank’s capital adequacy levels. For example, if the Bank’s loan portfolio were to grow significantly, or if the level of loan impairments increases, and the Bank fails to generate a sufficient level of profits to ensure consistent growth in equity through retained earnings (or if the Bank generates losses in future periods), or if any of the Bank’s instruments lose their capital treatment as a result of a change in the guidelines on capital adequacy issued by the Basel Committee, or corresponding implementing measures as implemented by the CBK. In addition, regulatory requirements in relation to the calculation of capital adequacy and required levels of capital adequacy may change from time to time including as a result of new guidelines issued by the Basel Committee on Banking Supervision (the “Basel Committee”) or the implementation or interpretation of them by the CBK. The Bank may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

As a result, the Bank may need to obtain additional capital in the future. Such capital, whether in the form of financing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, should the Bank’s capital ratios fall close to regulatory minimum levels or the Bank’s own internal minimum levels, the Bank may need to adjust its business practices, including reducing the risk and leverage of certain activities or undertaking asset disposals. If the Bank is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase and it may suffer regulatory sanctions (such as limitations on the Bank’s ability to pay dividends, the issuance by the CBK of a directive to increase capital and/or sell or reduce assets, the imposition of fines, as well as to an increase of the cost of funding). In addition, the Bank’s inability to grow capital may limit the Bank’s ability to attract large corporate customers, due to regulatory limits on exposures to a single borrower. Any of these outcomes could have an adverse effect on the Bank’s business, financial condition, results of operations or prospects.

Neither the Trustee’s obligations under the Certificates nor the Bank’s obligations under the Transaction Documents are guaranteed by the Government

Although the Government has in the past supported the domestic banking industry, including in the period following the global financial crisis, there can be no assurance that it will continue to provide support to the domestic banking industry in the future. An investment in the Certificates will not be covered by any Kuwaiti compensation or insurance scheme. The Certificates are the Trustee’s obligation only and holders of the Certificates must solely look to the Trustee for the performance of the Trustee’s obligations under the Certificates. In the event of the Trustee’s insolvency, a Certificateholder may lose all or some of its investment in the Certificates. See “Factors that may affect the Trustee’s ability to fulfil its obligations under or in connection with the Certificates—The Trustee has no operating history and no material assets”.

Potential investors in the Certificates should note that the Certificates are not guaranteed by the Government, any of the Bank’s shareholders or any other party.

The Group could be adversely affected by market risks

The Group could be adversely affected by market risks that are outside its control, including, without limitation, volatility in profit rates, prices of securities and currency exchange rates.
The Group maintains small portfolios of equity securities held at fair value through profit and loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). Any change in the fair value of these securities, for example as a result of changing equity prices where the securities are quoted on an active market, has an impact on the Group’s profit or equity, as the case may be. In addition, the Group’s income from securities operations depends on numerous factors beyond its control, such as overall market trading activity, profit rate levels, fluctuations in currency exchange rates and general market volatility. See note 25(iii)(b) to each of the Annual Financial Statements for a sensitivity analysis showing the impact on the Group’s equity of an assumed 5 per cent. increase in stock prices.

The Group is also exposed to foreign exchange rate risk. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that the Group may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Group attempts to match the currencies of its assets and liabilities and any open currency position is maintained within the aggregate limits set by the CBK. However, where the Group is not so matched, it is exposed to fluctuations in foreign exchange rates. See note 25(iii)(a) to each of the Annual Financial Statements.

The Group is also exposed to profit rate risk and changes in market profit rates could impact it both through an impact on its earnings and through an impact on the value of certain of its underlying assets and liabilities. Although the Group monitors and seeks to manage this risk through the Assets Liabilities Management Committee ("ALCO"), there can be no assurance that it will not, at times, be adversely affected by movements in profit rates.

Adverse movements in international interest rates and foreign exchange rates may also adversely impact the revenue and financial condition of the Group’s depositors, financing customers and other counterparties which, in turn, may impact the Group’s deposit base and the quality of its credit exposures to certain customers and other counterparties.

Ultimately, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future volatility in international interest rate or currency exchange rates or from a significant change in the prices of its securities, which could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates.

**The banking industry is competitive and the Group is exposed to significant competition in Kuwait**

The Group faces high levels of competition for all of its products and services in Kuwait. In particular, the Group competes with other domestic Islamic banks and such competition may increase. See “Description of the Group—Competition”.

As at the date of this Offering Circular, the Kuwaiti banking sector comprises five Kuwait-incorporated conventional commercial banks and five Kuwait-incorporated banks operating in accordance with Sharia principles. In addition, branches of 11 other non-Kuwaiti conventional banks, a non-Kuwaiti bank operating in accordance with Sharia principles and a specialised bank are also licensed to operate in Kuwait. The Group’s relatively small size compared to some of the other banks in Kuwait could constrain its efforts to attract very large corporate customers.

The Group believes that, in order to compete effectively, it will need to continue to successfully implement its new strategy which it launched in 2015 and which, among other things, envisages it becoming the Islamic bank of choice in Kuwait and being recognised as the most innovative bank in Kuwait. See “Description of the Group—Strategy”.

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Any failure by the Group to successfully develop and implement its strategy in the coming years could negatively affect its competitive position in the markets in which it operates, which could result in reduced income or a failure to achieve anticipated levels of income.

The Group’s risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks

There can be no assurance that the Group’s risk management and internal control policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Group’s risk management systems. Some of the Group’s methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures. These exposures could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Group’s empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in the Group’s risk management or other internal control policies or procedures may expose it to significant losses as a result of unidentified credit, liquidity, market or operational risks, should they occur.

Risks relating to Legal, Regulatory, Compliance, Accounting and Corporate Governance Issues

The Group is subject to extensive regulation and changes in this regulation, or the interpretation and enforcement of this regulation, or any failure by the Group to comply with this regulation could have a material adverse effect on the Group

The Group is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. These controls include laws and regulations promulgated by the CBK, the Kuwait Capital Markets Authority (the “CMA”) and the Boursa Kuwait (formerly the Kuwait Stock Exchange) and are further described under “Overview of banking and finance regulations in Kuwait”.

The regulations to which the Group is subject may limit its ability to carry on certain parts of its business, to increase its financing receivables portfolio or to raise capital and may also increase its cost of doing business. In addition, increased regulation or changes in applicable laws and regulations and the manner in which they are interpreted or enforced in Kuwait may impose significant additional compliance costs on the Group. Furthermore, non-compliance by the Group with any applicable regulations could expose it to potential liabilities and fines, which may be significant.

In order to carry out and expand its businesses, it is necessary for the Group to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

The Group is also required to comply with applicable know-your-customer, anti-money laundering and counter-terrorism financing laws and regulations in Kuwait and other jurisdictions where it operates, including those related to countries subject to sanctions by the United States Office of Foreign Assets Control (“OFAC”), similar regulations of other jurisdictions and applicable anti-corruption laws in the jurisdictions in which it conducts business. To the extent that the Group fails or is perceived to fail to comply with these and other
applicable laws and regulations, its reputation could be materially damaged and it could be subject to fines or other monetary penalties, which could materially adversely impact its cash flow and profitability.

**The Group’s internal compliance systems might not be fully effective in all circumstances**

The Group’s ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Group is subject to oversight by regulatory authorities, including regular examination activity, and performs regular internal audits and employs an external auditing firm to review its internal control systems, the Group cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against it. In the case of actual or alleged non-compliance with applicable regulations, the Group could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages, which could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates.

**The Group’s accounting policies and methods are critical to how it reports its financial condition and results of operations and require management to make estimates about matters that are uncertain**

Accounting policies and methods are fundamental to how the Group records and reports its financial condition and results of operations. Management must exercise judgement in selecting and applying many of these accounting policies and methods so they comply with IFRS, as adopted for use by Kuwait. See “Financial review—Critical Accounting Judgments and Estimates”.

Management has identified the most significant judgements and estimates made by it in Note 2.6 to the 2019 Financial Statements and 2018 Financial Statements. These judgements and estimates include, for example, the classification of financial assets and real estate, the impairment of financial instruments and the valuation of financial instruments with significant unobservable inputs.

A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. The Group has established policies and control procedures that are intended to ensure that its significant accounting estimates and judgements are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. However, due to the uncertainty surrounding the Group’s judgements and the estimates pertaining to these matters, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

**Risks relating to Kuwait**

**Investing in securities involving emerging markets generally involves a higher degree of risk**

Investors in emerging markets, such as Kuwait, should be aware that these markets are subject to greater risks than more developed markets, including, but not limited to, higher volatility, limited liquidity and changes in the political and economic environment. In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the Certificates, will not be affected negatively by events elsewhere, especially in the emerging markets.

Specific risks in Kuwait and the wider MENA region that could have a material adverse effect on the Group’s business include, without limitation, the following:

- political, economic or social instability;
• external acts of warfare, civil clashes or other hostilities or conflict;
• domestic unrest or violence;
• pandemics;
• increases in inflation and the cost of living;
• changing tax regimes and tax laws, including the introduction of value added tax among some or all of the GCC countries and the imposition of other taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions;
• Government interventions and protectionism;
• potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
• difficulties in staffing and managing operations;
• legal systems which could make it difficult for the Group to enforce its intellectual property and contractual rights;
• restrictions on the right to convert or repatriate currency or export assets;
• greater risk of uncollectible accounts and longer collection cycles; and
• logistical and communications challenges.

Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must determine for themselves whether, in light of those risks, an investment in the Certificates is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Kuwait is located in a region that is characterised by ongoing unrest

Since 2010, there has been political unrest in a range of countries in or proximate to the MENA region, including Syria, Iraq, Egypt, Turkey, Bahrain, Algeria, Libya, Iran, Lebanon, Jordan, Palestine, Tunisia, Somalia, Sudan and Yemen. This unrest, which has ranged from public demonstrations to, in extreme cases, armed conflict and civil war, has led to the collapse of political regimes in Tunisia, Egypt and Libya, civil war in Syria and armed insurrection in Iraq and Yemen. It has also given rise to significantly increased political uncertainty across the region. This situation has caused significant disruption to the economies of affected countries and has had a destabilising effect on international oil and gas prices.

Other potential sources of instability in the region include the ongoing security situation in Iraq and Syria, the ongoing civil war in Yemen and an escalation in the Israeli-Palestinian conflict. There has also been an escalation of tension between Iran and a number of western governments following the United States’ withdrawal from the Joint Comprehensive Plan of Action, including the attack on a number of oil tankers in the Strait of Hormuz, the seizure of foreign-flagged oil tankers, the murder of Qassem Soleimani by the United States, a missile strike by Iran on United States military bases in Iraq and the decision of Iran to resume uranium enrichment activities. A further deterioration, and possible conflict, between the United States and certain governments in the MENA region, such as Iran or Syria, has the potential to adversely affect regional security, as well as global oil and gas prices. Such a deterioration in relations, should it materialise, could adversely impact Kuwait and broader regional security, potentially including the outbreak of a regional conflict.

In June 2017, three GCC member states, namely the Kingdom of Saudi Arabia, the UAE and Bahrain, together with other states in the MENA region, such as Egypt, cut diplomatic, economic and transport ties with Qatar. Each of the four countries subsequently announced sanctions on groups and people accused of having Islamist
military ties, many of them Qataris or with links to Qatar. Saudi Arabia has also closed its land border with Qatar whilst the UAE has ceased to trans-ship goods from Dubai to Qatar. Kuwait and Oman, the remaining two member states of the GCC, have maintained ties with Qatar. There can be no assurance as to when diplomatic, economic or transport ties will be restored with Qatar. It is also not currently possible to predict the outcome of this dispute or its impact on the Bank.

Wars, acts of terrorism and uncertain political or economic prospects or instability in Kuwait or the wider MENA region may adversely impact regional financial markets and the Group’s business. Renewed protests in the MENA region could lead to significant political uncertainties in a number of countries. Financial market and political uncertainty in the MENA region could decrease the Group’s customer deposits or its customers’ demand for loans or other products offered by the Group. These factors could result in decreased asset values and increased provisions for the Group. Such instability could also negatively affect the value of the Group’s investments in affected countries. Any of the above factors could have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates.

Kuwait and other GCC legal systems continue to develop and this may create an uncertain environment for investment and business activity

Kuwait and the other GCC countries are in various stages of developing legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner.

As the legal environment remains subject to continuous development, investors in Kuwait and the other GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in Kuwait and the other GCC countries may have a material adverse effect on the rights of holders of the Certificates or the investments that the Group has made or may make in the future, which may, in turn, have a material adverse effect on the Group’s business, results of operations, financial condition, liquidity and prospects and thereby affect the Bank’s ability to make payments in respect of the Certificates.

Kuwait’s economy and growth could be affected by Kuwaiti political considerations

Relations between the Government and Kuwait’s parliament (the “National Assembly”) have been strained in the past. Because all legislation must be approved by National Assembly vote, measures requiring legislation that are proposed by the Council of Ministers (the “Council of Ministers”) can be stalled indefinitely before being sent to the Amir for assent and ratification.

Recent years have seen a series of National Assembly sessions that have not lasted through a full term, with the previous Amir dissolving sessions multiple times, citing a number of different reasons. On 26 November 2016, following dissolution of the National Assembly, the Government held its seventh National Assembly elections since 2006. Opposition candidates won 24 out of 50 seats. Many of these candidates have expressed displeasure with existing Government policies and the opposition is likely to pose resistance to many aspects of Government policy, including in relation to reductions in subsidies and the imposition of taxes. However, the opposition is fragmented between Islamists, secularists and independents whose priorities and interests frequently diverge. Nevertheless, there is a possibility that political gridlock could stall the Government’s proposed fiscal and economic measures as well as other reform initiatives that are currently in place. An ineffective or gridlocked Government may have a material adverse effect on Kuwait’s economy and its growth, which could negatively impact Kuwaiti financial institutions, such as the Bank; see “Neither the Trustee’s obligations under the Certificates nor the Bank’s obligations under the Transaction Documents are guaranteed by the Government” above.
The statistical data contained in this document should be treated with caution by prospective investors

Statistics contained in this document, including in relation to GDP, money supply, inflation and indebtedness of the Government, have been obtained from, among other sources, the CBK and the IMF. Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by other sources and may be different from statistics published by third parties, reflecting the fact that the underlying assumptions and methodology may vary from source to source.

There may also be material variances between preliminary, estimated or projected statistics shown in this document and actual results, and between statistics shown in this document and corresponding data previously published by or on behalf of Kuwait. Consequently, the statistical data contained in this document should be treated with caution by prospective investors.

Risks relating to the Certificates

Basel III reforms and risk of Tier 2 Certificates absorbing losses

On 13 January 2011, the Basel Committee expanded on the Basel III capital rules with additional non-viability requirements (the "January 13 Annex"). The January 13 Annex requires non-common equity Tier 1 or Tier 2 instruments issued by an internationally active bank to have a provision in their terms and conditions or be included in a statutory legal framework that requires such instruments, at the option of the relevant authority, to either be written off or converted to common equity upon a “trigger event”. A “trigger event” is the earlier of: (1) a decision that a write-off, without which the bank would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the relevant authority. The CBK's Instructions relating to Basel III require that the terms and conditions of Tier 1 or Tier 2 instruments issued by a licensed bank in Kuwait must contain a provision that permits such instruments to either be written-off or converted into common equity, as determined by the CBK, should a trigger event occur. See “The Certificateholders’ right to receive payment of the principal amount and the Periodic Distribution Amounts in respect of Tier 2 Certificates will be written-down (in whole or in part) upon the occurrence of a Non-Viability Event”.

There can be no assurance that in the future, the CBK will not amend its interpretation and implementation of the January 13 Annex described above. Further, revisions to the January 13 Annex may be implemented in Kuwait in a manner that is different from that which is currently envisaged. If the regulatory requirements for capital instruments applicable to the Bank are modified in the future, it is possible that authorities could use their powers in such a way as to result in the Tier 2 Certificates absorbing losses in a manner other than as described herein. Accordingly, the operation of any such future legislation may have an adverse effect on the position of Certificateholders.

The Certificateholders’ right to receive payment of the principal amount and the Periodic Distribution Amounts in respect of Tier 2 Certificates will be written-down (in whole or in part) upon the occurrence of a Non-Viability Event

If a Non-Viability Event (as defined below) occurs at any time on or after the Issue Date of a Series of Tier 2 Certificates, (i) the Certificateholders’ rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally cancelled in whole (in the case of a Write-down in whole) or written-down in part (in the case of a Write-down in part), (ii) the Tier 2 Certificates will be cancelled (in the case of a Write-down in whole) or written-down in part on a pro rata basis (in the case of a Write-down in part) in accordance with the prevailing Capital Regulations and (iii) all rights of any Certificateholder to payment of any amounts under or in respect of the Tier 2 Certificates (including, without limitation, any amounts arising as a result of, or due and payable
upon the occurrence of, a Dissolution Event as described in Condition 15) shall, as the case may be, be cancelled or written-down pro rata among the Certificateholders and, in each case, will not be restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date and even if the Non-Viability Event has ceased.

A “Non-Viability Event” means that the Financial Regulator has notified the Bank in writing that it has determined that a Trigger Event has occurred.

A “Trigger Event” will have occurred if any one of the following events occurs:

(a) the Bank is instructed by the Financial Regulator to write-off the Tier 2 Certificates, on the grounds of non-viability; or

(b) an immediate injection of capital is required, by way of an emergency intervention, without which the Bank would become non-viable.

The circumstances triggering a Write-down are unpredictable

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Bank’s control. The occurrence of a Non-Viability Event is subject to, inter alia, a subjective determination by the Financial Regulator. As a result, the Financial Regulator may require a Write-down in circumstances that are beyond the control of the Bank and with which the Bank may not agree.

The exercise (or perceived likelihood of exercise) of any such power by the Financial Regulator or any suggestion of such exercise could materially adversely affect the value of any Tier 2 Certificates and could lead to the Certificateholders losing some or all of their investment in the Tier 2 Certificates.

The financial viability of the Bank will also depend in part on decisions made by the Bank in relation to its business and operations, including the management of its capital position. In making such decisions, the Bank will not necessarily have regard to the interests of Certificateholders and, in particular, the consequences for Certificateholders of any such decisions, and there can be no assurance in any such circumstances that the interests of the Bank, its shareholders and the Financial Regulator will be aligned with those of the Certificateholders.

Prospective investors should also be aware that the application of a non-viability loss-absorption feature similar to Condition 11 has not been tested in Kuwait and therefore uncertainty exists in its application.

An investor in the Tier 2 Certificates assumes an enhanced risk of loss in the event of a Winding-Up Proceeding

The obligations of the Bank in respect of any Tier 2 Certificates issued under the Programme will be unsecured and subordinated and no collateral is or will be given by the Bank in relation thereto. Upon the occurrence of a Winding-Up Proceeding, and subject to the non-viability provisions contained in Condition 11, the obligations of the Bank in respect of the relevant Tier 2 Certificates in relation to amounts payable in respect of the Tier 2 Certificates will rank subordinate to all Senior Obligations and no amount will be paid by the Bank in respect of its obligations under the Transaction Documents in relation to the Tier 2 Certificates until all such Senior Obligations have been paid in full. Unless, therefore, the Bank has assets remaining after making all such payments, no payments will be made in respect of its obligations under the Transaction Documents in relation to the Tier 2 Certificates and any such payments that are made will be made at least pari passu with any payments made by the Bank in respect of any other obligations it may have under any Pari Passu Obligations. Consequently, although the Tier 2 Certificates may pay a higher return than comparable instruments relating to unsubordinated obligations, there is an enhanced risk that an investor in Tier 2 Certificates will lose all or some of its investment following the occurrence of a Winding-Up Proceeding.
**No limitation on incurrence of Senior Obligations or Pari Passu Obligations**

There is no restriction on the amount of Senior Obligations or Pari Passu Obligations that the Bank may incur. As described above, the incurrence of any such obligations may reduce the amount recoverable by Tier 2 Certificateholders on any dissolution, winding-up or liquidation of the Bank. Accordingly, on such dissolution, winding-up or liquidation, there may not be sufficient amounts to satisfy the amounts owing to Tier 2 Certificateholders in respect of the obligations of the Bank under the Transaction Documents to which it is a party and this may result in an investor in Tier 2 Certificates losing all or some of its investment.

**The Certificates are limited recourse obligations of the Trustee**

The Certificates of a Series are not debt obligations of the Trustee, instead, each Certificate represents an undivided ownership interest in the Trust Assets relating to that Series. Recourse to the Trustee is limited to the Trust Assets of the relevant Series and the proceeds of the Trust Assets of the relevant Series are the sole source of payments on the Certificates of that Series. Upon the occurrence of a Dissolution Event, or in the case of any other dissolution pursuant to the Conditions, the sole rights of the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series of Certificates) will be against the Bank to perform its obligations under the Transaction Documents to which it is a party.

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner and to the extent contemplated by the Transaction Documents) or the Delegate in respect of any shortfall in the expected amounts due on the Certificates. The Bank is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against the Bank to recover such payments due to the Trustee pursuant to the Transaction Documents.

In addition, no Certificateholder shall be entitled to proceed directly against the Trustee or the Bank unless the Delegate or the Trustee, as the case may be, having become bound so to proceed (i) fails to do so within 30 days or (ii) is unable for any reason (including by reason of an order of a court having competent jurisdiction) to do so, and in each case such failure or inability is continuing.

After enforcing or realising the rights in respect of the Trust Assets in respect of a Series of Certificates and distributing the net proceeds of such Trust Assets in accordance with Condition 5(b), the Master Trust Deed and the Agency Agreement, the obligations of the Trustee and/or the Delegate in respect of that Series of Certificates shall be satisfied and neither the Trustee nor the Delegate nor any Certificateholder may take any further steps against the Trustee or the Bank to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets other than as contemplated in the Transaction Documents. Accordingly, there can be no assurance that the proceeds of the realisation of, or enforcement with respect to, the Trust Assets (which, as described above, will be by way of enforcing each of the Trustee’s and the Company’s respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the Certificates of the relevant Series.

In addition, in respect of Tier 2 Certificates only, all claims by the Delegate and/or the Certificateholders against the Trustee and all claims by the Trustee (or the Delegate acting in the name and on behalf of the Trustee) against the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Bank under the Transaction Documents) shall be subject to, and shall be superseded by the provisions of Condition 11, irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim, provided that nothing in the Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.
The Certificates may be subject to early redemption

If the amount payable in respect of the Certificates of any Series is required to be increased to include additional amounts and/or the Bank is required to pay additional amounts pursuant to the Transaction Documents to which it is a party, in each case as a result of certain changes affecting taxation in a Relevant Jurisdiction, the Bank shall be entitled to require the Trustee to (subject to Condition 10(j), including prior written approval of the Financial Regulator if and to the extent required at such time, in respect of Tier 2 Certificates only) redeem the Certificates in whole, but not in part, upon giving notice in accordance with Condition 10(b). In addition, if so provided in the applicable Pricing Supplement, a Series may also be redeemed early at the option of the Bank pursuant to Condition 10(d) (subject to Condition 10(j), including prior written approval of the Financial Regulator if and to the extent required at such time, in respect of Tier 2 Certificates only). Any such early redemption feature of any Certificate is likely to limit its market value.

In respect of Tier 2 Certificates only, in the event that a Capital Disqualification Event occurs and subject to Condition 10(j), including prior written approval of the Financial Regulator if and to the extent required at such time, the Trustee may, following receipt of an Exercise Notice from the Bank under the Sale and Substitution Undertaking, redeem all but not some only of the Tier 2 Certificates upon giving notice in accordance with the Terms and Conditions of the relevant Certificates.

During any period when the Bank elects to require the Trustee to redeem the Certificates (whether pursuant to Condition 10(b) or Condition 10(d)), the market value of those Certificates generally will not rise substantially above the Dissolution Distribution Amount payable. This also may be true prior to any other Dissolution Date.

In the case of Certificates with an optional dissolution feature pursuant to Condition 10(d), the Bank may elect to require the Trustee to redeem such Certificates when its cost of financing is lower than the Profit Rate on the Certificates. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective profit rate as high as the Profit Rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider re-investment risk in light of other investments available at that time.

Limited remedies for non-payment when due or enforcement of any other obligations in respect of Tier 2 Certificates

It will only be possible to accelerate payment of any amounts payable by the Bank pursuant to its obligations under the Transaction Documents to which it is a party in relation to amounts payable in respect of the Tier 2 Certificates upon the occurrence of a Winding-Up Proceeding of the Bank as described in Condition 15(b). Subject as provided in Condition 15(b), the Trustee or the Delegate in the name and on behalf of the Trustee may then claim or prove in the winding-up, dissolution or liquidation for and on behalf of Certificateholders in respect of the resulting amounts due and payable by the Bank under the Transaction Documents.

Certificateholders may direct the Delegate to bring proceedings against the Bank, other than in respect of any payment obligation it may have under the Transaction Documents, but the Bank will not have any obligation by virtue of the institution of any such proceedings to pay any amount or amounts sooner than such amount(s) would otherwise have been payable under the Transaction Documents. This is the case whether such proceedings are instituted in respect of any default by the Bank in payment or otherwise. The only remedy of Certificateholders on any default by the Bank in payment under any Transaction Document will be to direct the Delegate to bring proceedings in respect of such defaulted payment for the Bank’s winding-up, dissolution or liquidation as described in Condition 15(b) and, on such winding-up, dissolution or liquidation, to accelerate payment of any remaining amounts payable by the Bank and prove in the winding-up, dissolution or liquidation in accordance with Condition 15(b).
No remedy other than those described above will be available to any of the Trustee, the Delegate or Certificateholders in respect of the obligations of the Bank under the Transaction Documents to which it is a party in relation to the Tier 2 Certificates, whether for the recovery of amounts owing pursuant to such obligations due to Certificateholders or in respect of any breach by the Bank of any of its obligations under the Transaction Documents in relation to the Tier 2 Certificates, and none of the Trustee, the Delegate or Certificateholders will be able to take any further or other action to enforce, claim or prove for any payment by the Bank in respect of such obligations.

**Investors must make their own determination as to Shari’a compliance**

The Fatwa and Sharia Supervisory Board of the Bank, the Global Shariah Supervisory Committee of Standard Chartered Bank, the Shariah Supervisory Board of Citi Islamic Investment Bank and KFH Capital's Shariah Committee have each confirmed that the Transaction Documents are, in their view, in compliance with Shari’a principles. However, there can be no assurance that the Transaction Documents or any issue and trading of Certificates will be deemed to be Shari’a compliant by any other Shari’a board or Shari’a scholars. None of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents makes any representation as to the Shari’a compliance of any Series and potential investors are reminded that, as with any Shari’a views, differences in opinion are possible. Potential investors should obtain their own independent Shari’a advice as to whether the Transaction Documents and any issue of Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradability of the Certificates on any secondary market. Questions as to the Shari’a permissibility of the Transaction Documents or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents would be, if in dispute, the subject of arbitration under the Rules. In such circumstances, the arbitrator should apply the governing law of the relevant Transaction Document in determining the obligations of the parties.

**Shari’a requirements in relation to interest awarded by an arbitrator**

In accordance with applicable Shari’a principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any arbitrator in connection with any dispute under any of the Transaction Documents to which it is a party. Should there be any delay in the enforcement of an arbitral award against the Bank, interest may well accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest. Certificateholders should note that the Trust Assets specifically exclude any rights which have been expressly waived by the Trustee in any of the Transaction Documents (which, to the extent applicable, would extend to any award of interest made in favour of the Trustee by an arbitrator in respect of a dispute).

**There can be no assurance as to the impact of a change in the laws governing the Certificates or the Transaction Documents**

The structure of each issue of Certificates under the Programme is based on English law and Kuwaiti law and administrative practices in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English or Kuwaiti law or administrative practices in any such jurisdiction after the date of this Offering Circular, nor can any assurance be given as to whether any such change could adversely affect the ability of the Bank to make payments under the Transaction Documents to which it is a party and/or the Trustee to make payments under any Series of Certificates, or the ability of the Trustee or the Bank to otherwise comply with their respective obligations under the Certificates and the Transaction Documents to which they are a party.
Certificates are subject to modification by a majority of the Certificateholders of a Series without the consent of all of the Certificateholders

The Master Trust Deed contains provisions for calling meetings of the Certificateholders to consider matters affecting their interests. In addition, the Master Trust Deed contains provisions for obtaining written resolutions on matters relating to the Certificates from holders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates of the relevant Series for the time being outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Certificates are held in global form in the clearing systems, the Trustee, the Bank and the Delegate (as the case may be) will be entitled to rely upon:

(a) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, the Bank or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates of the relevant Series for the time being outstanding; and

(b) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, the Bank or the Delegate (as the case may be) by (a) accountholders in the clearing systems with entitlements to such global certificate or (b), where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries). For the purposes of establishing the entitlement to give any such consent or instruction, the Trustee, the Bank and the Delegate (as the case may be) shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “relevant clearing system”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the provisions of the Master Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held.

These provisions permit defined majorities to bind all of the Certificateholders of the relevant Series (including Certificateholders who did not attend or vote at the relevant meeting as well as Certificateholders who voted in a manner contrary to the majority).

The Master Trust Deed also provides that the Delegate may (or in the case of paragraph (b) shall), without the consent or sanction of Certificateholders (a) agree to any modification of the Trust Deed (including the Conditions) or any other Transaction Document or the Trustee’s memorandum and articles of association that (in the opinion of the Delegate) is of a formal, minor or technical nature, or is made to correct a manifest error, (b) agree to any modification to the Trust Deed (including the Conditions) or any other Transaction Document to effect any Benchmark Amendments (in the circumstances and as set out in Condition 8(c)), or (c)(i) give its consent under the Transaction Documents and agree to any other modification of the Trust Deed (including the Conditions) or any other Transaction Document or the Trustee’s memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or any of the other Transaction Documents or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in each case that such modification, consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders
and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates of the relevant Series then outstanding and, in the case of modifications referred to in paragraph (c)(i) above, other than in respect of a matter which requires a special quorum resolution (as defined in the Master Trust Deed). Any such modification, consent, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine and shall be binding on the Certificateholders and shall be notified by the Trustee to the Certificateholders in accordance with Condition 20 as soon as practicable thereafter.

The Delegate may request that the Certificateholders provide an indemnity and/or security and/or pre-funding to its satisfaction

Pursuant to the Conditions and the Master Trust Deed, the Delegate may, in certain circumstances, request the Certificateholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Certificateholders. The Delegate shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact on when such actions can be taken.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the assigning rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, 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 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 Offering Circular.

Interest or profit rate risks

Investment in Fixed Rate Certificates involves the risk that if market interest or profit rates subsequently increase above the Profit Rate paid on the Fixed Rate Certificates, this will adversely affect the value of the Fixed Rate Certificates.

Certificates with variable Profit Rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

The Certificates may be subject to exchange rate risks and exchange controls

Neither the Trustee nor the Bank has any control over factors that generally affect exchange rate risks, such as economic, financial and political events, and the supply and demand for applicable currencies. In recent years,
exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in future.

The Trustee will pay all amounts due on any Certificates, and the Bank will make any payments pursuant to the Transaction Documents to which it is a party, in the Specified Currency. If an investor’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than the Specified Currency, such investor may therefore bear certain exchange rate risks. These include the risks that: (a) exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency); and (b) authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Any 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 Certificates; (ii) the Investor’s Currency-equivalent value of the Dissolution Distribution Amount payable in respect of the Certificates; and (iii) the Investor’s Currency-equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of any amounts on a Certificate. As a result, investors may receive less than expected, or no payment at all. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Certificate would not be available at such Certificate’s maturity.

**A secondary market may not develop or be maintained for the Certificates**

There is no assurance that a market for the Certificates of any Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of such Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates easily or at prices that will provide a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in Certificates must be prepared to hold the relevant Certificates for an indefinite period of time or until their maturity. Whilst an application has been made for certain Series issued under the Programme to be admitted for trading on the ISM, there can be no assurance that any such admission will occur or will enhance the liquidity of the Certificates of the relevant Series.

**Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade**

In relation to any issue of Certificates which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination, would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

A Certificateholder who holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least a Specified Denomination in order to be eligible to receive
a definitive Certificate. If definitive Certificates are issued, holders should be aware that definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may also be illiquid and difficult to trade.

**Investors in the Certificates must rely on Euroclear and Clearstream, Luxembourg procedures**

Each Series of Certificates issued under the Programme will be represented on issue by a Global Certificate that may be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the interests in each Global Certificate held through it. While the Certificates of each Series are represented by a Global Certificate, investors will be able to trade their interests only through the relevant clearing systems and their respective participants, and the Trustee will discharge its payment obligations under the relevant Series of Certificates by making payments through the relevant clearing systems. A holder of an interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the relevant Series of Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, interests in any Global Certificate. Holders of interests in a Global Certificate will not have a direct right to vote in respect of the Certificates 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.

**The regulation and reform of “benchmarks” may adversely affect the value of Certificates linked to or referencing such “benchmarks”**

Reference rates and indices which are deemed to be “benchmarks” (including the London interbank offered rate (“LIBOR”) and the euro interbank offered rate (“EURIBOR”)) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than they have done in the past, to be discontinued, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Certificates referencing such a benchmark.

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and mostly applies, subject to certain transitional provisions, since 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Certificates linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, 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.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market
participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the UK Financial Conduct Authority (“FCA”) confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcements”). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“SONIA”) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (“ESTR”) as the new risk free rate. ESTR was first published by the ECB on 2 October 2019 and is published on each TARGET Business Day based on transactions conducted and settled on the previous TARGET Business Day. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR, EURIBOR or any other benchmark will continue to be supported going forwards. This may cause LIBOR, EURIBOR or such other benchmark to perform differently than they have done in the past and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (a) discouraging market participants from continuing to administer or contribute to a benchmark; (b) triggering changes in the rules or methodologies used in the benchmark and/or (c) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Certificates linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark. Where Screen Rate Determination is specified as the manner in which the Profit Rate in respect of Floating Rate Certificates is to be determined, the Conditions provide that the Profit Rate shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Reference Rate is discontinued, neither the Relevant Screen Page nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Profit Rate to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Reference Rate), the Profit Rate may ultimately revert to the Profit Rate applicable as at the last preceding Profit Rate Determination Date before the Reference Rate was discontinued. Uncertainty as to the continuation of the Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Certificates.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs. Benchmark Events include (amongst other events) the making of a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such Reference Rate is or will be no longer representative of an underlying market or the methodology to calculate such Reference Rate has
materially changed. Such fallback arrangements include the possibility that the Profit Rate (or the relevant component thereof) could be set by reference to a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate to be used in place of the Reference Rate, with or without the application of an Adjustment Spread, and may include amendments to the Conditions, the Master Trust Deed and/or any other Transaction Document to ensure the proper operation of the Successor Rate, Alternative Reference Rate and/or Adjustment Spread, all as determined by the Independent Adviser (acting in good faith and in a commercially reasonably manner), following consultation with the Trustee and the Bank and without any requirement for the consent or sanction of the relevant Certificateholders. The use of any such Successor Rate or Alternative Reference Rate to determine the Profit Rate is likely to result in Certificates initially linked to or referencing the relevant Reference Rate performing differently (which may include payment of a lower Profit Rate) than they would do if the Reference Rate were to continue to apply in its current form. In addition, the market (if any) for Certificates linked to any such Successor Rate or Alternative Reference Rate may be less liquid than the market for Certificates linked to the relevant Reference Rate.

The Adjustment Spread, if applied is (i) the spread, formula or methodology which is formally recommended in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Reference Rate, the spread, formula or methodology which the Independent Adviser 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 determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser determines and which 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.

Accordingly, the application of an Adjustment Spread may result in the Certificates performing differently (which may include payment of a lower Profit Rate) than they would do if the Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate (as applicable) is determined on the date which is 10 business days prior to the next Profit Rate Determination Date, the Profit Rate for the next succeeding Return Accumulation Period will be the Profit Rate last determined in relation to the Certificates in respect of the immediately preceding Return Accumulation Period (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Return Accumulation Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Return Accumulation Period). Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Where no Successor Rate or Alternative Reference Rate (as applicable) is determined in respect of any given Return Accumulation Period, the provisions of Condition 8(c) will continue to apply in respect of any subsequent Return Accumulation Periods such that the Trustee and the Bank will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Profit Rate Determination Date to determine a Successor Rate or Alternative Reference Rate to apply to the next succeeding and any subsequent Return Accumulation Periods, as necessary.
Applying the initial Profit Rate, or the Profit Rate applicable in respect of the Return Accumulation Period immediately preceding the occurrence of the Benchmark Event is likely to result in Certificates linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Profit Rate) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Reference Rate could be determined.

If the Trustee and the Bank are unable to appoint an Independent Adviser or the Independent Adviser fails to determine a Successor Rate or Alternative Reference Rate for the life of the relevant Certificates, or if a Successor Rate or Alternative Reference Rate is not adopted because it could reasonably be expected to prejudice the qualification of the Tier 2 Certificates as Tier 2 Capital, the initial Profit Rate, or the Profit Rate which applied to the last preceding Return Accumulation Period, will continue to apply to maturity (subject to the application of such Margin or Maximum or Minimum Profit Rates as may be specified in the applicable Pricing Supplement). This will result in the relevant Floating Rate Certificates, in effect, becoming fixed rate Certificates.

Where ISDA Determination is specified as the manner in which the Profit Rate in respect of Floating Rate Certificates is to be determined, the Conditions provide that the Profit Rate in respect of the Certificates shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. If a public statement is made by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed and a Successor Rate or Alternative Reference Rate is determined, ISDA Determination will not apply. Where the Floating Rate Option specified is an “IBOR” Floating Rate Option, the Profit Rate may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Profit Rate that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Certificates.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of Certificates in making any investment decision with respect to any Certificates referencing a benchmark.

**Risks relating to the Sukuk Assets**

**Ownership of Wakala Assets**

An ownership interest in the Wakala Assets comprised within the relevant Wakala Portfolio will pass to the Trustee under the Master Purchase Agreement, as supplemented by the relevant Supplemental Purchase Agreement (together, the “Purchase Agreement”). The Trustee will declare a trust in respect of the Wakala Assets and the other Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the Master Trust Deed, as supplemented by the relevant Supplemental Trust Deed. Accordingly, from a Shari’a perspective, Certificateholders will, through the ownership interest obtained by the Trustee pursuant to the terms of the Purchase Agreement, have an undivided ownership interest in the relevant Wakala Assets.

However, there is no requirement under the Transaction Documents for any party to make any investigation or enquiry or to conduct due diligence in respect of any Wakala Assets. The Wakala Assets will be selected by Bank, and the Certificateholders, the Trustee, the Delegate and the Agents will have no ability to influence such selection. Only limited representations will be obtained from the Bank in respect of the Wakala Assets (such representations not forming part of the Trust Assets). The Transaction Documents do not require that any steps be taken to perfect the legal transfer of the ownership interest (including registration, if necessary) in the Wakala
Assets with any relevant regulatory authority in Kuwait or otherwise give notice to any lessee or obligor in respect thereof. Therefore, other than from a Shari’a perspective, Certificateholders shall not have any interest in any Wakala Assets which require perfection in order to legally transfer any ownership interest therein.

**Transfer of the Wakala Assets**

Under Kuwaiti law, any purported transfer of an interest in real estate assets located in Kuwait (including as contemplated under the Purchase Agreement and in any underlying sale agreement) to non-GCC persons (such as the Trustee) may be void ab initio. Moreover, any transfer of an interest in real estate assets located in Kuwait (including as contemplated under the Purchase Agreement) will not be effective in rem unless registered with the relevant authority in Kuwait. It should be noted that there is no intention to so register the transfer with any authority in Kuwait. Accordingly, no assurance is given that any ownership interest in any Wakala Assets which comprise real estate assets located in Kuwait will be effectively transferred to the Trustee under Kuwaiti law.

However, the Bank has covenanted and undertaken in the Purchase Undertaking and the Master Trust Deed that if the relevant Exercise Price, the Certificateholder Put Right Exercise Price, the Non-Viability Event Exercise Price or the Optional Dissolution Exercise Price, as the case may be, is not paid in accordance with the Purchase Undertaking or the Sale and Substitution Undertaking (as the case may be) for any reason whatsoever, the Bank shall (as an independent, separable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the Certificateholder Put Right Date or the Optional Dissolution Date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Certificateholder Put Right Exercise Price, the Non-Viability Event Exercise Price or the Optional Dissolution Exercise Price, as the case may be. Following payment in full of an amount equal to the Exercise Price, the Certificateholder Put Right Exercise Price, the Non-Viability Event Exercise Price or the Optional Dissolution Exercise Price, as the case may be, in accordance with the Purchase Undertaking, or the Sale and Substitution Undertaking, as the case may be, the Bank has irrevocably undertaken to enter into a sale agreement with the Trustee.

In the event that the obligation of the Bank to pay the relevant Exercise Price, the Certificateholder Put Right Exercise Price, the Non-Viability Event Exercise Price or the Optional Dissolution Exercise Price, as the case may be, or the indemnity in lieu thereof is the subject of a dispute before a Kuwaiti Court, whilst it is more likely that a Kuwaiti Court should enforce such payment obligation, there is a risk that the Kuwaiti Court may consider the obligation to pay the relevant Exercise Price, the Certificateholder Put Right Exercise Price, the Non-Viability Event Exercise Price or the Optional Dissolution Exercise Price, as the case may be, or the indemnity in lieu thereof as unenforceable on the basis that such payment obligation derives or relates to an initial transfer of the relevant Wakala Assets to the Trustee being void. In such case, the Kuwaiti Court would likely apply restitution principles and require the Bank to return to the Trustee the initial purchase price received under the Purchase Agreement, less any amounts already paid in respect of those assets (i.e. Periodic Distribution Amounts paid under the relevant Certificates) plus damages (if any, as determined by an expert appointed for this purpose) to which the Trustee as purchaser would be entitled. As a result, in such scenario, investors in the relevant Certificates may lose some of their investment.

**Risks relating to Enforcement**

*The insolvency regime in Kuwait is relatively untested with limited guidance as to how the legislative framework will be applied in practice by the courts in Kuwait*

Notwithstanding that the Transaction Documents (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be) is expressed to be governed by English law, in the event of the Bank’s insolvency, Kuwaiti bankruptcy law will apply and such law may adversely affect the
Bank’s ability to perform its obligations under the Transaction Documents to which it is a party and, consequently, the Trustee’s ability to perform its obligations in respect of any Certificates. Further, obtaining a final bankruptcy judgment in Kuwait may take several years. There is little precedent to predict how any claims on behalf of holders of the Certificates, the Trustee and/or the Delegate against the Bank would be resolved in the event of the Bank’s insolvency and therefore there can be no assurance that holders of the Certificates will receive payment of their claims in full or at all in these circumstances.

**There is a risk that the Kuwaiti Courts will assume jurisdiction**

The Transaction Documents each contains a provision to the effect that disputes arising thereunder will be referred to arbitration under the Arbitration Rules of the London Court of International Arbitration (“LCIA”) (the “Rules”).

Nevertheless, if a claim is brought before the courts of Kuwait (the “Kuwaiti Courts”), the Kuwaiti Courts may still accept jurisdiction in any suit, action or proceedings in the situations identified in Articles 23, 24 and 26 of Kuwait Law No. 38 of 1980 (the Code of Civil and Commercial Procedure), as amended (the “Code”). These situations include (a) where the defendant in the proceedings expressly or impliedly accepted the jurisdiction of the Kuwaiti Courts, (b) where the defendant is a Kuwaiti national or is resident, domiciled or has a place of business or a chosen domicile in Kuwait or (c) if such legal proceedings relate to property (movable or immovable) located in Kuwait, an obligation is created, executed or required to be performed in Kuwait or a bankruptcy is declared in Kuwait.

There can therefore be no assurance that the Kuwaiti Courts will decline jurisdiction to adjudicate any dispute under the Transaction Documents, notwithstanding that the Transaction Documents provide that parties have agreed that any disputes arising thereunder shall be referred to arbitration under the Rules. The risk that the Kuwaiti Courts would assume jurisdiction on the proceedings is reduced, but not eliminated, in the event that, (a) the respondent to a claim raises procedural defences as regards the jurisdiction, and (b) the existence of previous or simultaneous proceedings in, or res judicata judgments from, a competent jurisdiction outside Kuwait, on the subject matter and involving the same disputing parties. The Kuwaiti Courts will not recognise or give effect to the choice of the laws of England to govern the Transaction Documents, nor enforce a foreign judgment or foreign arbitral award to the extent that any of such laws, judgments or arbitral awards are found by the Kuwaiti Courts to be contrary to rules of public order or morality of Kuwait.

**Certificateholders will only be able to enforce their contractual rights under the Transaction Documents through arbitration under the Rules and LCIA awards relating to disputes arising under the Certificates may not be enforceable in Kuwait**

The payments under the Certificates are dependent upon receipt by the Trustee of all amounts due from the Bank under the Transaction Documents to which it is a party and payment by the Trustee of all amounts due to investors in the manner contemplated under the Certificates and the Transaction Documents to which it is a party. If the Trustee or, where applicable, the Bank, fails to fulfil its obligations under the Certificates and/or the Transaction Documents to which it is a party, it may be necessary for the Delegate (or, in the limited circumstances described in Condition 16, the Certificateholders) to bring an action against the Trustee and/or the Bank to enforce their respective obligations and/or to claim damages, as appropriate, which may be costly and time consuming. Disputes arising under the Certificates and/or the Transaction Documents will be referred to arbitration under the Rules. Certificateholders will therefore only have recourse to LCIA arbitration in order to enforce their contractual rights under the Certificates, and will not have the right to bring proceedings relating to the Certificates before the English courts.

Kuwait is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”). A foreign arbitral award will be recognised and enforced in Kuwait (without re-trial or examination of the merits of the case) in accordance with the Code. Article 200 of the Code
provides that foreign arbitral awards are to be recognised and enforced under the same conditions (applied *mutatis mutandis* to foreign arbitral awards) as are applied in respect of the enforcement of foreign judgments under Article 199 of the Code (as detailed below) save that, in addition, the subject matter of the award must be considered arbitrable under Kuwaiti law and the arbitral award must be enforceable in the jurisdiction in which it was rendered.

Article 199 of the Code requires that: (a) the courts of the jurisdiction by which the judgment was rendered must afford reciprocal treatment to judgments rendered in Kuwait; (b) the judgment must be rendered by a competent authority according to the law of the jurisdiction in which it was rendered; (c) the parties must have been duly summoned to appear and were duly represented at the proceedings; (d) the judgment must be final and non-appealable (*res judicata*) according to the law of the jurisdiction in which it was rendered; (e) the judgment must not contradict any prior judgment rendered by a Kuwaiti Court; and, finally (f) the judgment must not contain anything in conflict with the general morals or public order of Kuwait.

The requirement to establish reciprocal enforcement under Article 199 of the Code with respect to the recognition and enforcement of arbitral awards issued in England is satisfied as England and Kuwait are both signatories to the New York Convention. Enforcement of a foreign arbitral award in Kuwait requires the filing of an enforcement action in the Kuwaiti Courts. Proceedings before the Kuwaiti Courts, including enforcement actions, can take a relatively long time before a final and non-appealable judgment is issued.

There have not been many occasions in which the Kuwaiti Courts have been asked to consider the enforcement of foreign arbitral awards and so (notwithstanding that on those occasions when they have been asked to do so they have shown that they will follow the provisions of the Code and enforce an arbitral award) there is not a large body of decided cases in which the practical implications of complying with Article 199 of the Code have been analysed.

The Kuwaiti Courts will not recognise or give effect to the choice of laws of England to govern the Transaction Documents, nor enforce a foreign judgment or foreign arbitral award to the extent that any such laws, judgments or arbitral awards are found by the Kuwaiti Courts to be contrary to rules of public order or morality of Kuwait.

**Risks relating to Taxation**

*The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Certificates which are “non–GCC corporate entities” may become subject to the Kuwaiti income tax regime in certain limited circumstances*

Article 150 (bis) of Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and the Regulating of Securities Activities (introduced pursuant to Law No. 22 of 2015) ("Article 150 (bis)") provides that returns from bonds, finance sukuk and other similar securities, regardless of the nature of the issuer thereof, shall be exempted from taxation.

While the Kuwait Ministry of Finance has issued Administrative Resolution No. 2028 of 2015 (the "Administrative Resolution"), which essentially endorses the provisions of Article 150 (bis), to date, it has not provided any further guidance regarding the interpretation of Article 150 (bis) or the Administrative Resolution. Similarly, the Kuwaiti Courts (who will be the final arbiters on the matter) have not been required to interpret such provision to date.

Furthermore, the Kuwait Ministry of Finance’s Department of Income Tax (the “DIT”) has to date not always adopted consistent rulings on Kuwaiti tax matters more generally. Accordingly, to the extent that the exemption afforded by Article 150 (bis) is held not to apply to the Certificates, to a particular Certificateholder or to the Trustee, such Certificateholder(s) which are non-GCC corporate entities and/or the Trustee may become subject to income tax in Kuwait (see “Taxation — Kuwait” for further details).
In addition, neither Article 150 (bis) nor the Administrative Resolution address the issue of whether or not there remains an obligation, as described under “Taxation – Kuwait – Retention”, to make a deduction of five per cent. of the amount of any payments made by the Bank to the Trustee. In the event of any such deduction, the Transaction Documents to which the Bank is a party provides that the Bank will pay such additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

Prospective purchasers of the Certificates are advised to consult their tax advisers as to the consequences under Kuwaiti and other applicable tax laws of acquiring, holding and disposing of the Certificates and receiving payments under the Certificates.

**Value Added Tax**

Although Kuwait does not currently impose value-added tax (“VAT”) on the sale of goods and services, there is a risk that this may change. In the period preceding the global financial crisis, the Government announced that it was investigating the possibility of introducing a VAT system across Kuwait and that draft VAT laws were in preparation. Investors should be aware that the GCC states, including Kuwait, have agreed to the implementation of a GCC-wide VAT framework, to be introduced at a rate of 5 per cent. (the “Framework”). The national legislation in Kuwait implementing the Framework has yet to be promulgated and no Kuwait-specific details of the regime have been released as at the date of this Offering Circular. Therefore, although the Kuwait parliament has indicated that it will postpone the introduction of VAT until 2021, it is impossible to state with any accuracy if, and when, VAT will be introduced in Kuwait and on which terms and conditions.

Furthermore, the introduction of VAT could have a more widespread economic impact, for example, reducing the levels of disposable income of the Bank’s customers which could negatively impact demand for the Bank’s services.

The Bank is not currently subject to corporation tax on its earnings within Kuwait, although there is no guarantee that this will continue to be the case. If the Kuwaiti authorities impose new tax regimes on the Bank (whether related to corporation tax or otherwise), or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Bank’s business and prospects.

**Kuwait may introduce corporate income tax**

The Bank is not currently subject to corporation tax on its earnings within Kuwait. However, on 14 March 2016 the Kuwait Cabinet of Ministers approved plans to implement a corporate tax of ten per cent. on the annual profits of Kuwaiti incorporated entities (the “Proposed Corporate Income Tax”), which may be applicable to the Bank for future financial years. As at the date of this Offering Circular, the Proposed Corporate Income Tax does not have the force of law until such time as it has been ratified by the Kuwaiti Parliament, signed by the Amir and published in the Official Gazette. It is currently uncertain as to whether the Proposed Corporate Income Tax will be promulgated into law in the form in which it has been proposed by the Cabinet of Ministers, or at all. If the Kuwaiti authorities impose new tax regimes on the Bank (whether in the form of the Proposed Corporate Income Tax or otherwise), or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Bank’s business, results of operations, cash flows and financial condition.

**The value of the Certificates could be adversely affected by a change in tax law**

Statements in this Offering Circular concerning the taxation of investors are of a general nature, are based upon current law and practice in the jurisdictions stated and do not purport to address all tax aspects that may be relevant to a Certificateholder. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors.
In addition, any change in taxation legislation or in practice in a relevant jurisdiction could adversely impact
the ability of the Trustee to make payments under the Certificates, the ability of the Bank to make payments
under the Transaction Documents to which it is a party and/or the market value of the Certificates.
DOCUMENTS INCORPORATED BY REFERENCE

The following documents have previously been published or are published simultaneously with this Offering Circular and have been filed with the London Stock Exchange:

(a) the 2020 Interim Financial Statements together with the review report thereon and the notes thereto;
(b) the 2019 Financial Statements together with the audit report thereon and the notes thereto; and
(c) the 2018 Financial Statements together with the audit report thereon and the notes thereto,

(together, the “Documents Incorporated by Reference”).

The Documents Incorporated by Reference shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular. Those parts of the documents incorporated by reference in this Offering Circular which are not specifically incorporated by reference in this Offering Circular are either not relevant for prospective investors in the Certificates to be issued under the Programme or the relevant information is included elsewhere in this Offering Circular. Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of the documents incorporated by reference in this Offering Circular may be obtained from the registered office of the Trustee and from the specified office of the Principal Paying Agent during usual business hours and will be available for viewing on the Bank’s website at www.kib.com.kw and on the website of the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

The Trustee and the Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Certificates, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Certificates.
STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series issued. Potential investors are referred to the terms and conditions of the Certificates set out in “Terms and Conditions of the Certificates” and the detailed descriptions of the relevant Transaction Documents set out in “Summary of the Principal Transaction Documents” for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure Diagram

Payments by the Certificateholders and the Trustee

On the Issue Date of each Tranche of Certificates, the Certificateholders will pay the issue price in respect of the Certificates (the “Issue Price”) to the Trustee, and the Trustee will apply as follows:

(a) an amount as specified in the applicable Pricing Supplement, which shall be equal to no less than 51 per cent. of the aggregate face amount of the relevant Certificates, to the Bank (in its capacity as Seller) as the purchase price payable for the purchase from the Bank of all its rights, title, interests, benefits and entitlements in, to and under certain Eligible Assets (in the case of the first Tranche of the relevant Series of Certificates, the “Initial Assets” or, in the case of each subsequent Tranche of such Series, the “Additional Assets”) which are further described below; and

(b) the remaining portion of the proceeds of the relevant Issue Price as specified in the applicable Pricing Supplement, which shall be no more than 49 per cent. of the aggregate face amount of the relevant Certificates as the cost price (the “Murabaha Investment Amount”) to purchase certain Shari’a compliant commodities (the “Commodities”) through the Commodity Agent for the purpose of selling such Commodities to the Bank (in its capacity as Commodity Buyer) on a deferred payment basis for a deferred sale price comprised of the Murabaha Investment Amount together with the Murabaha Profit
Amount specified in an offer notice (the “Deferred Payment Price”) payable in instalments on each Periodic Distribution Date and the relevant Dissolution Date(s) pursuant to a murabaha contract (the “Murabaha Contract”) (such sale of Shari’a compliant commodities by the Trustee to the Commodity Buyer, the “Commodity Murabaha Investment”).

In relation to a Series, the Initial Assets, if applicable, the Additional Assets and, if applicable, each Commodity Murabaha Investment and all other rights arising under or with respect thereto (including the right to receive payment of profit, rental, Deferred Payment Price and any other amounts due in connection therewith) and, at any time, the Wakala Portfolio Principal Revenues (as defined below) standing to the credit of the Principal Collection Account (as defined below) on the relevant date, shall comprise the “Wakala Portfolio” in respect of such Series, and the Eligible Assets comprised in such Wakala Portfolio from time to time, the “Wakala Assets”.

The Bank (in its capacity as Seller) shall be required to represent on each date it sells any Initial Assets or Additional Assets to the Trustee that such assets are “Eligible Assets” (as defined in “Summary of the Principal Transaction Documents”).

**Periodic Distribution Payments**

In relation to a Series, the Wakeel will record: (a) all revenues from the Wakala Portfolio (including all profit, rental and other amounts (other than Wakala Portfolio Principal Revenues)) received in respect of the Wakala Assets and, if applicable, all instalments of the Murabaha Profit Amount comprising the Deferred Payment Price payable in respect of the Commodity Murabaha Investment (the “Wakala Portfolio Income Revenues”) in a book-entry ledger account (the “Income Collection Account”); and (b) all revenues from the Wakala Portfolio in the nature of capital or principal received in respect of the Wakala Assets (the “Wakala Portfolio Principal Revenues” and, together with the Wakala Portfolio Income Revenues, the “Wakala Portfolio Revenues”) in a book-entry ledger account (the “Principal Collection Account”).

On each Wakala Distribution Determination Date, the Wakeel shall pay into the relevant Transaction Account amounts standing to the credit of the Income Collection Account (after deducting any amounts (i) repayable to the Bank or any relevant third party in respect of any Liquidity Facility (as defined below) and (ii) payable in respect of any claims, losses, costs or expenses properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee in providing the services to the Trustee pursuant to the Wakala Agreement (the “Wakala Liabilities Amount”)), which is intended to fund an amount equal to the aggregate of the Periodic Distribution Amounts payable by the Trustee under the Certificates of the relevant Series on the immediately following Periodic Distribution Date (the “Required Amount”) and such Required Amount will be applied by the Trustee for that purpose.

In the event that the Wakala Portfolio Income Revenues are greater than the Required Amount (after deducting the amounts referred to above), the amount of any excess shall be credited by the Wakeel to a separate book-entry ledger account (the “Reserve Account”). If the amount standing to the credit of the Transaction Account on a Wakala Distribution Determination Date is insufficient to fund the Required Amount, the Wakeel shall apply amounts standing to the credit of the Reserve Account towards such shortfall, by paying an amount equal to such shortfall (or such lesser amount as is then standing to the credit of the Reserve Account) into the Transaction Account. If having applied such amounts from the Reserve Account, there remains a shortfall, the Bank may, in its sole discretion, provide either:

(a) Shari’a compliant funding to the Trustee itself; or

(b) Shari’a compliant funding from a third party to be paid to the Trustee,
in each case, in an amount equal to the shortfall remaining (if any) on terms that such funding is repayable from Wakala Portfolio Income Revenues received in respect of a subsequent period or on the relevant Dissolution Date on which the Certificates of the relevant Series are redeemed in full (each a "Liquidity Facility").

**Dissolution Payments**

On the Payment Business Day prior to the relevant Scheduled Dissolution Date in relation to each Series:

(a) the aggregate amounts of Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and

(b) the Trustee will have the right under the Purchase Undertaking to require the Bank to purchase all of its rights, title, interests, benefits and entitlements in, to and under Wakala Assets at the relevant Exercise Price,

and such amounts are intended to fund the relevant Dissolution Distribution Amount payable by the Trustee under the Certificates of the relevant Series on the Scheduled Dissolution Date.

The Certificates in relation to any Series may be redeemed in whole or in part, as the case may be, prior to the relevant Scheduled Dissolution Date for the following reasons, in the case of each of (ii) and (iii), if so specified in the applicable Pricing Supplement: (i) for taxation reasons; (ii) at the option of the Bank; (iii) at the option of the Certificateholders; (iv) following a Dissolution Event; and (v) (in the case of Tier 2 Certificates) redemption upon a Capital Disqualification Event.

In the case of each of (i), (ii) and (v) above, on the Payment Business Day prior to the relevant Dissolution Date:

(a) the aggregate amounts (or the applicable portion thereof) of the Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and

(b) the Bank will have the right under the Sale and Substitution Undertaking to require the Trustee to sell all (or the applicable portion thereof, as the case may be) of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the Wakala Assets at the relevant Exercise Price or Optional Dissolution Exercise Price, as the case may be,

and such amounts are intended to fund the relevant Dissolution Distribution Amount payable by the Trustee under the Certificates of the relevant Series on the relevant Dissolution Date.

In the case of each of (iii) and (iv), such redemption of the Certificates shall be funded in a similar manner as for the payment of the relevant Dissolution Distribution Amount on the Scheduled Dissolution Date save for, on (or, in the case of (iii) above, the Payment Business Day prior to) the relevant Dissolution Date:

(a) the aggregate amounts (or the applicable portion thereof) of Deferred Payment Price then outstanding, if any, becoming immediately due and payable; and

(b) the Trustee having the right under the Purchase Undertaking to require the Bank to purchase all (or the applicable portion thereof, as the case may be) of its rights, title, interests, benefits and entitlements in, to and under the Wakala Assets at the relevant Exercise Price or Certificateholder Put Right Exercise Price, as the case may be.

*For Shari’a reasons, the Optional Dissolution Right and the Certificateholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*
OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche, the applicable Pricing Supplement. The Trustee and any relevant Dealer(s) may agree that Certificates shall be issued in a form other than that contemplated in the Terms and Conditions of the Certificates, in which event, if appropriate, a supplement to the Offering Circular will be published.

Words and expressions defined in “Terms and Conditions of the Certificates” and “Summary of Provisions relating to the Certificates while in Global Form” shall have the same meanings in this overview.

Bank
Kuwait International Bank K.S.C.P., a Kuwaiti public shareholding company incorporated in Kuwait on 13 May 1973 with commercial registration number 19634 and its registered office at West Tower – Joint Banking Center – PO Box 22822, Safat 13089, Kuwait.

Trustee
KIB Sukuk Limited, an exempted company with limited liability incorporated on 9 January 2020 under the Companies Law (2018 Revision) of the Cayman Islands and formed and registered in the Cayman Islands with company registration number 359107 and with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party.

Bank (LEI) 254900OP0ZRLYKKXET16
Trustee (LEI) 549300V0VTU1EFELEI08

Ownership of the Trustee
The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 shares of U.S.$1.00 each, of which 250 shares are fully paid up and issued. The Trustee’s entire issued share capital is held on trust for charitable purposes by MaplesFS Limited under the terms of a share declaration of trust dated 20 October 2020 (the “Share Declaration of Trust”).

Administration of the Trustee
The affairs of the Trustee are managed by MaplesFS Limited, a licensed trust company in the Cayman Islands (the “Trustee Administrator”), with registered office at P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands, who will provide, amongst other things, corporate administrative services, director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement dated 20 October 2020 between the Trustee and the Trustee Administrator (the “Corporate Services Agreement”).

Arrangers
Citigroup Global Markets Limited and Standard Chartered Bank (the “Arrangers”).

Dealers
Company K.S.C.C., Standard Chartered Bank and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.

Delegate

Citibank, N.A., London Branch (the “Delegate”). In accordance with the Master Trust Deed, the Trustee will, inter alia, unconditionally and irrevocably appoint the Delegate to be its delegate and attorney and to exercise certain present and future rights, powers, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed in accordance with the terms of the Master Trust Deed. In particular, the Delegate shall be entitled (and, in certain circumstances, shall be obliged), subject to being indemnified and/or secured and/or pre-funded to its satisfaction, to take enforcement action in the name of the Trustee against the Bank (in any capacity) following a Dissolution Event.

Principal Paying Agent and Transfer Agent

Citibank, N.A., London Branch

Registrar

Citigroup Global Markets Europe AG

Initial Programme Size

Up to U.S.$300,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The size of the Programme may be increased in accordance with the terms of the Programme Agreement.

Method of Issue

The Certificates may be issued on a syndicated or non-syndicated basis. The specific terms of each Series will be recorded in the applicable Pricing Supplement.

Issuance in Series

Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Certificates of each Series will 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 Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.

Currencies

Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a “Specified Currency”) agreed between the Trustee, the Bank and the relevant Dealer.

Maturities

The Certificates will have such maturities as may be agreed between the Trustee, the Bank 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 Trustee, the Bank or the Specified Currency.

With respect to Tier 2 Certificates only, the maturity will not be less than five years.
**Issue Price**

Certificates may be issued at any price on a fully-paid basis, as specified in the applicable Pricing Supplement. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee and the Bank at the time of issue in accordance with prevailing market conditions.

**Denomination of Certificates**

The Certificates will be issued in such denominations as may be agreed between the Trustee, the Bank and the relevant Dealer(s), save that (i) the minimum denomination of each Certificate 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 Specified Currency; and (ii) unless otherwise permitted by such current laws and regulations, Certificates (including Certificates denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum denomination of £100,000 (or, if the Certificates are denominated in a currency other than sterling, the equivalent amount in such currency, as calculated on the Issue Date of such Series).

**Status of the Senior Certificates**

The Senior Certificates will represent an undivided ownership interest in the Trust Assets of the relevant Series and will be limited recourse obligations of the Trustee. Each Senior Certificate will constitute unsecured obligations of the Trustee and shall at all times rank pari passu and without any preference or priority with all other Senior Certificates of the relevant Series.

The payment obligations of the Bank (in any capacity) to the Trustee under the Transaction Documents to which it is a party in respect of each Series of Senior Certificates will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7) unsecured obligations of the Bank and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Bank from time to time outstanding.

**Status of the Tier 2 Certificates**

The Tier 2 Certificates will represent an undivided ownership interest in the Trust Assets of the relevant Series and will be limited recourse obligations. Each Tier 2 Certificate will constitute unsecured obligations of the Trustee and shall at all times rank pari passu, without any preference or priority, with all other Tier 2 Certificates of the relevant Series.
Subordination of Tier 2 Certificates

The Relevant Obligations of the Bank under the Transaction Documents to which it is a party in respect of each Series of Tier 2 Certificates, will (a) constitute Tier 2 Capital of the Bank, (b) constitute direct, unsecured, conditional and subordinated obligations of the Bank, (c) rank Subordinate to all Senior Obligations, (d) rank pari passu with all other Pari Passu Obligations and (e) rank in priority to all Junior Obligations. See Condition 4(c).

Trust Assets

The Trust Assets of the relevant Series will be (a) the cash proceeds of the issue of the relevant Series of Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (b) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee, in, to and under the Wakala Portfolio; (c) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (other than in relation to the Excluded Representations and the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed); (d) any and all moneys standing to the credit of the relevant Transaction Account from time to time; and (e) all proceeds of the foregoing listed (a) to (d) (the “Trust Assets”).

Periodic Distribution Amounts

Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the Conditions and the applicable Pricing Supplement (subject to, in the case of Tier 2 Certificates, the Write-down of such Tier 2 Certificates pursuant to Condition 11).

Fixed Rate Certificates

Fixed Rate Certificates will bear profit on their outstanding face amount at such fixed rate per annum and on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s), calculated in accordance with such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s), each as more particularly described in Condition 8(a).

Floating Rate Certificates

Floating Rate Certificates will bear profit on their outstanding face amount at such floating rate per annum as may be determined:

(a) on the same basis as the floating rate under a notional profit 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., and as amended and updated as at the Issue Date of the first Tranche of the relevant Series of Certificates) plus or minus the applicable margin; or
(b) on the basis of the relevant Reference Rate as adjusted for any applicable margin.

The margin (if any) relating to such floating rate will be agreed between the Trustee, the Bank and the relevant Dealer(s) for each Series of Floating Rate Certificates.

Such profit will be paid on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s) and will be calculated on the basis of such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s).

Floating Rate Certificates may also have a maximum profit rate, a minimum profit rate or both.

See Condition 8(b).

**Reset Rate Certificates**

Reset Certificates will bear profit on their outstanding face amount at the rate per annum equal to:

(a) for the period from (and including) the Profit Commencement Date up to (but excluding) the First Reset Certificate Reset Date, the Initial Periodic Distribution Rate;

(b) for the period from (and including) the First Reset Certificate Reset Date to (but excluding) the Second Reset Certificate Reset Date or, if no such Second Reset Certificate Reset Date is specified in the applicable Pricing Supplement, the Scheduled Dissolution Date, the First Reset Periodic Distribution Rate; and

(c) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Periodic Distribution Rate,

See Condition 9.

**Negative Pledge**

The Senior Certificates only will have the benefit of a negative pledge granted by the Bank in respect of itself and its Principal Subsidiaries, as described in Condition 7.

**Cross-Acceleration**

In respect of the Bank, the Senior Certificates only will have the benefit of a cross-acceleration provision, as described in Condition 15 and paragraph (c) of the definition of Obligor Event corresponding thereto.

**Dissolution on the Scheduled Dissolution Date**

Unless the Certificates are previously redeemed or purchased and cancelled (and subject to, in the case of Tier 2 Certificates, the Write-down of such Tier 2 Certificates pursuant to Condition 11), the Trustee will redeem each Certificate at the relevant Dissolution Distribution Amount on the relevant Scheduled Dissolution Date specified in the applicable Pricing Supplement for such Series and the Trust in relation to the relevant Series will be dissolved by the Trustee following the payment of all such amounts in full.

**Dissolution Distribution Amount**

In relation to each Certificate of a Series, either:

(a) the sum of:
(i) the outstanding face amount of such Certificate; and
(ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
(b) (in the case of the Senior Certificates only) such other amount specified in the applicable Pricing Supplement as being payable upon the relevant Dissolution Date.

**Early Dissolution**

The Certificates may be redeemed, in whole or (to the extent specified in the Conditions and the applicable Pricing Supplement) in part, prior to the Scheduled Dissolution Date upon the:

(a) occurrence of a Tax Event;
(b) (in the case of Tier 2 Certificates only) occurrence of a Capital Disqualification Event;
(c) exercise of an Optional Dissolution Right (if so specified in the applicable Pricing Supplement);
(d) (in the case of the Senior Certificates only) exercise of a Certificateholder Put Right (if so specified in the applicable Pricing Supplement); or
(e) occurrence of a Dissolution Event,

in each case, at the relevant Dissolution Distribution Amount on the relevant Dissolution Date and, in respect of Tier 2 Certificates only, subject to Condition 10(j).

**Dissolution Events**

The Dissolution Events are described in Condition 1. In respect of the Senior Certificates only, upon the occurrence of any Dissolution Event, the Certificates may be redeemed in whole, but not in part, at the relevant Dissolution Distribution Amount on the Dissolution Event Redemption Date in the manner described in Condition 15(a).

In respect of the Tier 2 Certificates only, upon the occurrence of any Dissolution Event as described in Condition 15(b), if so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series of Certificates then outstanding or if so directed by Extraordinary Resolution, the Delegate shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) (a) in the case of a Default, institute proceedings for the Bank to be declared bankrupt or insolvent or for there otherwise to be a Winding-Up Proceeding and prove in the winding-up, dissolution or liquidation of the Bank; and (b) in the case of a Winding-Up Proceeding, claim or prove in the winding-up, dissolution and liquidation of the Bank.

**Early Dissolution for Tax Reasons**

Subject to Condition 10(j) in relation to Tier 2 Certificates only, where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 13, or the Bank has or will become obliged to pay any additional amounts in respect of amounts payable to the Trustee
pursuant to the terms of any Transaction Document, as a result of a change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, and such obligation cannot be avoided by the Trustee or the Bank, as applicable, taking reasonable measures available to it, the Bank may in its sole discretion require the Trustee to redeem the Certificates in whole, but not in part, on a Periodic Distribution Date (in the case of a Floating Rate Certificate) or at any time (in the case of any Certificate other than a Floating Rate Certificate) at the relevant Dissolution Distribution Amount, as more particularly described in Condition 10(b).

**Early Dissolution upon a Capital Disqualification Event**

In the case of Tier 2 Certificates only, and subject to Condition 10(j), if a Capital Disqualification Event has occurred, the Trustee shall, following receipt of an exercise notice from the Bank pursuant to the Sale and Substitution Undertaking, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Pricing Supplement to the Delegate and the Certificateholders, redeem the Tier 2 Certificates in whole but not in part on a Periodic Distribution Date (in the case of a Floating Rate Certificate) or at any time (in the case of any Tier 2 Certificate other than a Floating Rate Certificate).

**Optional Dissolution Right**

Subject to Condition 10(j) in the case of Tier 2 Certificates only, if so specified in the applicable Pricing Supplement, the Bank may, in accordance with Condition 10(d), require the Trustee to redeem the Certificates of the relevant Series, in whole or in part, as the case may be, at the relevant Dissolution Distribution Amount on any Optional Dissolution Date.

If applicable to the relevant Series, the Optional Dissolution Date(s) will be specified in the applicable Pricing Supplement.

In respect of Tier 2 Certificates only, the Trustee shall not redeem the Tier 2 Certificates prior to the fifth anniversary of the Issue Date.

**Certificateholder Put Right**

In the case of Senior Certificates only and if so specified in the applicable Pricing Supplement, Certificateholders may elect to redeem their Certificates on any Certificateholder Put Right Date(s) specified in the applicable Pricing Supplement at an amount equal to the relevant Dissolution Distribution Amount in accordance with Condition 10(e).

**Non-Viability/Write-down of the Certificates**

In the case of Tier 2 Certificates only, if a Non-Viability Event occurs at any time on or after the Issue Date of a Series of Certificates, the Tier 2 Certificates shall be written-down (in whole or in part) subject to and as provided in Condition 11. See Condition 11 for further information on such potential Write-
downs, including for the definitions of various terms used in this section.

A “Non-Viability Event” means that the Financial Regulator has notified the Bank in writing that it has determined that a Trigger Event has occurred.

A “Trigger Event” will have occurred if any one of the following events occurs:

(a) the Bank is instructed by the Financial Regulator to write-off the Certificates, on the grounds of non-viability; or

(b) an immediate injection of capital is required, by way of an emergency intervention, without which the Bank would become non-viable.

Any such Write-down shall not constitute a Dissolution Event. Certificateholders acknowledge that there shall be no recourse to the Financial Regulator in respect of any determination made by it with respect to the occurrence of a Non-Viability Event.

Cancellation of Certificates held by the Bank and/or any of its Subsidiaries

Pursuant to Condition 10(g) and subject to Condition 10(j) in the case of Tier 2 Certificates only, the Bank and/or any of its Subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries, the Bank may do so in accordance with Condition 10(h).

Limited Recourse and Non-Viability Conditions

Each Certificate of a particular Series will represent an undivided ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets in the manner and to the extent contemplated by the Transaction Documents) or the Delegate or any of their respective directors, officers, employees, shareholders or affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished.

See further Condition 4(e).

In respect of Tier 2 Certificates only, all claims by the Delegate and/or the Certificateholders against the Trustee under the Certificates and claims by the Trustee (or the Delegate acting in the name and on behalf of the Trustee) against the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Bank under the Transaction Documents) shall be subject to, and shall be superseded by the provisions of Condition 11, irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim,
provided that nothing in the Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

Form and Delivery of the Certificates

The Certificates will be issued in registered form only. The Certificates of each Series will be represented on issue by interests in a Global Certificate, which will be deposited with, and registered in the name of a nominee for, a Common Depository for Euroclear and Clearstream, Luxembourg. Individual Certificates evidencing holdings of Certificates will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances described under “Summary of Provisions relating to the Certificates while in Global Form”.

Clearance and Settlement

Holders of the Certificates must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

Withholding Tax

All payments in respect of the Certificates are to be made free and clear of, and without withholding, retention or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges or withholdings of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless such withholding, retention or deduction is required by law. In such event, the Trustee has agreed to pay such additional amounts as shall result in receipt by the Certificateholders (after such withholding, retention or deduction) of such net amounts as would have been receivable by them had no such withholding, retention or deduction been required, subject to and in accordance with Condition 13.

Further, in accordance with the terms of the Master Trust Deed, the Obligor has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 13, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding, retention or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to Condition 13.

The Transaction Documents provide that payments thereunder by the Obligor shall be made without any withholding, retention

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or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of any nature, unless such withholding, retention or deduction is required by law and without set-off or counterclaim of any kind. If any such withholding, retention or deduction is required by law, the Transaction Documents provide for the payment by the Obligor of all additional amounts as will result in the receipt by the Trustee or the Delegate, as applicable, of such net amounts as would have been receivable by it if no such withholding, retention or deduction had been made.

Listing and Admission to Trading

Application has been made to the London Stock Exchange for the Certificates to be issued under the Programme to be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of MiFID II.

Certificates may also be issued and listed (or admitted to trading, as the case may be), on other or further stock exchanges or markets agreed between the Trustee, the Bank and the relevant Dealer(s) in relation to the relevant Series. Certificates which are neither listed nor admitted to trading on any market may also be issued.

Certificateholder Meetings

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 17.

Tax Considerations

See “Taxation” for a description of certain tax considerations applicable to the Certificates.

Governing Law and Dispute Resolution

The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law.

Each Transaction Document (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be) and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law. In respect of any dispute under any such Transaction Document to which it is a party, the Bank has agreed to arbitration in London under the Rules.

The Master Purchase Agreement, each Supplemental Purchase Agreement and each sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, will be governed by, and construed in accordance with, the laws of Kuwait. In respect of any dispute thereunder, the Bank has also agreed to arbitration in London under the Rules.

The Corporate Services Agreement and the Share Declaration of Trust will be governed by the laws of the Cayman Islands and
subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

Waiver of Immunity

Under each of the Transaction Documents, the Obligor has acknowledged that the transactions contemplated in the Transaction Documents are commercial transactions and, to the extent that the Obligor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise), enforcement, injunction or other legal or arbitral process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Obligor or any of its assets or revenues, the Obligor has agreed not to claim and has irrevocably and unconditionally waived such immunity to the fullest extent permitted by the laws of such jurisdiction. In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, enforcement or execution against any of its assets whatsoever of any award, order, injunction, prejudgment or judgment made or given in connection with any legal or arbitral proceedings or Disputes.

Transaction Documents

The Transaction Documents in respect of a Series shall comprise the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement, each Supplemental Purchase Agreement, the Wakala Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking, each sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, and the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series).

Rating

The Bank has been assigned a long-term foreign currency issuer default rating of "A+" with a stable outlook by Fitch. The Programme is expected to be assigned a rating of "A-" by Fitch.

Fitch is established in the United Kingdom and is registered under the CRA Regulation. As such, Fitch is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

A Series of Certificates to be issued under the Programme may be rated or unrated. Where a Series of Certificates is to be rated, its rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
<table>
<thead>
<tr>
<th>Selling Restrictions</th>
<th>There are restrictions on the offer, sale and transfer of the Certificates, including in the Cayman Islands, the Dubai International Financial Centre, the EEA, the United Kingdom, Hong Kong, Japan, Kuwait, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Malaysia, Singapore, the State of Qatar (including the Qatar Financial Centre), the United Arab Emirates (excluding the Dubai International Financial Centre), the United Kingdom and the United States of America. See “Subscription and Sale”.</th>
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<tbody>
<tr>
<td>United States Selling Restrictions</td>
<td>Regulation S, Category 2.</td>
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</table>
TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the applicable Pricing Supplement shall be applicable to the Certificates in definitive form (if any) issued in exchange for the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the applicable Pricing Supplement or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such definitive Certificates. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the applicable Pricing Supplement. Those definitions will be endorsed on the definitive Certificates. References in the Conditions to “Certificates” are to the Certificates of one Series only, not to all Certificates that may be issued under the Programme.

KIB Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the “Trustee”) has established a programme (the “Programme”) for the issuance of trust certificates (the “Certificates”) in a maximum aggregate face amount of U.S.$300,000,000 (or the equivalent in other currencies calculated as described in the programme agreement between the Trustee, Kuwait International Bank K.S.C.P. (the “Obligor”) and the Dealers named therein dated 18 November 2020 (the “Programme Agreement”)), or such other maximum aggregate face amount as increased in accordance with the terms of the Programme Agreement.

The Certificates are constituted by a master trust deed dated 18 November 2020 between the Trustee, the Obligor and Citibank, N.A., London Branch (the “Delegate”, which expression shall include all persons for the time being the delegate or delegates under the Master Trust Deed) (the “Master Trust Deed”) as supplemented by a supplemental trust deed entered into on or before the date of issue of the relevant Certificates (the “Issue Date”) in respect of the relevant Tranche (the “Supplemental Trust Deed” and, together with the Master Trust Deed, the “Trust Deed”).

An agency agreement (the “Agency Agreement”) dated 18 November 2020 has been entered into in relation to the Certificates between the Trustee, the Obligor, the Delegate, Citibank, N.A., London Branch as principal paying agent and transfer agent, Citigroup Global Markets Europe AG as registrar and the other agents named in it. The principal paying agent, the other paying agents, the registrar, the transfer agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Principal Paying Agent”, the “Paying Agents” (which expression shall include the Principal Paying Agent), the “Registrar”, the “Transfer Agent” and the “Calculation Agent(s)”, and together the “Agents”.

These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of: (i) the Trust Deed, which includes the form of Certificates referred to below, (ii) the Agency Agreement and (iii) the remaining Transaction Documents (as defined below). The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. The pricing supplement for this Certificate (or the relevant provisions thereof) is set out in Part A of the Pricing Supplement attached to or endorsed on this Certificate which complete these 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 the relevant Certificate.

Copies of the Transaction Documents are available for inspection and/or collection by Certificateholders from the registered office of the Trustee and the specified office of the Principal Paying Agent during usual business hours.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the Tranche of Certificates in accordance with the terms of the Transaction Documents; and (b) to enter into, and
perform its obligations under and in connection with, each Transaction Document to which it is a party, subject to the provisions of the Trust Deed and these Conditions.

1 Interpretation

Unless defined herein or the context otherwise requires, any capitalised words and expressions used but not defined herein shall have the meaning given to them in the Trust Deed and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

“Authorised Signatory” has the meaning given to it in the Trust Deed;

“Broken Amount” means the amount specified as such in the applicable Pricing Supplement;

“Business Day” has the meaning given to it in Condition 8(h);

“Calculation Amount” means the amount specified as such in the applicable Pricing Supplement;

“Cancellation Notice” means a cancellation notice given pursuant to the terms of the Trust Deed and the Sale and Substitution Undertaking;

“Capital Disqualification Event” has the meaning given to it in Condition 10(c);

“Certificateholder” or “holder” has the meaning given to it in Condition 2;

“Certificateholder Put Exercise Notice” has the meaning given to it in Condition 10(e);

“Certificateholder Put Right” means the right exercisable by Certificateholders pursuant to Condition 10(e);

“Certificateholder Put Right Date” means, in relation to any exercise of the Certificateholder Put Right, the date(s) specified as such in the applicable Pricing Supplement and which must (if this Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

“Certificateholder Put Right Exercise Price” has the meaning given to it in the Purchase Undertaking;

“Corporate Services Agreement” means the corporate services agreement entered into between the Trustee and the Trustee Administrator dated 20 October 2020;

“Day Count Fraction” has the meaning given to it in Condition 8(h);

“Deferred Payment Price” has the meaning given to it in the Master Murabaha Agreement;

“Delegation” has the meaning given to it in Condition 18(a);

“Dispute” has the meaning given to it in Condition 23(b);

“Dissolution Date” means, as the case may be:

(a) the Scheduled Dissolution Date;

(b) any Early Tax Dissolution Date;

(c) any Capital Disqualification Event Dissolution Date;

(d) any Optional Dissolution Date;

(e) any Certificateholder Put Right Date; or

(f) any Dissolution Event Redemption Date;
“Dissolution Distribution Amount” means, in relation to each Certificate:

(a) the sum of:
   (i) the outstanding face amount of such Certificate; and
   (ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
(b) (in the case of Senior Certificates only) such other amount specified in the applicable Pricing Supplement as being payable upon any Dissolution Date;

“Dissolution Event”:

(a) (in respect of Senior Certificates only) means a Trustee Event or an Obligor Event; and
(b) (in respect of Tier 2 Certificates only) shall have the meaning given to it in Condition 15(b)(ii).

“Dissolution Event Redemption Date” has the meaning given to it:

(a) (in respect of Senior Certificates only) in Condition 15(a)(ii); and
(b) (in respect of Tier 2 Certificates only) in Condition 15(b)(i)(c)

“Dissolution Notice” has the meaning given to it:

(a) (in respect of Senior Certificates only) in Condition 15(a)(ii); and
(b) (in respect of Tier 2 Certificates only) in Condition 15(b)(i)(b);

“Early Tax Dissolution Date” has the meaning given to it in Condition 10(b);

“Excluded Representations” means any representations given by the Obligor to the Trustee and/or the Delegate pursuant to the Transaction Documents, save for the representations given in clause 5 of the Master Purchase Agreement;

“Exercise Notice” means an exercise notice given pursuant to the terms of the Purchase Undertaking and/or the Sale and Substitution Undertaking, as the context so requires;

“Exercise Price” has the meaning given to it in the Purchase Undertaking or the Sale and Substitution Undertaking, as the context so requires;

“Extraordinary Resolution” has the meaning given to it in the Trust Deed;

“Fixed Amount” means the amount specified as such in the applicable Pricing Supplement;

“Fixed Rate Certificates” means a Series in respect of which Fixed Periodic Distribution Provisions is specified as applicable in the applicable Pricing Supplement;

“Floating Rate Certificates” means a Series in respect of which Floating Periodic Distribution Provisions is specified as applicable in the applicable Pricing Supplement;

“Indebtedness” means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) and whether present or future, actual or contingent, or any alternative or equivalent of the foregoing intended to be issued in compliance with the principles of Shari’a;

“ISDA Benchmarks Supplement” means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Certificates of the relevant Series (as specified in the applicable Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.;
“ISDA Definitions” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Certificates of the relevant Series (as specified in the applicable Pricing Supplement) and, if specified in the applicable Pricing Supplement, as supplemented by any applicable supplement to the ISDA Definitions) as published by the International Swaps and Derivatives Association, Inc.;

“LCIA” means the London Court of International Arbitration;

“Liability” means any loss, damage, actual cost (excluding cost of funding and opportunity costs), charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis, and references to “Liabilities” shall mean all of these;

“Master Murabaha Agreement” means the master murabaha agreement dated 18 November 2020 between the Trustee, the Obligor and the Delegate;

“Master Purchase Agreement” means the master purchase agreement dated 18 November 2020 between the Trustee and the Obligor;

“Maximum Optional Dissolution Amount” means the amount specified as such in the applicable Pricing Supplement;

“Minimum Optional Dissolution Amount” means the amount specified as such in the applicable Pricing Supplement;

“Murabaha Instalment Profit Amount” has the meaning given to it in the Master Murabaha Agreement;

“Murabaha Percentage” means the percentage specified as such in the applicable Pricing Supplement, which shall be no more than 49 per cent.;

“Murabaha Profit Amount” has the meaning given to it in the Master Murabaha Agreement;

“Non-recourse Project Financing” means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that: (i) any Security Interest given by the Obligor or the relevant Principal Subsidiary, as the case may be, in connection therewith is limited solely to assets of the project; (ii) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the sole source of repayment for the moneys advanced; and (iii) there is no other recourse to the Obligor or the relevant Principal Subsidiary, as the case may be, or any other Subsidiary of the Obligor, in respect of any default by any person under the financing (including, without limitation, by way of any credit support, security or other similar commitment from the Obligor or the relevant Principal Subsidiary);

“Non-Viability Event Exercise Price” has the meaning given to it in the Sale and Substitution Undertaking;

“Obligor Event” means, with respect to Senior Certificates only, any of the following events:

(a) the Obligor (acting in any capacity) fails to pay an amount in the nature of profit (corresponding to all or part of the Periodic Distribution Amounts payable by the Trustee under the Senior Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of 14 days, or the Obligor (acting in any capacity) fails to pay an amount in the nature of principal (corresponding to all or part of the Dissolution Distribution Amount payable by the Trustee under the Senior Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of seven days; or
(b) the Obligor (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations in the Transaction Documents, with respect to Senior Certificates, to which it is a party, which default is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate is capable of remedy, is not, in the opinion of the Delegate, remedied within the period of 30 days after written notice of such default shall have been given to the Obligor by the Trustee (or the Delegate) requiring the same to be remedied; or

(c) any present or future Indebtedness of the Obligor or any Principal Subsidiary of the Obligor is not paid when due or, as the case may be, within any originally applicable grace period or any such Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity (or, in the case of a guarantee, is called) as a result of any actual or potential default, event of default, dissolution event or the like (however described) provided, however, that each such event mentioned in this paragraph (c) shall not constitute an Obligor Event unless the aggregate amount (or its equivalent in U.S. dollars) of all such Indebtedness, either alone or when aggregated with all other Indebtedness, which shall remain unpaid or unsatisfied or is so declared or becomes due and payable or is called, as the case may be, shall be more than U.S.$25,000,000 (or its equivalent in any other currency or currencies); or

(d) any order is made by any competent court or resolution passed for the winding-up or dissolution of the Obligor or any Principal Subsidiary of the Obligor, or the Obligor applies or petitions for a winding-up or administration order in respect of itself save, in each case, in connection with a Permitted Reorganisation; or

(e) the Obligor or any Principal Subsidiary of the Obligor ceases or threatens to cease to carry on all or a substantial part of its business, save in connection with a Permitted Reorganisation; or

(f) one or more judgments or orders for the payment of any sum in excess of U.S.$30,000,000 (or its equivalent in any currency or currencies), whether individually or in aggregate, is (or are) rendered against the Obligor and/or any Principal Subsidiary of the Obligor and continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof (or, if appealed, the appeal is unsuccessful and thereafter the judgment or order continues unsatisfied and unstayed for a period of 30 days); or

(g) (i) the Obligor or any Principal Subsidiary of the Obligor takes any corporate action or any steps are taken or any court or other proceedings are initiated against the Obligor or any Principal Subsidiary of the Obligor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of a liquidator, an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Obligor or the relevant Principal Subsidiary, as the case may be), or a liquidator, an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Obligor or any Principal Subsidiary of the Obligor or, as the case may be, in relation to all or a substantial part of the undertaking, assets or revenues of any of them; or (ii) an encumbrancer takes possession of all or a substantial part of the undertaking or assets of the Obligor or any Principal Subsidiary of the Obligor, or a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property and undertaking, assets or revenues of the Obligor or any Principal Subsidiary of the Obligor; and in each case of (i) and (ii) (other than the appointment of an administrator) is not discharged within 30 days and, only in the case of corporate action or steps taken by the Obligor or any Principal Subsidiary of the Obligor, is otherwise than in connection with a Permitted Reorganisation; or

(h) (i) the Obligor or any Principal Subsidiary of the Obligor stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found
bankrupt or insolvent; or (ii) the Obligor or any Principal Subsidiary of the Obligor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for the general readjustment or rescheduling of its debts with its creditors generally (or any class of its creditors) save in connection with a Permitted Reorganisation; or

(i) any one or more Security Interests, present or future, created or assumed by the Obligor and/or any Principal Subsidiary of the Obligor and securing an amount which equals or exceeds U.S.$30,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, become(s) enforceable and any step is taken to enforce such Security Interest(s) (including the taking of possession or the appointment of a receiver, manager or other similar person) unless the full amount of the debt(s) which is (or are) secured by the relevant Security Interest(s) is (or are) discharged within 30 days of the date on which a step is taken to enforce the relevant Security Interest(s); or

(j) any event occurs which under the laws of the State of Kuwait or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d), (g), (h) and (i) above; or

(k) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Transaction Documents to which it is party; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Transaction Documents to which it is party admissible in evidence in the courts of the State of Kuwait is not taken, fulfilled or done within 14 days of the Delegate giving written notice to the Obligor requiring remedy, except that, provided no other Dissolution Event has occurred, the non-registration of legal title to the Wakala Assets in the name of the Trustee will not constitute an Obligor Event for these purposes; or

(l) the Obligor repudiates or challenges, or does or causes to be done any act or thing evidencing an intention to repudiate or challenge, these Conditions or any (or any part of a) Transaction Document to which it is a party; or

(m) at any time it is or becomes unlawful for the Obligor to perform or comply with any one or more of its obligations under or in respect of any of the Transaction Documents to which it is a party or any of the obligations of the Obligor thereunder are not or cease to be legal, valid, binding or enforceable; or

(n) (i) all or a substantial part of the undertaking, assets and/or revenues of the Obligor or any Principal Subsidiary of the Obligor is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (ii) the Obligor or any Principal Subsidiary of the Obligor is prevented by any such Person from exercising normal control over all or a substantial part of its undertaking, assets and/or revenues,

provided, however, that in the case of the occurrence of any of the events described in paragraphs (b) or (in respect of a Principal Subsidiary only) (g) and (h) the Delegate shall have certified in writing to the Trustee and the Obligor that such event is, in its opinion, materially prejudicial to the interests of the Certificateholders.

References in paragraph (h) to “debts” shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of Shari’a, whether entered into directly or indirectly by the Obligor or a Principal Subsidiary of the Obligor, as the case may be;
“Optional Dissolution Date” means, in relation to any exercise of the Optional Dissolution Right, the date(s) specified as such in the applicable Pricing Supplement and which must (if the Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

“Optional Dissolution Exercise Price” has the meaning given to it in the Sale and Substitution Undertaking;

“Optional Dissolution Right” means the right exercisable by the Trustee upon instruction from the Obligor pursuant to Condition 10(d);

“outstanding” shall have the meaning given to it in the Trust Deed;

“Periodic Distribution Amount” means the amount of profit payable to Certificateholders in accordance with Condition 8;

“Periodic Distribution Date” means the date(s) specified as such in the applicable Pricing Supplement;

“Periodic Distribution Period” means the period beginning on and including the Profit Commencement Date and ending on but excluding the first Periodic Distribution Date and each successive period beginning on and including a Periodic Distribution Date and ending on but excluding the next succeeding Periodic Distribution Date unless otherwise specified in the applicable Pricing Supplement;

“Permitted Activities” means the establishment of a single U.S.$2,000,000,000 trust certificate issuance programme by the Trustee and the Obligor and the issuance of “Trust Certificates” thereunder up to the programme limit (including all ancillary and related acts to effect the same);

“Permitted Reorganisation” means:

(a) (i) any winding-up or dissolution of a Principal Subsidiary whereby the undertaking and assets of that Principal Subsidiary are transferred to or otherwise vested in the Obligor and/or any of the Obligor’s other Subsidiaries; or (ii) any winding-up or dissolution of the Obligor whereby the undertaking and assets of the Obligor are transferred to or otherwise vested in one of its Subsidiaries, provided that, in the case of (ii) only, at the same time or prior to any such transfer or vesting, all amounts payable by the Obligor under each Transaction Document to which it is a party have been assumed by such other Subsidiary on terms previously approved by an Extraordinary Resolution; or

(b) any amalgamation, consolidation, restructuring, merger, reorganisation, composition or other similar arrangement on terms previously approved by an Extraordinary Resolution; or

(c) any amalgamation, consolidation, restructuring, merger, reorganisation, composition or other similar arrangement of a Subsidiary with the Obligor or any other Subsidiary of the Obligor;

“Permitted Security Interest” means:

(a) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the relevant Series;

(b) any Security Interest granted by a Person where such Security Interest exists at the time that such Person is merged into, or consolidated with, the Obligor or the relevant Principal Subsidiary (as the case may be), provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Obligor or the relevant Principal Subsidiary (as the case may be);

(c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Obligor or the relevant Principal Subsidiary (as the case may be), provided that such Security Interest was not
created in contemplation of such acquisition and does not extend to any other assets or property of the Obligor or the relevant Principal Subsidiary (as the case may be);

(d) any Security Interest created or outstanding with the approval of an Extraordinary Resolution; or

(e) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising;

(f) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (e) (inclusive) of this definition, provided that with respect to any such Security Interest the aggregate principal amount of the Indebtedness secured thereby has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Potential Dissolution Event” means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

“Principal Subsidiary” means any Subsidiary of the Obligor:

(a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total income (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent 10 per cent. or more of the consolidated total assets, or, as the case may be, the consolidated total income of the Obligor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest consolidated or, as the case may be, unconsolidated and in either case, if available, audited or auditor-reviewed, financial statements of the Subsidiary and the then latest audited consolidated financial statements (or, if more recent, auditor reviewed consolidated interim financial statements) of the Obligor, provided that, in the case of a Subsidiary acquired after the end of the financial period to which the then latest consolidated financial statements of the Obligor relate for the purpose of applying each of the foregoing tests, the reference to the Obligor’s latest audited consolidated financial statements (or auditor reviewed consolidated interim financial statements) shall be deemed to be a reference to such financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the Obligor after consultation with its auditors for the time being; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (A) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary and (B) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant consolidated financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary, shall be determined pursuant to the provisions of paragraph (a) above, and a certificate addressed to the Delegate signed by two Authorised Signatories of the Obligor certifying that in their opinion a Subsidiary is or is not or was or was not at any particular time or during a particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties and the Delegate shall be entitled to rely on such certificate without liability to any person;

“Profit Amount” means:
(a) in respect of a Return Accumulation Period, the amount of profit payable per Calculation Amount for that Return Accumulation Period and which, in the case of Fixed Rate Certificates, and unless otherwise specified in the applicable Pricing Supplement, shall mean the Fixed Amount or Broken Amount specified in the applicable Pricing Supplement as being payable on the Periodic Distribution Date ending on the Periodic Distribution Period of which such Return Accumulation Period forms part; and

(b) in respect of any other period, the amount of profit payable per Calculation Amount for that period;

“Profit Commencement Date” means the Issue Date or such other date as may be specified in the applicable Pricing Supplement;

“Profit Period Date” means each Periodic Distribution Date unless otherwise specified in the applicable Pricing Supplement;

“Profit Rate” means the profit rate payable from time to time in respect of the Certificates and that is either specified in the applicable Pricing Supplement or calculated in accordance with these Conditions;

“Profit Rate Determination Date” means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified (a) the first day of such Return Accumulation Period, if the Specified Currency is sterling or (b) the day falling two Business Days for the Specified Currency prior to the first day of such Return Accumulation Period, if the Specified Currency is neither sterling nor euro, or (c) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period, if the Specified Currency is euro;

“Purchase Agreement” means the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement;

“Purchase Undertaking” means the purchase undertaking dated 18 November 2020 executed by the Obligor in favour of the Trustee and the Delegate;

“Record Date” has the meaning given to it in Condition 12(a);

“Reference Banks” means four major banks selected by the Obligor in consultation with the Calculation Agent in the inter-bank market that is most closely connected with the Reference Rate;

“Reference Rate” means one of the following benchmark rates (specified in the applicable Pricing Supplement) in respect of the currency and period specified in the applicable Pricing Supplement:

(a) LIBOR;
(b) EURIBOR;
(c) KIBOR;
(d) HIBOR;
(e) KLIBOR;
(f) TRLIBOR or TRYLIBOR;
(g) SIBOR;
(h) EIBOR;
(i) TIBOR;
(j) SAIBOR;
(k) CHF LIBOR; and

(l) QIBOR;

“Register” has the meaning given to it in Condition 2;

“Relevant Date” has the meaning given to it in Condition 13;

“Relevant Financial Centre” means the financial centre specified as such in the applicable Pricing Supplement and, if no such financial centre is specified, the financial centre most closely connected with the relevant Reference Rate;

“Relevant Indebtedness” means any present or future Indebtedness, other than any Indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or which is represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“Relevant Jurisdiction” has the meaning given to it in Condition 13;

“Relevant Powers” has the meaning given to it in Condition 18(a);

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement, or any successor or replacement page, section, caption, column or other part of a particular 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;

“Relevant Sukuk Obligation” means any present or future Sukuk Obligation, other than any Sukuk Obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, in respect of which the relevant trust certificates or other securities are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“Relevant Time” means the time specified as such in the applicable Pricing Supplement;

“Required Amount” has the meaning given to it in the Wakala Agreement;

“Return Accumulation Period” means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Profit Period Date and each successive period beginning on (and including) a Profit Period Date and ending on (but excluding) the next succeeding Profit Period Date, unless otherwise specified in the applicable Pricing Supplement;

“Sale and Substitution Undertaking” means the sale and substitution undertaking dated 18 November 2020 executed by the Trustee in favour of the Obligor;

“Scheduled Dissolution Date” means the date specified as such in the applicable Pricing Supplement;

“Securitisation” means any securitisation of existing or future assets and/or revenues, provided that: (i) any Security Interest given by the Obligor or the relevant Principal Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) 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 (iii) there is no other recourse to the Obligor, the relevant Principal Subsidiary or any other Subsidiary of the Obligor, as the case may be, in respect of any default by any person under the securitisation (including, without
limitation, by way of any credit support, security or other similar commitment from the Obligor or the relevant Principal Subsidiary);

“Security Interest” means any mortgage, charge, pledge, lien or other form of encumbrance or security interest, including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“Senior Certificates” has the meaning given to it in Condition 2;

“Series” means a Tranche of Certificates which are identical in all respects together with any further Tranche or Tranches of Certificates 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 Periodic Distribution Amounts (as defined herein) thereon and the Profit Commencement Date;

“Specified Currency” means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Certificates are denominated;

“Specified Denominations” means the amount(s) specified as such in the applicable Pricing Supplement;

“Subsidiary” means, in relation to the Obligor, any Person (a) in which the Obligor holds a majority of the voting rights; (b) in which the Obligor, directly or indirectly, has the right (howsoever arising) to appoint or remove a majority of the board of directors or other governing body; (c) whose financial statements at any time are fully consolidated with those of the Obligor; or (d) which the Obligor otherwise, directly or indirectly, controls or the affairs and/or policies of which the Obligor otherwise has the power to, directly or indirectly, control;

“Sukuk Obligation” means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of Shari’a, whether or not in return for consideration of any kind;

“Supplemental Purchase Agreement” has the meaning given to it in the Master Purchase Agreement;

“TARGET Business Day” has the meaning given to it in Condition 8(h);

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

“Tier 2 Certificates” has the meaning given to it in Condition 2;

“Tranche” means Certificates which are identical in all respects (including as to listing and admission to trading);

“Transaction Account” means, in relation to each Series, the non-interest bearing account maintained in London in the Trustee’s name held with Citibank, N.A., London Branch, details of which are specified in the applicable Pricing Supplement;

“Transaction Documents” means, in relation to each Series:

(a) the Trust Deed;
(b) the Agency Agreement;
(c) the Purchase Agreement;
(d) the Wakala Agreement;
(e) the Sale and Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Sale and Substitution Undertaking);

(f) the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking); and

(g) the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series),

each as may be amended, restated and/or supplemented from time to time;

“Trust” means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

“Trustee Administrator” means MaplesFS Limited;

“Trust Assets” has the meaning given to it in Condition 5(a);

“Trustee Event” means, with respect to Senior Certificates, any of the following events:

(a) default is made in the payment of the Dissolution Distribution Amount or any Periodic Distribution Amount and, in the case of the Dissolution Distribution Amount, such default continues for a period of seven days from the due date for payment and, in the case of a Periodic Distribution Amount, such default continues for a period of 14 days from the due date for payment; or

(b) the Trustee (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations under these Conditions or any of the Transaction Documents to which it is a party and (except in any case where, in the opinion of the Delegate, such failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Delegate on the Trustee of written notice requiring the same to be remedied; or

(c) any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 30 days; or

(d) the Trustee is adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of any creditors in respect of any of its debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or a particular type of) the debts of the Trustee; or

(e) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations; or

(f) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its obligations under the Senior Certificates and the Transaction Documents to which it is a party; (ii) to ensure that those obligations are legally binding and enforceable; or (iii) to make the Senior Certificates and the Transaction Documents to which it is a party admissible in evidence
in the courts of the Cayman Islands is not taken, fulfilled or done except that, provided no other Dissolution Event has occurred, the non-registration of legal title to the Wakala Assets in the name of the Trustee will not constitute a Trustee Event for these purposes; or

(g) the Trustee repudiates or does or causes to be done any act or thing evidencing an intention to repudiate these Conditions or any (or any part of any) Transaction Document to which it is a party; or

(h) at any time it is or becomes unlawful for the Trustee to perform or comply with any one or more of its obligations under or in respect of any of the Senior Certificates or the Transaction Documents to which it is a party or any of the obligations of the Trustee thereunder cease to be legal, valid, binding and enforceable; or

(i) any event occurs which under the laws of the Cayman Islands or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (c), (d) or (e) above.

For the purpose of paragraph (a) above, all amounts payable in respect of the Senior Certificates shall be considered due and payable (including for the avoidance of doubt any amounts calculated as being payable under Condition 8, Condition 10, Condition 13 and Condition 15) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts (whether as a result of the application of Condition 5(b) or otherwise);

“Wakala Agreement” means the wakala agreement dated 18 November 2020 between the Trustee and the Wakeel;

“Wakala Assets” has the meaning given to it in the Wakala Agreement;

“Wakala Percentage” means the percentage specified as such in the applicable Pricing Supplement, which shall be no less than 51 per cent;

“Wakala Portfolio” has the meaning given to it in the Wakala Agreement;

“Wakala Portfolio Revenues” has the meaning given to it in the Wakala Agreement;

“Wakeel” means the Obligor in its capacity as wakeel pursuant to the Wakala Agreement; and

“Winding-Up Proceeding” means an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Obligor or the Obligor applies or petitions for a winding-up or administration order in respect of itself except, in each case, for the purpose of and followed by an amalgamation, reorganisation or reconstruction whilst solvent on terms approved by the Delegate (acting in accordance with the Master Trust Deed and these Conditions) or by an Extraordinary Resolution of the Certificateholders.

All references to the “face amount” of a Certificate shall be deemed to include, as applicable, the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 13 and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to “Periodic Distribution Amounts” shall be deemed to include, as applicable, any additional amounts in respect of profit distributions which may be payable under Condition 13 and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

All references to “U.S.$” and “U.S. dollars” are to the lawful currency of the United States of America.

All references to “ISDA” and related terms are only included for the purposes of benchmarking.
2 Form, Denomination and Title

The Certificates are issued in registered form in the Specified Denomination(s) shown in the applicable Pricing Supplement. The Certificates may be Fixed Rate Certificates, Floating Rate Certificates or a combination of the foregoing, depending upon the Profit Basis specified in the applicable Pricing Supplement.

Certificates are represented by registered certificates (“Registered Certificates”) and, save as provided in Condition 3(a), each Registered Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the “Register”). Each Registered Certificate will be numbered serially with an identifying number which will be recorded on the relevant Registered Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Registered Certificate representing it or the theft or loss of such Registered Certificate and no person shall be liable for so treating the holder. The holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

In addition, the Certificates will provide that the rights of Certificateholders with regard to payments of principal will either be (i) unsubordinated (such Certificates, the “Senior Certificates”) or (ii) subordinated in the manner described in Condition 4 below with terms capable of qualifying as Tier 2 Capital (such Certificates, the “Tier 2 Certificates”). The applicable Pricing Supplement will specify whether a Series of Certificates are “Senior Certificates” or “Tier 2 Certificates”.

In these Conditions, “Certificateholder” or “holder” means the person in whose name a Certificate is registered.

Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream, Luxembourg”). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. These Conditions are modified by certain provisions contained in the Global Certificate.

Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive Registered Certificates representing their holdings of Certificates. See “Summary of Provisions relating to the Certificates while in Global Form”.

3 Transfers

(a) Transfer of Certificates: Subject to Condition 3(e), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Registered Certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee) duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Registered Certificate, a new Registered Certificate shall be issued to the transferee in respect of the part transferred and a further new Registered Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates,
a new Registered Certificate representing the enlarged holding shall only be issued against surrender of the Registered Certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to and in accordance with the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.

(b) **Exercise of Early Dissolution Rights:** In the case of an exercise of the Obligor’s or the Certificateholders’ early dissolution right in respect of a holding of Certificates represented by a single Registered Certificate, a new Registered Certificate shall be issued to the holder to reflect the exercise of such early dissolution right or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an early dissolution right resulting in Certificates of the same holding having different terms, separate Registered Certificates shall be issued in respect of those Certificates of that holding that have the same terms. New Registered Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(c) **Delivery of New Registered Certificates:** Each new Registered Certificate to be issued pursuant to Conditions 3(a) or 3(b) shall be available for delivery within five business days (or such longer period as may be required to comply with any applicable fiscal or other regulations) of receipt of the form of transfer or Certificateholder Put Exercise Notice, as the case may be, and surrender of the Registered Certificate for exchange. Delivery of the new Registered Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer or Certificateholder Put Exercise Notice, as the case may be, and surrender of such Registered Certificate shall have been made or, at the option of the holder making such delivery and surrender as aforesaid and as specified in the relevant form of transfer, Certificateholder Put Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Registered Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance or takaful as it may specify. In this Condition 3(c), “business day” means a day, other than a Saturday or a Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfers Free of Charge:** Transfers of Certificates and Registered Certificates on registration, transfer or exercise of an early dissolution right shall be effected without charge by or on behalf of the Trustee, the Obligor, the Registrar or the Transfer Agents, but upon payment by the transferee of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require).

(e) **Closed Periods:** No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due, (ii) during the period of 15 days prior to any date on which Certificates may be called for redemption by the Obligor at its option pursuant to Condition 10(d), (iii) after any such Certificate has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.
4 Status, Subordination and Limited Recourse

(a) **Status of Senior Certificates**: The Senior Certificates represent an undivided ownership interest in the relevant Trust Assets and are limited recourse obligations of the Trustee. The Senior Certificates will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu*, and without any preference or priority, among themselves.

The payment obligations of the Obligor (in any capacity) under the Transaction Documents to which it is a party in respect of each Series of Senior Certificates are direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7) unsecured obligations of the Obligor and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Obligor from time to time outstanding.

(b) **Status of Tier 2 Certificates**: The Tier 2 Certificates represent an undivided ownership interest in the relevant Trust Assets and are limited recourse obligations of the Trustee. The Tier 2 Certificates will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu*, without any preference or priority, with the other Tier 2 Certificates.

(c) **Subordination of Tier 2 Certificates**:

(i) The payment obligations of the Obligor (in any capacity) under the Transaction Documents to which it is a party to fund the Periodic Distribution Amounts, the Dissolution Distribution Amount and any other amounts payable under the Tier 2 Certificates of the relevant Series (together, the “**Relevant Obligations**”), will (a) constitute Tier 2 Capital of the Obligor, (b) constitute direct, unsecured, conditional and subordinated obligations of the Obligor, (c) rank subordinate to all Senior Obligations, (d) rank *pari passu* with all other Pari Passu Obligations and (e) rank in priority to all Junior Obligations.

(ii) The Trustee or the Delegate may only exercise its enforcement rights in relation to any Relevant Obligation or in relation to any of its other rights under the Transaction Documents in the manner provided in Condition 15(d).

(iii) The Certificateholders and the Delegate (acting on behalf of the Certificateholders) irrevocably waive their rights to the extent necessary to give effect to the subordination provisions set out in this Condition 4(c). No collateral is or will be given by the Obligor for the Relevant Obligations and any collateral that may in the future be given in connection with other obligations of the Obligor shall not secure the Relevant Obligations; and

(iv) Nothing in this Condition 4(c) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof and in such capacity the Delegate shall rank as an unsubordinated creditor of the Obligor.

In these Conditions:

“**Junior Obligations**” means all claims of the holders of shares of the Obligor and all payment obligations of the Obligor in respect of its Tier 1 Capital and any other subordinated payment obligations of the Obligor which rank, or are expressed to rank, junior to the Relevant Obligations;

“**Pari Passu Obligations**” means all subordinated payment obligations of the Obligor which rank, or are expressed to rank, *pari passu* with the Relevant Obligations; and
“Senior Obligations” means all unsubordinated payment obligations of the Obligor including depositors and all subordinated payment obligations (if any) of the Obligor except Pari Passu Obligations and Junior Obligations.

(d) **No Set-off or Counterclaim**

In the case of Tier 2 Certificates only, no Certificateholder may exercise or claim any right of set-off in respect of any amount owed to it by the Trustee or The Obligor or arising under or in connection with the Relevant Obligations and each Certificateholder, by virtue of its subscription, purchase or holding of any Tier 2 Certificates, shall be deemed to have waived all such rights of set-off to the fullest extent permitted by law.

(e) **Limited Recourse and Agreement of Certificateholders:** Save as provided in this Condition 4(b), the Certificates do not represent an interest in, or obligation of, any of the Trustee, the Delegate or any of their respective affiliates.

(A) The proceeds of the realisation of, or enforcement with respect to, the Trust Assets are the sole source of payments on the Certificates. Such proceeds may not be sufficient to make all payments due in respect of the Certificates. Certificateholders, by subscribing for or acquiring the Certificates, acknowledge and agree that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any of their respective shareholders, directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee or the Delegate to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;

(ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Trust Assets to a third party, and may only realise its rights, title, interests, benefits and entitlements, present and future, in, to and under the Trust Assets in the manner expressly provided in the Transaction Documents;

(iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services providers in their capacity as such) (other than the Trust Assets in the manner and to the extent contemplated by the Transaction Documents), or the Trustee Administrator, the Delegate or any of their respective directors, officers, employees, agents, shareholders or affiliates, in each case in respect of any shortfall or otherwise;

(iv) no Certificateholders will be able to petition for, institute or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the Trustee Administrator, the Delegate or any of their respective directors, officers, employees, agents, shareholders or affiliates;

(v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Trust Deed and the
Certificates by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, director or corporate services provider of the Trustee or the Delegate (as applicable) in their capacity as such. The obligations of the Trustee, the Trustee Administrator and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee, the Trustee Administrator or the Delegate (as applicable) and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee or the Delegate (as applicable) in their capacity as such, save in the case of the relevant party’s wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 7).

(B) Pursuant to the terms of the Transaction Documents, the Obligor is obliged to make certain payments directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate (failing which the Certificateholders pursuant to Condition 16(b)) will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4(b). Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 7) constitute an unsecured claim against the Obligor. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

5 The Trust

(a) Trust Assets: Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Certificateholders of such Series pro rata according to the face amount of Certificates held by each holder. The term “Trust Assets” in respect of each Series means the following:

(i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(ii) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;

(iii) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (other than in relation to the Excluded Representations and the covenant given to the Trustee pursuant to clause 13.1 of the Master Trust Deed);

(iv) any and all moneys standing to the credit of the Transaction Account from time to time; and

(v) all proceeds of the foregoing.
See “Summary of the Principal Transaction Documents” appearing elsewhere in this Offering Circular for more information on the Trust Assets and the Transaction Documents.

(b) **Application of Proceeds from Trust Assets:** On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the moneys standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

(i) *first,* (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed, in each case as notified to the Trustee and the Obligor on or before such Periodic Distribution Date or Dissolution Date, as the case may be;

(ii) *second,* only if such payment is made on a Periodic Distribution Date, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;

(iii) *third,* only if such payment is made on a Dissolution Date, in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and

(iv) *fourth,* only if such payment is made on a Dissolution Date on which all Certificates of the relevant Series are redeemed in full and provided that all amounts required to be paid in respect of such Certificates have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Wakeel as an incentive payment for its performance as wakeel under the Wakala Agreement.

(c) **Transaction Account:** The Trustee will establish a Transaction Account in London in respect of each Series prior to the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee and shall be the account into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents.

6 **Trustee Covenants**

(Other than in respect of the Permitted Activities), the Trustee covenants that, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

(a) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of Shari’a or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as provided in the Transaction Documents;

(b) grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) or permitted under or pursuant to any of the Transaction Documents);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents;
(d) except as provided in Condition 17, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(e) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(f) have any subsidiaries or employees;

(g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;

(h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Certificates and the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:

   (i) as contemplated, provided for or permitted in the Transaction Documents;

   (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

   (iii) such other matters which are incidental thereto.

7 Obligor Negative Pledge

In respect of Senior Certificates only, the Obligor covenants that, for so long as any Senior Certificate is outstanding it will not, and will procure that none of its Principal Subsidiaries will, create or permit to subsist or have outstanding any Security Interest, other than a Permitted Security Interest, upon or with respect to the whole or any part of its or their respective present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or to secure any guarantee or indemnity given in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to the Senior Certificates and its obligations under the Transaction Documents to which it is party (in whatever capacity) the same security as is created, subsisting or outstanding to secure any such Relevant Indebtedness, Relevant Sukuk Obligation, guarantee or indemnity or such other security as either: (i) the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of Certificateholders; or (ii) shall be approved by an Extraordinary Resolution of the Certificateholders of the Senior Certificates.

8 Periodic Distribution Amounts

(a) **Fixed Rate Certificates**: Each Fixed Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be determined in accordance with Condition 8(f) and (in relation to Tier 2 Certificates only) shall be subject to Condition 11.

(b) **Floating Rate Certificates**
(i) **Periodic Distribution Amounts and Periodic Distribution Dates**: Each Floating Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be determined in accordance with Condition 8(f) and (in relation to Tier 2 Certificates only) shall be subject to Condition 11. Such Periodic Distribution Date(s) is/are either shown in the applicable Pricing Supplement as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Pricing Supplement, “Periodic Distribution Date” shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Periodic Distribution Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date.

(ii) **Business Day Convention**: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) **Profit Rate for Floating Rate Certificates**: The Profit Rate in respect of Floating Rate Certificates for each Return Accumulation Period shall be determined in the manner specified in the applicable Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Pricing Supplement.

(A) **ISDA Determination for Floating Rate Certificates**

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Profit Rate is to be determined, the Profit Rate for each Return Accumulation Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this paragraph (A) “ISDA Rate” for a Return Accumulation Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(y) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(z) the relevant Reset Date is the first day of that Return Accumulation Period unless otherwise specified in the applicable Pricing Supplement.
For the purposes of this paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Certificates

(x) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Profit Rate is to be determined, the Profit Rate for each Return Accumulation Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Profit Rate Determination Date in question as determined by the Calculation 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) If the Relevant Screen Page is not available, or if paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the Relevant Time, subject as provided below, the Calculation Agent shall request the principal office in the Relevant Financial Centre of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Profit Rate for such Return Accumulation Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) Subject to Condition 8(c) below, if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Profit Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Profit Rate 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 Relevant Financial Centre inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such 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 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 Profit Rate Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) informs the Calculation
Agent it is quoting to leading banks in the Relevant Financial Centre inter-bank market, provided that, if the Profit Rate cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Profit Rate shall be determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Return Accumulation Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Return Accumulation Period).

(iv) **Linear Interpolation**: Where Linear Interpolation is specified as applicable in respect of a Return Accumulation Period in the applicable Pricing Supplement, the Profit Rate for such Return Accumulation Period shall be calculated by the Calculation Agent 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 Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Return Accumulation Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Return Accumulation Period, provided however that, if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it, in consultation with the Trustee and the Obligor, determines appropriate.

“Applicable Maturity” means, (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate and (b) in relation to ISDA Determination, the Designated Maturity.

(c) **Benchmark Replacement**

Notwithstanding the other provisions of this Condition 8, if a Benchmark Event occurs in relation to the relevant Reference Rate specified in the applicable Pricing Supplement when any Profit Rate (or the relevant component part thereof) remains to be determined by reference to such Reference Rate, then the Trustee and the Obligor will apply the following provisions:

(i) the Trustee and the Obligor shall use their reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than ten Business Days prior to the relevant Profit Rate Determination Date relating to the next succeeding Return Accumulation Period (the “IA Determination Cut-Off Date”), a Successor Rate, failing which, an Alternative Reference Rate (in accordance with Condition 8(c)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 8(c)(iv)). The Independent Adviser appointed pursuant to this Condition 8(c) shall act and make all determinations pursuant to this Condition 8(c) in good faith and in a commercially reasonable manner and the Independent Adviser shall act as an expert;

(ii) 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) and, in each case, the applicable Adjustment Spread shall subsequently be used in place of the Reference Rate to determine the Profit Rate (or the relevant
component part thereof) for all future payments of profit on the Certificates (subject to the operation of this Condition 8(c));

(iii) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be). If the Independent Adviser (following consultation with the Trustee and the Obligor) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;

(iv) if any Successor Rate or Alternative Reference Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 8(c) and the Independent Adviser, following consultation with the Trustee and the Obligor, determines: (A) that amendments to these Conditions, the Trust Deed, the Agency Agreement and/or any other Transaction Document (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Profit Rate Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread, and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Obligor and subject to giving notice thereof and a certificate in each case in accordance with Condition 8(c)(v): (x) the Trustee and the Obligor shall vary these Conditions, the Trust Deed, the Agency Agreement and/or any other Transaction Document to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Delegate and the Agents shall (at the Obligor’s expense), without any requirement for the consent or sanction of Certificateholders, be obliged to concur with the Trustee and the Obligor in effecting such Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), provided that neither the Delegate nor any Agent shall be obliged so to concur if doing so would impose, in its opinion, 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 or impose any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it.

In connection with any such variation in accordance with this Condition 8(c)(iv), the Trustee and the Obligor shall comply with the rules of any stock exchange on which the Certificates are for the time being listed or admitted to trading;

(v) the Trustee (failing which, the Obligor) shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), Adjustment Spread and the specific terms of any Benchmark Amendments under this Condition 8(c), notify the Delegate, the Agents and, in accordance with Condition 20, the Certificateholders thereof, 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) and that such Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate (as applicable) and, in either case, any applicable Adjustment Spread. In accordance with Condition 20, notice shall be provided to the Certificateholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Certificateholders of the same, the Obligor shall deliver to the Delegate, the Calculation Agent and the Paying Agents a certificate signed by two Authorised Signatories of the Obligor:
(A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Reference Rate and in either case (if determined) the applicable Adjustment Spread and (iii) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 8(c); and

(B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread and, in each case, have been drafted solely to such effect.

Each of the Delegate, the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Reference Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of wilful default, manifest error or bad faith in the determination of the Successor Rate or Alternative Reference Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Delegate’s or the Trustee’s or the Calculation Agent’s or the Paying Agents’ ability to rely on such certificate as aforesaid) be binding on the Obligor, the Trustee, the Delegate, the Calculation Agent, the Agents and the Certificateholders.

Notwithstanding any other provision of this Condition 8, if following the determination of any Successor Rate, Alternative Reference Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent’s opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 8, the Calculation Agent shall promptly notify the Trustee and the Obligor thereof and the Trustee and the Obligor shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Trustee and the Obligor thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so;

(vi) if, following the occurrence of a Benchmark Event and in relation to the determination of the Profit Rate (or the relevant component part thereof) on the date which is 10 business days prior to the immediately following Profit Rate Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this Condition 8(c), then the Profit Rate applicable to the next succeeding Return Accumulation Period shall be equal to the Profit Rate last determined in relation to the Certificates in respect of the immediately preceding Return Accumulation Period (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Return Accumulation Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Return Accumulation Period). If there has not been a first Periodic Distribution Date, the Profit Rate shall be the initial Profit Rate. For the avoidance of doubt, this Condition 8(c)(vii) shall apply to the relevant Return Accumulation Period only and any subsequent Return Accumulation Periods are subject to the operation of and to adjustment as provided in, this Condition 8(c); and

(vii) without prejudice to the obligations of the Trustee and the Obligor under Condition 8(c)(i), (ii), (iii) and (iv), the Reference Rate and the fallback provisions provided for in Condition 8(b)(iii)(B)(y) and (z) will continue to apply unless and until a Benchmark Event has occurred.
(viii) Notwithstanding any other provision in this Condition, no Successor Rate, Alternative Reference Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Tier 2 Certificates be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Trustee or the Obligor, as the case may be, the same could reasonably be expected to prejudice the qualification of the relevant Series of Tier 2 Certificates as Tier 2 Capital.

For the purposes of this Condition 8(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 in relation to the replacement of the 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 Trustee and the Obligor) 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 Reference Rate; or

(iii) (if the Independent Adviser (following consultation with the Trustee and the Obligor) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Trustee and Obligor) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be);

“Alternative Reference Rate” means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Trustee and Obligor) determines, in accordance with this Condition 8(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 Certificates;

“Benchmark Amendments” has the meaning given to it in Condition 8(c)(iv);

“Benchmark Event” means: (i) the Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or (ii) a public statement by the administrator of the Reference Rate that it has ceased or that it will cease publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate); or (iii) a public statement by the supervisor of the administrator of the Reference Rate, that the Reference Rate has been or will be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the Reference Rate as a consequence of which the Reference Rate will be prohibited from being used either generally, or in respect of the Certificates; or (v) a public statement by the supervisor of the administrator of the Reference Rate that, in the view of such supervisor, such Reference Rate is or will be no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or (vi) it has become unlawful for the Trustee, the Obligor, the Calculation Agent or any Paying Agent to calculate any payments due to be made to any Certificateholder using the Reference Rate, provided that the Benchmark Event shall be
deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Reference Rate, or the discontinuation of the Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Reference Rate is or will no longer be representative of its relevant underlying market or the methodology to calculate such Reference Rate has materially changed and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Trustee and the Obligor and promptly notified to the Delegate, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Delegate, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination;

“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 financial adviser of recognised standing with appropriate expertise appointed by the Trustee and the Obligor at the Obligor’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 a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(d) **Entitlement to Profit:** Profit shall cease to accumulate in respect of any Certificate on any Dissolution Date or other due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 8 to the earlier of (i) the Relevant Date; or (ii) the date on which the relevant Exercise Price or, if all of the Certificates of a Series are being redeemed, Optional Dissolution Exercise Price, Certificateholder Put Right Exercise Price or Non-Viability Event Exercise Price, as applicable, has been paid and a sale agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be.

(e) **Margin, Maximum Profit Rates/Minimum Profit Rates and Rounding**

(i) If any Margin is specified in the applicable Pricing Supplement (either (x) generally or (y) in relation to one or more Return Accumulation Periods), an adjustment shall be made to all Profit Rates, in the case of (x), or the Profit Rates for the specified Return Accumulation Periods, in the case of (y), calculated in accordance with Condition 8(b) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to paragraph (ii) below.

(ii) If any Maximum Profit Rate or Minimum Profit Rate is specified in the applicable Pricing Supplement, then any Profit Rate shall be subject to such maximum or minimum, as the case may be.
(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, “unit” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(f) Calculations: The amount of profit payable per Calculation Amount in respect of any Certificate for any Return Accumulation Period shall be equal to the product of the Profit Rate, the Calculation Amount specified in the applicable Pricing Supplement and the Day Count Fraction for such Return Accumulation Period, unless a Profit Amount (or a formula for its calculation) is specified in the applicable Pricing Supplement as being applicable to such Return Accumulation Period, in which case the amount of profit payable per Calculation Amount in respect of such Certificate for such Return Accumulation Period shall equal such Profit Amount (or be calculated in accordance with such formula).

Where any Periodic Distribution Period comprises two or more Return Accumulation Periods, the amount of profit payable per Calculation Amount in respect of such Periodic Distribution Period shall be the sum of the Profit Amounts payable in respect of each of those Return Accumulation Periods. In respect of any other period for which profit is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which profit is required to be calculated.

(g) Publication of Profit Rates, Profit Amounts and Dissolution Distribution Amounts: The Calculation Agent shall, as soon as practicable on each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Profit Amounts for the relevant Return Accumulation Period, calculate the Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Profit Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount, to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Certificateholders, any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information and, if the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Periodic Distribution Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Profit Amount, or (ii) in all other cases, the fourth Business Day after such determination.

To the extent that the Calculation Agent is unable to notify a stock exchange or other relevant authority, the Calculation Agent shall notify the Obligor who shall perform such obligation. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 8(b)(ii), the Profit Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Periodic Distribution Period. If the Certificates become due and payable under Condition 15, the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition 8 but no publication of the Profit Rate or the Profit Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation
and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of wilful default, bad faith or manifest error) be final and binding upon all parties.

(h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

**“Business Day”** means:

(i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in London and each Business Centre (other than the TARGET System) specified in the applicable Pricing Supplement;

(ii) if the TARGET System is specified as a Business Centre in the applicable Pricing Supplement, a day on which the TARGET System is open; and

(iii) either (A) in the case of a currency other than euro, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency or (B) in the case of euro, a day on which the TARGET System is operating (a “TARGET Business Day”).

**“Day Count Fraction”** means, in respect of the calculation of an amount of profit on any Certificate for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Periodic Distribution Period or a Return Accumulation Period, the “Calculation Period”):

(i) if “Actual/Actual” or “Actual/Actual – ISDA” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation 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 Calculation Period divided by 365;

(iii) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of a Periodic Distribution 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 Calculation 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 Calculation Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}
\]

where:

- \(Y_1\) is the year, expressed as a number, in which the first day of the Calculation Period falls;
- \(Y_2\) is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- \(M_1\) is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
(vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}
\]

where:

- \(Y_1\) is the year, expressed as a number, in which the first day of the Calculation Period falls;
- \(Y_2\) is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- \(M_1\) is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- \(M_2\) is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- \(D_1\) is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case \(D_1\) will be 30; and
- \(D_2\) is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and \(D_1\) is greater than 29, in which case \(D_2\) will be 30;

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

\[
\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}
\]

where:

- \(Y_1\) is the year, expressed as a number, in which the first day of the Calculation Period falls;
- \(Y_2\) is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- \(M_1\) is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- \(M_2\) is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- \(D_1\) is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case \(D_1\) will be 30; and
D: is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date or (ii) such number would be 31, in which case D2 will be 30;

(viii) if “Actual/Actual-ICMA” is specified in the applicable Pricing Supplement:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Determination Date” means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Periodic Distribution Date(s).

(i) Calculation Agent: The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Certificate is outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such, or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Profit Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

9 Reset Periodic Distribution Provisions

(a) Reset Certificates:

Each Reset Certificate bears profit on its outstanding face amount at the rate per annum (expressed as a percentage) determined in accordance with this Condition 9 and (in relation to Tier 2 Certificates only) shall be subject to Condition 11:

(i) from (and including) the Profit Commencement Date up to (but excluding) the First Reset Certificate Reset Date at the Initial Periodic Distribution Rate;
(ii) from (and including) the First Reset Certificate Reset Date to (but excluding) the Second Reset Certificate Reset Date or, if no such Second Reset Certificate Reset Date is specified in the applicable Pricing Supplement, the Scheduled Dissolution Date, at the First Reset Periodic Distribution Rate; and

(iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Periodic Distribution Rate.

Periodic Distribution Amounts will be payable, subject as provided herein, in arrear on each Periodic Distribution Date and on the date specified in the applicable Pricing Supplement as the Scheduled Dissolution Date.

Save as otherwise provided herein, the provisions applicable to Fixed Rate Certificates in Condition 8 shall apply to Reset Certificates.

(b) Calculation of Periodic Distribution Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Reset Period, calculate the Periodic Distribution Amount payable in respect of each Certificate for such Reset Period.

(c) Fallback Provisions for Reset Certificates

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, other than in the circumstances provided for in Condition 8(c), the Trustee shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Periodic Distribution Rate or the Subsequent Reset Periodic Distribution Rate (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation, the Mid-Swap Rate Quotation will be (a) in the case of each Reset Period other than the First Reset Period, the Mid-Swap Rate in respect of the immediately preceding Reset Period or (b) in the case of the First Reset Period, the Initial Periodic Distribution Rate less the First Margin.

(d) Publication

The Calculation Agent shall, as soon as practicable on each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Profit Amounts for the relevant Return Accumulation Period, calculate the Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Profit Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount, to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Certificateholders, any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information and, if the Certificates are listed on a stock exchange and the rules of such
exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than the relevant Reset Date. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of wilful default, bad faith or manifest error) be final and binding upon all parties.

In this Condition 9, the following expressions have the following meanings:

“**First Margin**” means the margin specified in the applicable Pricing Supplement;

“**First Reset Certificate Reset Date**” means the date specified in the applicable Pricing Supplement;

“**First Reset Period**” means the period from (and including) the First Reset Certificate Reset Date to (but excluding) the Second Reset Certificate Reset Date or, if no such Second Reset Certificate Reset Date is specified in the applicable Pricing Supplement, the Scheduled Dissolution Date;

“**First Reset Periodic Distribution Rate**” means, subject to Condition 9(c), the Rate determined by the Calculation Agent on the relevant Reset Determination Date corresponding to the First Reset Period as the sum of the relevant Reset Rate plus the First Margin;

“**Initial Periodic Distribution Rate**” means the initial periodic distribution rate per annum specified in the applicable Pricing Supplement;

“**Mid-Market Swap Rate**” means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration specified in the applicable Pricing Supplement during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (a) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (c) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (each as specified in the applicable Pricing Supplement) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

“**Mid-Market Swap Rate Quotation**” means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

“**Mid-Swap Floating Leg Benchmark Rate**” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro or as otherwise specified in the applicable Pricing Supplement;

“**Mid-Swap Rate**” means, in relation to a Reset Determination Date and subject to Condition 8(c), the applicable semi-annual or annualised (as specified in the applicable Pricing Supplement) mid-swap rate for swap transactions in the Specified Currency (with a maturity equal to that of the relevant Swap Rate Period specified in the applicable Pricing Supplement) as displayed on the Relevant Screen Page at 11.00 a.m. (in the principal financial centre of the Specified Currency) on the relevant Reset Determination Date (which rate, if the relevant Periodic Distribution Dates are other than semi-annual or annual Periodic Distribution Dates, shall be adjusted by, and in the manner determined by, the Calculation Agent);

“**Reference Certificate**” means for any Reset Period, a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Obligor on the advice of an independent investment bank of international
repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Certificates and of a comparable maturity to the relevant Reset Period;

“Reference Certificate Dealer” means each of five banks (selected by the Obligor on the advice of an independent investment bank of international repute), or their affiliates, which are (a) primary government securities dealers, and their respective successors or (b) market makers in pricing corporate debt issues;

“Reference Certificate Dealer Quotations” means, with respect to each Reference Certificate Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the relevant Reference Certificate (expressed in each case as a percentage of its face amount) at or around 11.00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date and quoted in writing to the Calculation Agent by such Reference Certificate Dealer;

“Reference Certificate Price” means, with respect to any Reset Determination Date, (a) the arithmetic average of the Reference Certificate Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Certificate Dealer Quotations or (b) if the Calculation Agent obtains fewer than four such Reference Certificate Dealer Quotations, the arithmetic average of all such quotations. If one or no quotations are provided, the “Reference Certificate Rate” will be (i) in the case of each Reset Period other than the First Reset Period, the Reference Certificate Rate in respect of the immediately preceding Reset Period or (ii) in the case of the First Reset Period, the Initial Periodic Distribution Rate less the First Margin;

“Reference Certificate Rate” means the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Certificate, assuming a price for such Reference Certificate (expressed as a percentage of its face amount) equal to the relevant Reference Certificate Price, as calculated by the Calculation Agent;

“Reset Certificate Reset Date” means the First Reset Certificate Reset Date, the Second Reset Certificate Reset Date and every Subsequent Reset Certificate Reset Date as may be specified in the applicable Pricing Supplement; provided, however, that if the date specified in the relevant Pricing Supplement is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

“Reset Determination Date” means, in respect of the First Reset Period, the second Business Day prior to the First Reset Certificate Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Certificate Reset Date and, in respect of each Reset Period thereafter, the second Business Day prior to the first day of each such Reset Period or as otherwise specified in the Pricing Supplement;

“Reset Period” means the First Reset Period or a Subsequent Reset Period;

“Reset Rate” means (a) if “Mid-Swap Rate” is specified in the applicable Pricing Supplement, the relevant Mid-Swap Rate or (b) if “Reference Certificate” is specified in the Pricing Supplement, the relevant Reference Certificate Rate;

“Second Reset Certificate Reset Date” means the date specified in the applicable Pricing Supplement;

“Subsequent Margin” means the margin(s) specified in the applicable Pricing Supplement;
“Subsequent Reset Period” means the period from (and including) the Second Reset Certificate Reset Date to (but excluding) the next Reset Certificate Reset Date, and each successive period from (and including) a Reset Certificate Reset Date to (but excluding) the next succeeding Reset Certificate Reset Date; and

“Subsequent Reset Periodic Distribution Rate” means, in respect of any Subsequent Reset Period and subject to Condition 8(c), the Rate being determined by the Calculation Agent on the relevant Reset Determination Date corresponding to such Subsequent Reset Period as the sum of the relevant Reset Rate plus the applicable Subsequent Margin.

10 Redemption and Dissolution of the Trust

(a) **Dissolution on the Scheduled Dissolution Date**: Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount.

(b) **Early Dissolution for Taxation Reasons**: (Subject to Condition 10(j), in the case of Tier 2 Certificates only) if:

(i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 13 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(ii) (A) the Trustee has received notice from the Obligor that the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the occurrence of an event described in Condition 10(b)(i) or (ii) being a “Tax Event”), the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale and Substitution Undertaking, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Pricing Supplement to the Delegate and the Certificateholders, redeem the Certificates in whole, but not in part, on any Periodic Distribution Date (if this Certificate is a Floating Rate Certificate) or at any time (if this Certificate is not a Floating Rate Certificate) (such dissolution date being an “Early Tax Dissolution Date”), at their Dissolution Distribution Amount, provided that no such notice of dissolution may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 10(b), the Trustee or the Obligor, as the case may be, shall deliver to the Delegate:

(aa) a certificate signed by two directors and/or Authorised Signatories of the Trustee (in the case of Condition 10(b)(i)) or the Obligor (in the case of Condition 10(b)(ii)) stating that (i) the obligation referred to in Condition 10(b)(i) or 10(b)(ii), as the case may be, has arisen and
cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it and (ii) (in relation to Tier 2 Certificates only) the conditions set out in Condition 10(j) have been satisfied;

(bb) an opinion of independent legal or tax advisers of recognised standing to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment; and

(cc) (in relation to Tier 2 Certificates only) if required at such time by the Capital Regulations a copy of the Financial Regulator’s written approval for redemption of the Certificates,

and the Delegate shall be entitled to accept and rely on (without liability to any person) such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 10(b)(i) or, as the case may be, Condition 10(b)(ii) above, in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 10(b) and payment in full of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust.

The Capital Regulations, as in force from time to time, may oblige the Obligor to demonstrate to the satisfaction of the Financial Regulator that (among other things) the Tax Event was not reasonably foreseeable at the Issue Date.

(c) Early Dissolution following a Capital Disqualification Event:

In the case of Tier 2 Certificates only and subject to Condition 10(j), if a Capital Disqualification Event occurs, the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale and Substitution Undertaking, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Pricing Supplement to the Delegate and the Certificateholders, redeem the Certificates in whole, but not in part, on any Periodic Distribution Date (if this Certificate is a Floating Rate Certificate) or at any time (if this Certificate is not a Floating Rate Certificate) (such dissolution date being a “Capital Disqualification Event Dissolution Date”), at their Dissolution Distribution Amount.

Prior to the publication of any notice of dissolution pursuant to this Condition 10(c), the Obligor shall deliver to the Delegate:

(aa) a certificate signed by two directors and/or Authorised Signatories of the Obligor stating that (i) a Capital Disqualification Event referred to in this Condition 10(c), has arisen and cannot be avoided by the Obligor taking reasonable measures available to it and (ii) the conditions set out in Condition 10(j) have been satisfied; and

(bb) if required at such time by the Capital Regulations, a copy of the Financial Regulator’s written approval,

and the Delegate shall be entitled to accept and rely on (without liability to any person) such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 10(c) and payment in full of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust.
The Capital Regulations, as in force from time to time, may oblige the Obligor to demonstrate to the satisfaction of the Financial Regulator that (among other things) the Capital Event was not reasonably foreseeable as at the Issue Date.

In these Conditions:

“Capital Disqualification Event” shall be deemed to have occurred if the Obligor is notified in writing by the Financial Regulator that the payment obligations of the Obligor under the Transaction Documents to which it is a party are, and/or the outstanding face amount of the Tier 2 Certificates is, excluded in full or in part from the Tier 2 Capital of the Obligor (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);

“Capital Regulations” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Kuwait, including those of the Financial Regulator, including, without limitation, the Instructions and, in each case, as amended or superseded from time to time;

“Financial Regulator” means the Central Bank of Kuwait, as at the Issue Date of the first Tranche of Tier 2 Certificates, or such other successor entity having primary bank supervisory authority with respect to the Obligor in Kuwait;

“Instructions” means the final instructions entitled "Implementing Capital Adequacy Standards- Basel III-for Islamic banks" issued by the Financial Regulator on 24 June 2014, as may be amended or superseded from time to time;

“Tier 2 Capital” means capital qualifying as (or which would qualify, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, tier 2 capital in accordance with the Capital Regulations.

(d) Dissolution at the Option of the Obligor (Optional Dissolution Right): If Optional Dissolution Right is specified as applicable in the applicable Pricing Supplement, and subject to Condition 10(j) in the case of Tier 2 Certificates only, the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale and Substitution Undertaking, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Pricing Supplement to the Delegate and the Certificateholders, redeem the Certificates in whole or, if so specified in the applicable Pricing Supplement, in part on any Optional Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed specified in the applicable Pricing Supplement and no greater than the Maximum Optional Dissolution Amount to be redeemed specified in the applicable Pricing Supplement.

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 10(d).

In the case of a partial redemption, the notice to Certificateholders shall also specify the face amount of Certificates drawn and the holder(s) of such Certificates to be redeemed, which shall have been drawn in such place and in such manner as the Trustee and the Delegate deem appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

The Optional Dissolution Right and the Certificateholder Put Right may not both be specified in the applicable Pricing Supplement in respect of any Series.

In respect of Tier 2 Certificates only, the Trustee shall not redeem the Tier 2 Certificates prior to the fifth anniversary of the Issue Date.
(e) **Dissolution at the Option of Certificateholders (Certificateholder Put Right):** In the case of any Senior Certificates only, if Certificateholder Put Right is specified as applicable in the applicable Pricing Supplement, the Trustee shall, at the option of the holder of any Senior Certificate, upon the holder of such Senior Certificate giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee, redeem such Senior Certificate on the Certificateholder Put Right Date at its Dissolution Distribution Amount. If the Senior Certificates are to be redeemed in whole, but not in part, on any Certificateholder Put Right Date in accordance with this Condition 10(e), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

To exercise such option, the holder must deposit the Registered Senior Certificate representing such Senior Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (a “Certificateholder Put Exercise Notice”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Registered Senior Certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

The Certificateholder Put Right and the Optional Dissolution Right may not both be specified in the applicable Pricing Supplement in respect of any Series.

(f) **Dissolution following a Dissolution Event:** Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trustee may be required to dissolve the Trust, in each case subject to and as more particularly described in Condition 15.

(g) **Purchases:** Subject to Condition 10(j) in the case of Tier 2 Certificates only, each of the Obligor and/or any Subsidiary of the Obligor may at any time purchase Certificates at any price in the open market or otherwise. Any Certificates held by the Obligor or any of the Obligor’s Subsidiaries shall not entitle the holder to exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums, meetings or for passing Extraordinary Resolutions for the purposes of Condition 17(a).

(h) **Cancellation:** All Certificates purchased by or on behalf of the Obligor or any of the Obligor’s Subsidiaries may be surrendered for cancellation by surrendering the Registered Certificate representing such Certificates to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Trust Deed. Any Certificates so surrendered, together with all Certificates that are redeemed in accordance with this Condition 10 and/or Condition 15, shall be cancelled forthwith and may not be held, reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 10(h), the Trustee shall be bound to dissolve the Trust.

(i) **No other dissolution:** The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 10 and Condition 15. Upon payment in full of all amounts due in respect of the Certificates of any Series, the Trustee shall be bound to dissolve the Trust. Upon such dissolution, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable, and the Trustee shall have no further obligations, in respect thereof.

(j) **Conditions to Redemption and Repurchase of Tier 2 Certificates**

This Condition 10(j) is only applicable to Tier 2 Certificates.

Tier 2 Certificates may only be redeemed, purchased, cancelled, varied or modified (as applicable) pursuant to Condition 10(b), Condition 10(c), Condition 10(d), Condition 10(g) and Condition 10(h) or Condition 17, as the case may be, if:
(a) (except to the extent that the Financial Regulator no longer so requires) the Obligor has obtained the prior written approval of the Financial Regulator;

(b) (except to the extent that the Financial Regulator no longer so requires) at the time when the relevant notice of redemption is given and immediately following any redemption, the Obligor is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements; and

(c) in the case of a redemption pursuant to Condition 10(c) only, the requirement that the circumstance that entitles the Obligor to instruct the Trustee to exercise its right of redemption is a change of law, published practice or regulation (including Applicable Regulatory Capital Requirements) in Kuwait or a change in the interpretation or application of such law, published practice or regulation by any court or authority entitled to do so which change becomes, or would become, effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series.

In addition, if the Trustee has elected to redeem the Tier 2 Certificates of any Series and prior to the redemption a Non-Viability Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Trustee shall give notice thereof to the Certificateholders in accordance with Condition 20, the Delegate and the Principal Paying Agent, as soon as practicable. Further no notice of redemption shall be given in the period following the occurrence of a Non-Viability Event and the relevant Non-Viability Event Write-down Date.

In these Conditions, “Applicable Regulatory Capital Requirements” means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Obligor, including transitional rules and waivers granted in respect of the foregoing.

11 Loss-Absorption upon the occurrence of a Non-Viability Event

(a) Write-down of the Tier 2 Certificates

In the case of Tier 2 Certificates only, if a Non-Viability Event occurs at any time on or after the Issue Date of a Series of Tier 2 Certificates a Write-down (in whole or in part, as applicable) will take place in accordance with Condition 11(b).

Any such Write-down shall not constitute a Dissolution Event. Certificateholders acknowledge that there shall be no recourse to the Financial Regulator in respect of any determination made by it with respect to the occurrence of a Non-Viability Event.

*It is the Obligor’s current intention that a Write-down will take place (1) after the shares of the Obligor absorb losses (if and to the extent such loss absorption is permitted at the relevant time under all relevant rules and regulations applicable to the Obligor at such time) and the Financial Regulator has not notified the Obligor in writing that the relevant Non-Viability Event has been cured as a result of such loss absorption, (2) after the write-down or write-off of the Obligor’s obligations in respect of Tier 1 Capital, and (3) simultaneously and pro-rata with the write-down or write-off of any of the Obligor’s obligations in respect of Tier 2 Capital. However, the Obligor may at any time depart from this policy at its sole discretion or if so required by the Financial Regulator.*

(b) Write-down of the Tier 2 Certificates and the Trust Assets

(i) On the third Business Day following the date on which such Non-Viability Event occurs the Obligor will notify the Trustee, the Principal Paying Agent (with a copy to the Delegate) and the
Certificateholders in accordance with Condition 20 of the occurrence of such Non-Viability Event (a “Non-Viability Notice”);

(ii) A Write-down will occur on the Non-Viability Event Write-down Date and, with effect from such date:

(A) in the case of a Write-down in whole only: (i) the rights of the Certificateholders to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally cancelled and (ii) the Dissolution Distribution Amount shall automatically be written-down to zero and the Tier 2 Certificates shall be cancelled.

(B) in the case of a Write-down in part only: (i) the Trust Assets shall be written down in proportion to the face amount of the Tier 2 Certificates that are to be written-down; (ii) the Dissolution Distribution Amount shall automatically be written down in proportion to the face amount of the Tier 2 Certificates that are to be written-down and Periodic Distribution Amounts shall only be in respect of the face amount of the Tier 2 Certificates that have not been written-down.

In the case of (a) above, neither the Trustee nor the Delegate will have any further claim for any amounts in connection with the Trust Assets. In the case of (b) above, neither the Trustee nor the Delegate will have any further claim for any amounts in connection with the Trust Assets that relate to the proportion of the Tier 2 Certificates written-down.

(c) Liability of Delegate and Agent

Neither the Delegate nor the Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Non-Viability Event (or its disapplication, if applicable) or any consequent Write-down or partial Write-down and/or cancellation of any Tier 2 Certificates or termination of the Trust Assets or any claims in respect thereof, and the Delegate and the Agents shall not be responsible for any calculation, determination or the verification of any calculation or determination in connection with the foregoing.

(d) Interpretation

In these Conditions:

“Basel III” means the reforms to the international regulatory capital framework issued by the Basel Committee (including, but not limited to, the Basel III Documents) as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for international credit institutions (including guidance on the eligibility criteria for tier 1 capital instruments and tier 2 capital instruments);

“Basel III Documents” means the Basel Committee document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on 16 December 2010 and revised in June 2011 and the Annex contained in its document "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" on 13 January 2011;

“Basel Committee” means the Basel Committee on Banking Supervision;

“Non-Viability Event” means that the Financial Regulator has informed the Obligor in writing that it has determined that a Trigger Event has occurred;
“Non-Viability Event Write-down Date” means the date on which the Write-down will take place as specified in the Non-Viability Notice, which date shall be no later than 10 Business Days after the date of the Non-Viability Notice;

“Non-Viability Notice” has the meaning given to it in Condition 11(b);

“Tier 1 Capital” means capital qualifying as, and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations;

a “Trigger Event” will have occurred if any one of the following events occurs:

(a) the Obligor is instructed by the Financial Regulator to write-off the Tier 2 Certificates, on the grounds of non-viability; or

(b) an immediate injection of capital is required, by way of an emergency intervention, without which the Bank would become non-viable; and

“Write-down” means

(a) the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally cancelled (in the case of a Write-down in whole) or written-down in part (in the case of a Write-down in part) in the same manner as the Tier 2 Certificates;

(b) the Tier 2 Certificates shall be cancelled (in the case of a Write-down in whole) or written-down in part on a pro rata basis (in the case of a Write-down in part) by the Trustee in accordance with the prevailing Capital Regulations; and

(c) all rights of any Certificateholder for payment of any amounts under or in respect of the Tier 2 Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall, as the case may be, be cancelled or written-down pro rata among the Certificateholders and, in each case, will not be restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date and even if the Non-Viability Event has ceased.

and references herein to “written-down” will be construed accordingly.

12 Payments

(a) Method of Payment: Payments of the Dissolution Distribution Amount shall be made against presentation and (if no further payment falls to be made in respect of the Certificates represented thereby) surrender of the relevant Registered Certificate at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided below.

Payments of Periodic Distribution Amounts in respect of each Certificate shall be made to the person shown on the Register (or, in the case of a Certificate held by two or more persons, to the person whose name appears first in the Register) at the close of business on the fifteenth day before the due date for payment thereof (the “Record Date”).

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in the Specified Currency by transfer to an account in the Specified Currency maintained by the payee with a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System, as notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.
If the amount being paid upon surrender of the relevant Registered Certificate is less than the Dissolution Distribution Amount of such Registered Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Trustee or a Certificatetholder) issue a new Registered Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the Periodic Distribution Amount being paid is less than the amount then due, the Registrar will annotate the Register with the amount so paid.

(b) **Payments subject to Laws**: Payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 13), any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificatetholders in respect of such payments.

(c) **Appointment of Agents**: The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Trustee and the Obligor and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Trustee and the Obligor and do not assume any obligation or relationship of agency or trust for or with any Certificatetholder. The Trustee reserves the right at any time with the prior written approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Transfer Agents or Calculation Agent(s), provided that the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s) where these Conditions so require, (v) a Paying Agent having a specified office in at least one major European city and (vi) such other agents as may be required by any stock exchange on which the Certificates may be listed, in each case as approved by the Delegate.

Notice of any such change or any change of any specified office shall promptly be given by the Trustee to the Certificatetholders.

(d) **Payment only on a Payment Business Day**: If any date for payment in respect of any Certificate is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day, nor to any profit or other sum in respect of such postponed payment. In this Condition 12(d), “Payment Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located, in such jurisdictions as shall be specified as Financial Centres in the applicable Pricing Supplement and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.
13 Taxation

All payments in respect of the Certificates shall be made free and clear of, and without withholding, retention or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges or withholdings of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless such withholding, retention or deduction is required by law ("Taxes"). In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders (after such withholding, retention or deduction) of such net amounts as would have been receivable by them had no such withholding, retention or deduction been required, except that no such additional amounts shall be payable in respect of any Certificate:

(a) **Other connection**: held by or on behalf of, a holder who is liable to such taxes, levies, imposts, duties, fees, assessments or governmental charges in respect of such Certificate by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of the Certificate; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Registered Certificate representing it is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting or surrendering such Registered Certificate for payment on the last day of such period of 30 days assuming that day to have been a Payment Business Day (in accordance with Condition 12(d)).

As used in these Conditions:

"**Relevant Date**" means, in respect of any Certificate, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders in accordance with Condition 20 that, upon further presentation of the Registered Certificate representing such Certificate being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation; and

"**Relevant Jurisdiction**" means the Cayman Islands or the State of Kuwait or any political subdivision or authority thereof or therein having power to tax.

References in these Conditions to "**Periodic Distribution Amounts**" and the "**Dissolution Distribution Amount**" shall be deemed to include any additional amounts that may be payable under this Condition 13 or any undertaking given in addition to or in substitution for it under the Trust Deed.

The Transaction Documents provide that payments thereunder by the Obligor shall be made without any withholding, retention or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of any nature, unless such withholding, retention or deduction is required by law and without set-off or counterclaim of any kind. If any such withholding, retention or deduction is required by law, the Transaction Documents provide for the payment by the Obligor of all additional amounts as will result in the receipt by the Trustee or the Delegate, as applicable, of such net amounts as would have been receivable by it if no such withholding, retention or deduction had been made.

Further, in accordance with the terms of the Master Trust Deed, the Obligor has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 13, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding, retention or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to this Condition 13.
14 Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount), or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

15 Dissolution Events

(a) **Dissolution Events for Senior Certificates**: This Condition 15(a) only applies to Senior Certificates.

Upon the occurrence of a Dissolution Event:

(i) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise becoming aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing or by Extraordinary Resolution if they wish the Senior Certificates to be redeemed (in whole but not in part) and the Trust to be dissolved; and

(ii) the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series of Senior Certificates outstanding or if so directed by an Extraordinary Resolution shall, (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Certificateholders that the Senior Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 15(a)(ii) whether or not notice has been given to Certificateholders as provided in Condition 15(a)(i).

Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall deliver an Exercise Notice to the Obligor under the Purchase Undertaking. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof and the aggregate amount of the Deferred Payment Price then outstanding to redeem the Senior Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Senior Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Senior Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(b) **Dissolution Events for Tier 2 Certificates**: This Condition 15(b) only applies to Tier 2 Certificates.

(i) Upon the occurrence of a Winding-Up Proceeding:

(a) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise becoming aware of a Winding-Up Proceeding, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Winding-Up Proceeding to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing or by Extraordinary Resolution if they wish the Tier 2 Certificates to be redeemed (in whole but not in part) and the Trust to be dissolved; and

(b) the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series of Tier 2 Certificates
outstanding or if so directed by an Extraordinary Resolution shall, (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice (a "Dissolution Notice") to the Trustee, the Obligor and the Certificateholders that the Tier 2 Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable, subject to the subordination provisions described in Condition 4(c), the non-viability provisions described in Condition 11 and the provisions described in this Condition 15. A Dissolution Notice may be given pursuant to this Condition 15(b)(i)(b) whether or not notice has been given to Certificateholders as provided in Condition 15(b)(i)(a).

(c) Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall deliver an Exercise Notice to the Obligor under the Purchase Undertaking. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof and the aggregate amount of the Deferred Payment Price then outstanding to redeem the Tier 2 Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant “Dissolution Event Redemption Date”) and the Trust shall be dissolved on the day after the last outstanding Tier 2 Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Tier 2 Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(ii) Provided that a Winding-Up Proceeding has not occurred, the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise becoming aware (a) of the Obligor (acting in any capacity) failing to pay an amount in the nature of profit (corresponding to all or part of the Periodic Distribution Amounts payable by the Trustee under the Tier 2 Certificates) payable by it pursuant to any Transaction Document to which it is a party and/or the Trustee defaulting in the payment of any Periodic Distribution Amount and, in each case, the failure continuing for a period of 14 days, or (b) failing to pay an amount in the nature of principal (corresponding to all or part of the Dissolution Distribution Amount payable by the Trustee under the Tier 2 Certificates) payable by it pursuant to any Transaction Document to which it is a party and/or the Trustee defaulting in the payment of the Dissolution Distribution Amount and, in each case, the failure continuing for a period of seven days (each such default in (a) and (b) above a “Default”, and each Default and any Winding-Up Proceeding, a “Dissolution Event”), shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Default to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing or by Extraordinary Resolution if they wish the Tier 2 Certificates to be redeemed (in whole but not in part) and the Trust to be dissolved; and

(iii) If a Dissolution Event has occurred and if so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series of Tier 2 Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders, the Delegate shall (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction): (a) in the case of a Default, institute proceedings for the Obligor to be declared bankrupt or insolvent or for there otherwise to be a Winding-Up Proceeding and prove in the winding-up, dissolution or liquidation of the Obligor; and (b) in the case of a Winding-Up Proceeding, claim or prove in the winding-up, dissolution and liquidation of the Obligor.

(c) Enforcement and Exercise of Rights in respect of Senior Certificates: (in respect of Senior Certificates only) if, following the occurrence of a Dissolution Event, any amount payable in respect of
the Senior Certificates of the relevant Series has not been paid in full (notwithstanding the provisions of
Condition 15(a)), the Trustee or the Delegate (subject to it being indemnified and/or secured and/or pre-
funded to its satisfaction) may (acting for the benefit of the Certificateholders), failing which the
Certificateholders (subject to Condition 16(b)) may, take one or more of the following steps:

(i) enforce the provisions of the Transaction Documents against the Obligor; and/or
(ii) take such other actions or steps or institute such proceedings as the Trustee or the Delegate, or as
the case may be, the Certificateholders, may consider necessary to recover amounts due to the
Certificateholders.

(d) Enforcement and Exercise of Rights in respect of Tier 2 Certificates:

In respect of Tier 2 Certificates only:

(i) subject to Condition 16, the Delegate is also entitled (subject to it being indemnified and/or
secured and/or prefunded to its satisfaction) to institute proceedings acting in the name and on
behalf of the Trustee against the Obligor to enforce any obligation, condition, undertaking or
provision binding on the Obligor under the Transaction Documents, provided that the Obligor
shall not by virtue of the institution of any such proceedings be obliged to pay any amount or
amounts in relation to any amount payable in respect of the Tier 2 Certificates sooner than the
same would otherwise have been payable by it; and

(ii) other than as provided above and in Condition 15(b) or as separately agreed between the Obligor,
the Trustee and the Delegate, no remedy against the Obligor shall be available to the Trustee or
the Delegate, nor may any action be taken by the Trustee or the Delegate, whether for the recovery
of amounts owing by the Obligor pursuant to its obligations under the Transaction Documents in
respect of any amount due to Certificateholders or in respect of any breach by the Obligor of any
of its obligations, covenants or undertakings under the Transaction Documents in relation to the
Tier 2 Certificates.

16 Realisation of Trust Assets and Non-Viability Conditions

(a) Neither the Trustee nor the Delegate shall be bound in any circumstances to take any action or step or
institute any proceedings to enforce or to realise the relevant Trust Assets or take any action or step or
institute any proceedings against the Obligor or (in the case of the Delegate) against the Trustee under
any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or
requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 20 per
cent. of the aggregate face amount of the Series of Certificates for the time being outstanding and in the
case of the Delegate only, in each case, if it shall have been indemnified and/or secured and/or pre-
funded to its satisfaction.

(b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the
Delegate or the Trustee, as the case may be, having become bound so to proceed (i) fails to do so within
a reasonable period or (ii) is unable for any reason (including by reason of an order of a court having
competent jurisdiction) to do so, and in each case such failure or inability is continuing. Under no
circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other
disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction
Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the
Obligor shall be to enforce the Trustee’s and the Obligor’s respective obligations under the Certificates
and the Transaction Documents to which they are a party.
(c) Conditions 16(a) and 16(b) are subject to this Condition 16(c). After enforcing or realising the Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds thereof in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee or the Delegate to recover any further sums in respect of the Certificates and the right to receive from the Trustee any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

(d) In respect of Tier 2 Certificates only, all claims by the Delegate and/or the Certificateholders against the Trustee under the Tier 2 Certificates and claims by the Trustee (or the Delegate acting in the name and on behalf of the Trustee) against the Obligor under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Obligor under the Transaction Documents) shall be subject to, and superseded by the provisions of Condition 11, irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim, provided that nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

17 Meetings of Certificateholders, Modification and Waiver

(a) Meetings of Certificateholders: The Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification or abrogation of any of these Conditions or any provisions of the Trust Deed or any other Transaction Document. Such a meeting may be convened by the Trustee, the Obligor or the Delegate at any time, or by Certificateholders holding not less than 10 per cent. in aggregate face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more Eligible Persons present and holding or representing in the aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more Eligible Persons present (whatever the face amount of the Certificates so held or represented by them), unless the business of such meeting includes consideration of proposals which would have the effect of inter alia: (i) modifying any date for payment in respect of the Certificates, (ii) reducing or cancelling or varying the method for calculating the face amount of, or any amount or premium payable or due in respect of, the Certificates, (iii) reducing the rate or rates of profit in respect of the Certificates or varying the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Profit Amount in respect of the Certificates (in each case, other than as provided for in these Conditions (including Condition 8(c)) and the applicable Pricing Supplement), (iv) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Pricing Supplement, reducing any such Minimum Profit Rate and/or Maximum Profit Rate, (v) varying the currency of payment or denomination of the Certificates, (vi) modifying the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (vii) modifying or cancelling the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be), (viii) amending any of the Obligor’s or the Trustee’s covenants included in the Transaction Documents, (ix) amending the priority of payments as described in Condition 5(b), or (x) amending the above list, in which case the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they were present and whether or not they voted at the meeting at which such resolution was passed). To be passed, an
Extraordinary Resolution requires a majority in favour consisting of not less than 75 per cent. of the votes cast.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a resolution in writing will be binding on all Certificateholders whether or not they participated in such resolution.

For so long as the Certificates are represented by a Global Certificate, an Extraordinary Resolution may also be passed by Certificateholders giving electronic consent, provided that consent to such resolution is given through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of not less than 75 per cent. in face amount of the Certificates. See “Summary of Provisions relating to the Certificates while in Global Form”.

(b) Modification of the Trust Deed or any Transaction Document: The Delegate may (but shall not be obliged to) (and, in the case of paragraph (ii) below, shall), without the consent or sanction of the Certificateholders, (i) agree to any modification of the Trust Deed (including these Conditions) or any other Transaction Document or the Trustee’s memorandum and articles of association that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, (ii) agree to any modification to the Trust Deed (including the Conditions) or any other Transaction Document to effect any Benchmark Amendments (in the circumstances and as set out in Condition 8(c)) or (iii) (A) give its consent under the Transaction Documents and agree to any other modification of the Trust Deed (including these Conditions) or any other Transaction Document or the Trustee’s memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of paragraph (iii) that such modification, consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates of that Series then outstanding and, in the case of modifications under paragraph (iii)(A) only, is other than in respect of a matter which requires a special quorum resolution (as defined in paragraph 7 of Schedule 3 of the Master Trust Deed). Any such modification, consent, waiver, authorisation or determination shall be binding on all Certificateholders and shall be notified by the Trustee to the Certificateholders in accordance with Condition 20 as soon as practicable thereafter.

(c) Entitlement of the Delegate: In connection with the exercise by it of any of its powers, trusts, authorities and discretions (including, without limitation, those referred to in this Condition 17), the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, the Obligor or any other person any indemnification or payment in respect of any tax consequence of any such
exercise upon individual Certificateholders except in the case of the Trustee and the Obligor, to the extent already provided for in Condition 11.

(d) **Tier 2 Certificates:** Subject to Condition 10(j) in relation to Tier 2 Certificates, any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and shall be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 20.

18 **Delegate**

(a) **Delegation of Powers:** The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the powers, rights, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together, the “Delegation” of the “Relevant Powers”), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the relevant Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers, rights, authorities and discretions which are vested solely in it from the date of the Master Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

(b) **Indemnification:** The Trust Deed contains provisions for the indemnification of each of the Delegate and the Trustee in certain circumstances and for its relief from responsibility, including provisions relieving the Delegate from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction.

(c) **No Liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Transaction Documents to which each of the Obligor and the Trustee is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been made by the Obligor or the Trustee but are not so made and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.
(d) **Reliance on Certificates, Reports and/or Information:** The Delegate and the Trustee may consult with and/or rely and act on the opinion or advice of or a certificate, report or any information (whether or not addressed to the Delegate or the Trustee) obtained from any lawyer, valuer, banker, broker, accountant (including auditors), surveyor, auctioneer, tax adviser, rating agency, insolvency official or other expert appointed by the Trustee, the Obligor, the Delegate or an Agent or otherwise and shall not be responsible for any Liability occasioned by so acting or relying notwithstanding that such advice, opinion or information may contain a cap or other limitation (monetary or otherwise) on the liability of any party and notwithstanding that the scope and/or basis of such advice, opinion, certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate or the Trustee shall not in any case be required to call for further evidence or be responsible for any Liability or inconvenience that may be occasioned by its failure to do so.

(e) **Proper performance of duties:** Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts, powers, authorities or discretions) or as delegate, in the case of the Delegate (having regard to the powers, rights, authorities and discretions conferred on it by the Trust Deed), respectively exempt the Trustee or the Delegate from or indemnify either of them against any liability which by virtue of any rule of law would otherwise attach to either of them in respect of any gross negligence, wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Trust Deed.

(f) **Notice of Events:** Neither the Delegate nor the Trustee shall be bound to take any steps to ascertain whether any Dissolution Event or Potential Dissolution Event has happened and, until they shall have actual knowledge or shall have received express written notice to the contrary, they will be entitled to assume that no such event has happened (without any liability to Certificateholders or any other person for so doing).

(g) **Delegate Contracting with the Trustee and the Obligor:** The Trust Deed contains provisions pursuant to which the directors or officers of a corporation acting as the Delegate may acquire, hold or dispose of any Certificates or other security (or any interest therein) of the Trustee or any other person, may enter into or be interested in any contract or transaction with any such person and may act on, or as depositary or agent for, any committee or body of holders of any securities of any such person, in each such case with the same rights as they would have had if the Delegate were not acting as Delegate and need not account for any profit made thereby or in connection therewith.

19 **Replacement of Registered Certificates**

If a Registered Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Trustee may reasonably require (provided that such requirement is reasonable in light of prevailing market practice). Mutilated or defaced Registered Certificates must be surrendered before replacements will be issued.

20 **Notices**

Notices required to be given to the holders of Certificates shall be mailed to them by registered mail (airmail if overseas) at their respective addresses in the Register.
The Trustee shall also ensure that notices required to be given to the holders of the Certificates are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Certificates are for the time being listed and/or admitted to trading including publication on the website of the relevant authority, relevant stock exchange and/or relevant quotation system if required by those rules or regulations. If in the opinion of the Delegate any such publication is not practicable, notice required to be given pursuant to these Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any notices shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing (or on the date of publication, or, if so published more than once or on different dates, on the date of the first publication).

So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to the holders of the Certificates of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing as required by Condition 20. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

21 Further Issues

In respect of any Series, the Trustee may from time to time without the consent of the Certificateholders create and issue further Certificates having the same terms and conditions as the outstanding Certificates of such Series or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that such further issue shall be consolidated and form a single Series with the outstanding Certificates of such Series. Any further Certificates which are to form a single Series with the outstanding Certificates previously constituted by the Trust Deed shall be constituted by a deed supplemental to the Trust Deed. References in these Conditions to the Certificates include (unless the context requires otherwise) any other certificates issued pursuant to this Condition and forming a single Series with the Certificates.

22 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Certificates 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.

23 Governing Law and Dispute Resolution

(a) **Governing Law**: The Trust Deed (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration**: The Delegate, the Trustee and the Obligor have in the Trust Deed agreed that any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed (which includes the Certificates, these Conditions and this Condition 23(b)) (including any dispute claim, difference or controversy as to the existence, validity, interpretation, performance, breach or termination of the Trust Deed or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a “Dispute”)) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the “Rules”), which
Rules (as amended from time to time) are incorporated by reference into this Condition 23. For these purposes:

(i) the seat of arbitration shall be London, England;

(ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration and 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

(iii) the language of the arbitration shall be English.

(c) **Waiver of Immunity:** Under each of the Transaction Documents, the Obligor has acknowledged that the transactions contemplated in the Transaction Documents are commercial transactions and, to the extent that the Obligor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise), enforcement, injunction or other legal or arbitral process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Obligor or any of its assets or revenues, the Obligor has agreed not to claim and has irrevocably and unconditionally waived such immunity to the fullest extent permitted by the laws of such jurisdiction. In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, enforcement or execution against any of its assets whatsoever of any award, order, injunction, prejudgment or judgment made or given in connection with any legal or arbitral proceedings or Disputes.

(d) **Waiver of Interest:**

(i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest will be payable or receivable under or in connection with the Trust Deed and if it is determined that any interest is payable or receivable in connection with the Trust Deed by any of the Trustee, the Delegate or the Obligor, whether as a result of any arbitral award or by operation of any applicable law or otherwise, each such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and promptly donate the same to a registered or otherwise officially recognised charitable organisation.

(ii) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that payment of interest in whatever form (inclusive of late payments) is repugnant to and not in compliance with the rules and principles of Shari’a and accordingly, to the extent that any legal system would (but for the provisions of this Condition 23(d)) impose (whether by contract, statute, regulation, or by any means whatsoever) any obligation to pay interest, each of the Trustee, the Delegate and the Obligor has agreed to irrevocably and unconditionally expressly waive and reject any entitlement to recover interest from each other.

(iii) For the avoidance of doubt, nothing in this Condition 23(d) shall be construed as a waiver of rights in respect of Wakala Portfolio Revenues, Required Amounts, Periodic Distribution Amounts, Dissolution Distribution Amounts, Exercise Price, Certificateholder Put Right Exercise Price, Non-Viability Event Exercise Price, Optional Dissolution Exercise Price, Deferred Payment Price, Murabaha Instalment Profit Amounts, Murabaha Profit Amounts or profit or
principal of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

(e) **Service of Process:** Each of the Trustee and the Obligor has in the Trust Deed irrevocably appointed an agent in England to receive for it and on its behalf, service of process in any proceedings in England.
SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM

1 Initial Issue of Certificates

Each Tranche of Certificates will initially be represented by a Global Certificate in registered form. Global Certificates will be delivered on or prior to the issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the “Common Depositary”).

Upon registration of the Certificates in the name of any nominee for, and deposit of the Global Certificate with, a Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a face amount of Certificates equal to the face amount thereof for which it has subscribed and paid.

Certificates that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Certificates that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear and/or 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 face amount of such Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates 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 Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates for all purposes other than with respect to any payment on such face amount of such Certificates, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions “Certificateholder” and “holder” and related expressions shall be construed accordingly.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “Alternative Clearing System”) as the holder of a Certificate represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Trustee to the registered holder of the underlying Certificates, and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on the Certificates for so long as the Certificates are represented by such Global Certificate and such obligations of the Trustee will be discharged by payment to the registered holder of the underlying Certificates, as the case may be, in respect of each amount so paid.

3 Exchange for Definitives

Interests in a Global Certificate will be exchangeable in whole but not in part (free of charge) for definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to the Certificateholders in accordance with Condition 20 upon the occurrence of an Exchange Event. For these purposes, an “Exchange Event” will occur (i) if the Delegate has given notice in accordance
with Condition 20 that a Dissolution Event has occurred and is continuing or (ii) if the Trustee 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 or alternative clearing system satisfactory to the Trustee is available or (iii) with the consent of the Trustee. In the event of an occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any holder of an interest in such Global Certificate may give notice to the Registrar requesting exchange. Any exchange shall occur no later than 15 days after the date of receipt of the first relevant notice by the Registrar.

4 Amendment to Conditions

The Global Certificates contain provisions that apply to the Certificates that they represent, some of which modify the effect of the terms and conditions of the Certificates set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

All payments in respect of Certificates represented by a Global Certificate will be made (against surrender of that Global Certificate if no further payment falls to be made in respect of the Certificates) to, or to the order of, the person whose name is entered on the Register at the close of business on the record date, being the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive, except 25 December and 1 January.

For the purposes of any payments made in respect of Certificates represented by a Global Certificate, the words “in the place in which the specified office of the Registrar is located” shall not apply to the definition of Payment Business Day in Condition 12(d).

A record of each payment made will be noted on the relevant Register which shall be prima facie evidence that such payment has been made in respect of the Certificates.

4.2 Meetings

All holders of Certificates are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Certificates comprising such Certificateholder’s holding.

4.3 Delegate’s Powers

In considering the interests of Certificateholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Delegate may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Certificates represented by the Global Certificate.

4.4 Optional Dissolution Right

If any early dissolution right of the Bank is exercised in respect of some but not all of the Certificates of any Series, the rights of accountholders with a clearing system in respect of the Certificates will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).
4.5 Certificateholder Put Right
Any early dissolution right of the Certificateholders provided for in the Conditions of any Certificates while such Certificates are represented by a Global Certificate may be exercised by the holder of the Certificate(s) in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

4.6 Cancellation
Cancellation of any Certificate represented by a Global Certificate that is surrendered for cancellation (other than upon its redemption in full) will be effected by reduction in the aggregate face amount of the relevant Series of Certificates in the Register.

4.7 Notices
Notices required to be given in respect of the Certificates represented by a Global Certificate may be given by their being delivered (so long as this Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system, as the case may be, rather than by mailing as required by the Conditions, provided that such notices must also be given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange, quotation system or other relevant authority on which the Certificates are for the time being listed or admitted to trading or quotation. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

5 Electronic Consent
While any Global Certificate is held on behalf of, and registered in the name of any nominee for a Common Depositary for, a clearing system, approval of a resolution proposed by the Trustee, the Obligor or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding (an “Electronic Consent”) shall, for all purposes (including matters that would otherwise require a special quorum resolution (as defined in paragraph 7 of Schedule 3 to the Master Trust Deed)), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent.

6 Further Issues
Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Certificates of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.
FORM OF 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:

Pricing Supplement

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”) FOR THE ISSUE OF THE CERTIFICATES DESCRIBED BELOW AND THE FINANCIAL CONDUCT AUTHORITY HAS NEITHER APPROVED NOR REVIEWED INFORMATION CONTAINED HEREIN.

[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 Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “distributor”) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]  

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Certificates 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”) or in the United Kingdom (the “UK”). 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 Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the “PRIIPs Regulation”) for offering or selling the Certificates or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]  

[Each of the Obligor and/or any Subsidiary of the Obligor is prohibited from: (i) purchasing the Certificates; and/or (ii) funding, whether directly or indirectly, the purchase of the Certificates]  

[Singapore SFA product classification - In connection with Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are (“prescribed capital markets products”) / (“capital markets products other than prescribed capital markets products”) (as defined in the CMP Regulations 2018) and [are] (“Excluded Investment Products”) / (“Specified Investment Products”)]
Any person making or intending to make an offer of the Certificates may only do so in circumstances in which no obligation arises for the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.

[Date]

KIB SUKUK LIMITED

Legal Entity Identifier (LEI): 549300V0VTU1EFELEI08

Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing [Aggregate Face Amount of Tranche] [Title of Certificates] issued on [●]
(the “Original Certificates”)
under the U.S.$300,000,000 Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Offering Circular dated 18 November 2020 [and the supplement[s] to it dated [●] [and [●]] (the “Offering Circular”). This document constitutes the Pricing Supplement of the Certificates described herein and must be read in conjunction with the Offering Circular in order to obtain all the relevant information. The Offering Circular is available for viewing at the registered office of the Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained from the specified office of the Principal Paying Agent, in each case during usual business hours.

The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates (the “Conditions”) set forth in the Offering Circular dated [original date] [and the supplement[s] to it dated [●] [and [●]] which are incorporated by reference in the Offering Circular dated 18 November 2020 (the “Offering Circular”). This document constitutes the Pricing Supplement of the Certificates described herein and must be read in conjunction with the Offering Circular dated [current date] [and the supplement(s) to it dated [●]], in order to obtain all the relevant information, save in respect of the Conditions which are extracted from the Offering Circular dated [original date] [and the supplement(s) to it dated [●]]. The Offering Circular is available for viewing at the registered office of the Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained from the specified office of the Principal Paying Agent, in each case during usual business hours.

1  
(a) Trustee: 
KIB Sukuk Limited

(b) Obligor: 
Kuwait International Bank K.S.C.P.

2  
(a) Series Number: 
[●]

(b) Tranche Number: 
[●]

3 For any Certificates to be offered to Singapore investors, the Trustee to consider whether it needs to re-classify the Certificates pursuant to Section 309B of the SFA prior to the launch of the offer.

4 Include only for an issue of further Certificates in accordance with Condition 21.
(b) Date on which the Certificates will be consolidated and form a single Series:

3 Specified Currency: [●]

4 Aggregate Face Amount: [●]

   (i) Series: [●]

   (ii) Tranche: [●]

5 Issue Price: [●] per cent. of the Aggregate Face Amount [plus [Specified Currency] [●] in respect of [●] days of accrued Periodic Distribution Amounts from (and including) [the issue date of the Original Certificates] to (but excluding) the Issue Date]⁵

6 (a) Specified Denominations: (this means the minimum integral face amount in which transfers can be made) [●] and integral multiples of [●] in excess thereof (For Certificates admitted to trading on the ISM, the Specified Denominations will be at least $100,000)

   (b) Calculation Amount: [●]

7 (a) Issue Date: [●]

   (b) Profit Commencement Date: [[●]/Issue Date]

8 Scheduled Dissolution Date: [●] In respect of Tier 2 Certificates only, the Scheduled Dissolution Date will be no earlier than the fifth anniversary of the Issue Date

9 Profit Basis: [Fixed Rate Certificates/Floating Rate Certificates/Reset Rate Certificates] (further particulars specified at paragraph [15][16][17] below)

10 Dissolution Basis: Dissolution at par

11 Change of Profit Basis: [(Specify the date when any rate change occurs or cross refer to paragraphs 15, 16 and 17 below and identify there)/Not Applicable]

12 Put/Call Rights: [Not Applicable]

   [Optional Dissolution Right]

   [Certificateholder Put Right]

13 Status: [Senior Certificates/Tier 2 Certificates]

14 Date of Trustee’s board approval and date of Obligor’s board approval for issuance of Certificates: [●] and [●], respectively

Provisions relating to profit payable

15 Fixed Periodic Distribution Provisions: [Applicable]/[Not Applicable]

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⁵ Include only for an issue of further Certificates in accordance with Condition 21.
(a) Profit Rate(s): [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/●] in arrear on each Periodic Distribution Date

(b) Periodic Distribution Date(s): [[●] in each year up to and including the Scheduled Dissolution Date, commencing on [●]/[●]]

(c) Fixed Amount(s): [●] per Calculation Amount

(d) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]/Not Applicable]

(e) Day Count Fraction: [Actual/Actual]
   [Actual/Actual – ISDA]
   [Actual/365 (Fixed)]
   [Actual/365 (Sterling)]
   [Actual/360]
   [30/360]
   [360/360]
   [Bond Basis]
   [30E/360]
   [Eurobond Basis]
   [30E/360 (ISDA)]
   [Actual/Actual – ICMA]

(f) Determination Date(s): [[●] in each year/Not Applicable]

16 Floating Periodic Distribution Provisions: [Applicable]/[Not Applicable]

[If not applicable, delete the remaining subparagraphs of this paragraph]

(a) Specified Periodic Distribution Dates: [●] in each year, commencing on [●], subject to adjustment in accordance with the Business Day Convention set out in (d) below, not subject to adjustment, as the Business Day Convention in (d) below is specified to be Not Applicable

(b) Periodic Distribution Period: [Not Applicable]/[●]

(c) Return Accumulation Period: [Not Applicable]/[●]

(d) Profit Period Date: [Not Applicable]/[●]

(e) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]

(f) Business Centre(s): [●] [Not Applicable]

(g) Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined: [Screen Rate Determination/ISDA Determination]
(h) Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Principal Paying Agent): [●] (the “Calculation Agent”)

(i) Screen Rate Determination: [Applicable]/[Not Applicable]
   (i) Reference Rate: [●] month
      [LIBOR/EURIBOR/KIBOR/HIBOR/KLIBOR/TRLIBOR or TRYLIBOR/SIBOR/EIBOR/TIBOR/SAIBOR/CHF LIBOR/QIBOR]

(ii) Profit Rate Determination Date(s): [●]

(iii) Relevant Screen Page: [●]

(iv) Relevant Time: [●]

(v) Relevant Financial Centre: [●]

(j) ISDA Determination: [Applicable]/[Not Applicable]
   (i) Floating Rate Option: [●]
   (ii) Designated Maturity: [●]
   (iii) Reset Date: [●]
   (iv) ISDA Definitions: [●]
   (v) ISDA Benchmarks Supplement: [Applicable]/[Not Applicable]

(k) Margin(s): [+/-][●] per cent. per annum

(l) Linear Interpolation: [Not Applicable/Applicable – the Profit Rate for the [long/short] [first/last] Return Accumulation Period shall be calculated using Linear Interpolation (specify for each short or long periodic distribution period)]

(m) Maximum Profit Rate: [●] per cent. per annum

(n) Minimum Profit Rate: [●] per cent. per annum

(o) Day Count Fraction: [Actual/Actual]
    [Actual/Actual – ISDA]
    [Actual/365 (Fixed)]
    [Actual/365 (Sterling)]
    [Actual/360]
    [30/360]
    [360/360]
    [Bond Basis]
    [30E/360]
    [Eurobond Basis]
    [30E/360 (ISDA)]
    [Actual/Actual – ICMA]
Reset Periodic Distribution Provisions: [Applicable/Not Applicable]
[If not applicable, delete the remaining subparagraphs of this paragraph]

(a) Initial Periodic Distribution Rate: [●] per cent. per annum [payable annually/semi-annually/quarterly/monthly] in arrear

(b) First Margin: [+/-][●] per cent. per annum
In respect of Tier 2 Certificates, No step-up, and the First Margin and any Subsequent Margin specified in 17(c) below will be the same.

(c) Subsequent Margin: [Not Applicable/ [+/-][●] per cent. per annum]

(d) Periodic Distribution Date(s): [●] in each year commencing on [●] up to and including the Scheduled Dissolution Date

(e) First Reset Certificate Reset Date: [●]

(f) Second Reset Certificate Reset Date: [[●]/Not Applicable]

(g) Subsequent Reset Certificate Reset Date: [[●]/Not Applicable]

(h) Reset Rate: [Mid-Swap Rate]/[Reference Certificate]

(i) Relevant Screen Page: [●]

(j) Mid-Swap Floating Leg Benchmark Rate: [EURIBOR][LIBOR][●]

(k) Mid-Swap Maturity: [●]

(l) Fixed Leg Swap Duration: [●]

(m) Fixed Amount(s) to (but excluding) the First Reset Certificate Reset Date: [[●] per Calculation Amount]

(n) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]] [Not Applicable]

(o) Day Count Fraction: [Actual/Actual / Actual/Actual – ISDA] [Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360 / 360/360 / Bond Basis]
[30E/360 / Eurobond Basis]
[30E/360 (ISDA)]
[Actual/Actual – ICMA]

(p) Reset Determination Dates: [[●] in each year/every five years/Not Applicable]

(q) Calculation Agent: [Principal Paying Agent] [specify other]

Provisions relating to dissolution

18 Notice periods for Condition 10(b):
Minimum period: [30] / [●] days
Maximum period: [60] / [●] days
**Notice Periods for Condition 10(c):**

Minimum period: [15] days
Maximum period: [30] days

**Optional Dissolution Right**

[Applicable]/[Not Applicable]

*In respect of Tier 2 Certificates only, the Trustee shall not redeem the Certificates prior to the fifth anniversary of the Issue Date and neither the Trustee nor the Obligor confirms nor creates any expectation that the Optional Dissolution Right will be exercised*

(a) Dissolution Distribution Amount: [As per Condition 1]/[[●] per Calculation Amount]

(b) Optional Dissolution Date(s): [●]

(c) Notice period:

Minimum period: [30] / [●] days
Maximum period: [60] / [●] days

(N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days’ notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)

(d) Dissolution in part: [Applicable]/[Not Applicable]

(e) If dissolution in part:

(i) Minimum Optional Dissolution Amount: [Not Applicable]/[●]

(ii) Maximum Optional Dissolution Amount: [Not Applicable]/[●]

**Certificateholder Put Right:**

[Applicable]/[Not Applicable]

(a) Dissolution Distribution Amount: [As per Condition 1]/[[●] per Calculation Amount]

(b) Certificateholder Put Right Date(s): [●]

(c) Notice period:

Minimum period: [30] / [●] days
Maximum period: [60] / [●] days

(N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days’ notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)

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6 “Optional Dissolution Right” and “Certificateholder Put Right” may not both be specified as “Applicable” in the same Pricing Supplement.

7 Applicable in respect of all issuances of Tier 2 Certificates.
Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date, on any Early Tax Dissolution Date, on any Capital Disqualification Event Dissolution Date or following the occurrence of a Dissolution Event:

General provisions applicable to the Certificates

Form of Certificates:
- Registered Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate Reg S Compliance Category 2; TEFRA not applicable

Financial Centre(s) relating to payment (Condition 12(d)):
- [Not Applicable]/[●]

Provisions in respect of the Trust Assets

Series:
- [●] per cent.

Trust Assets:
- Condition 5(a) applies

Details of Transaction Account:
- KIB Sukuk Limited Transaction Account No: [●] with [●] for Series No.: [●]

Supplemental Trust Deed:
- Supplemental Trust Deed dated [●] between the Trustee, the Obligor and the Delegate

Supplemental Purchase Agreement:
- Supplemental Purchase Agreement dated [●] between the Trustee and the Obligor

Declaration of Commingling of Assets:
- [Declaration of Commingling of Assets dated [●] executed by the Trustee][Not Applicable]

[Notice of Request to Purchase and Offer Notice]:
- [Notice of Request to Purchase dated [●] from the Obligor to the Trustee and Offer Notice dated [●] from the Trustee to the Obligor][Not Applicable]

Signed on behalf of

KIB Sukuk Limited

By: .................................................................

Duly authorised

Kuwait International Bank K.S.C.P.

By: .................................................................

Duly authorised

By: .................................................................

Duly authorised

8 Include only for an issue of further Certificates in accordance with Condition 21.
PART B – OTHER INFORMATION

1 Admission to Trading

(a) Admission to trading:

[Application [has been][is expected to be] made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on [the London Stock Exchange’s International Securities Market] / [●] with effect from [●] / [Not applicable]

(b) Estimate of total expenses related to admission to trading:

[●]

2 Ratings

Ratings:

The Certificates to be issued [are not rated] / [have been/are expected to be] rated:

[Fitch: [●]]
[Moody’s: [●]]
[Standard & Poor’s: [●]]
[[●]: [●]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

[[●] is established in the [United Kingdom/European Union] and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[●] is established in the [United Kingdom/European Union] and is registered under Regulation (EC) No 1060/2009.]

[[●] is not established in the [United Kingdom/European Union] and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [●], which is established in the [United Kingdom/European Union], disclosed the intention to endorse credit ratings of [●].]

[[●] is not established in the [United Kingdom/European Union] and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by [●] in accordance with Regulation (EC) No. 1060/2009. [●] is established in the [United Kingdom/European Union] and registered under Regulation (EC) No. 1060/2009.]

[[●] is not established in the [United Kingdom/European Union] and has not applied for registration under
Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]

[Include a brief explanation of the meaning of the ratings if this has previously been published by the ratings provider.]

3 Interests of Natural and Legal Persons involved in the Issue

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and the Obligor is aware, no person involved in the issue of the Certificates has an interest material to the offer.]

[The [Managers] 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 Trustee or the Obligor and their affiliates in the ordinary course of business/[●]].

4 Reasons for the Offer and Estimated Net Proceeds

Reasons for the offer: [●]

[See [“Use of Proceeds”] in Offering Circular /Give details]

(See [“Use of Proceeds”] wording in Offering Circular – if reasons for offer different from what is disclosed in the Offering Circular, give details here.)

Estimated net proceeds: [●]

5 Indication of profit or return

(Fixed Rate Certificates only):

[●] per cent. per annum

The indication of profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.

6 Operational Information

(a) ISIN Code: [●]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary ISIN [●]. After that, the Certificates will have the same ISIN as the Original Certificates, which is [●].

(b) Common Code: [●]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary Common Code [●]. After that, the Certificates will have the same Common Code as the Original Certificates, which is [●].

(c) FISN: [●]

(d) CFI: [●]

(e) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

(f) Names and addresses of additional Paying Agent(s) (if any): [●]
(g) Delivery: Delivery [against / free of] payment

(h) Name and address of the Registrar(s): [●]

7 Distribution

(a) Method of distribution: [Syndicated] / [Non-syndicated]

(b) If syndicated, names of Managers: [●] / [Not Applicable]

(c) Stabilisation Manager(s): [●] / [Not Applicable]

(d) If non-syndicated, name of Dealer: [●] / [Not Applicable]

(e) [Prohibition of Sales to EEA and UK Retail Investors:]⁹ [Applicable] /[Not Applicable]

(If the Certificates clearly do not constitute “packaged” products or the Certificates do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Certificates may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified)

8 Third Party Information

[[●] has been extracted from [●]. The Trustee and the Bank 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 [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.] / [Not Applicable].

⁹ Include only for Tier 2 Certificates.
USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents in the following proportion: (a) the Wakala Percentage of the aggregate face amount of the Certificates of such Tranche towards the purchase of the Eligible Assets from the Bank pursuant to the relevant Purchase Agreement; and (b) the Murabaha Percentage of the aggregate face amount of the Certificates of such Tranche towards the purchase of Commodities to be sold to the Bank pursuant to the Master Murabaha Agreement.

The amounts subsequently received by the Bank in consideration for the transactions entered into with the Trustee as set out above, including, if applicable, with respect to the proceeds received from the on-sale of the Commodities by the Bank, will be applied by the Bank for its general corporate purposes.
DESCRIPTION OF THE TRUSTEE

The Trustee

The Trustee, an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 9 January 2020 under the Companies Law (2018 Revision) of the Cayman Islands with company registration number 359107. The registered office of the Trustee is at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102 Cayman Islands with telephone number +1 345 945 7099.

Share Capital

The authorised share capital of the Trustee is U.S.$50,000 divided into 50,000 ordinary shares of U.S.$1.00 par value each, 250 of which have been issued. All of the issued shares (the “Shares”) are fully paid and are held by MaplesFS Limited as share trustee (in such capacity, the “Share Trustee”) under the terms of a share declaration of trust (the “Share Declaration of Trust”) under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

The Business of the Trustee

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 9 January 2020.

The Trustee has no prior operating history or prior business and will not have any substantial assets or liabilities other than in connection with the Certificates.

The Certificates are the obligations of the Trustee alone and not the Share Trustee. Furthermore, they are not the obligations of, or guaranteed in any way by, MaplesFS Limited or any other party.

Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

Directors of the Trustee

The directors of the Trustee are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Curran</td>
<td>Vice President, Middle East at Maples Fund Services (Middle East) Limited</td>
</tr>
<tr>
<td>Linval Stewart</td>
<td>Vice President at MaplesFS Limited</td>
</tr>
</tbody>
</table>

The business address of John Curran is Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.
The business address of Linval Stewart is MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The Trustee’s Articles of Association provide that the board of directors of the Trustee will consist of at least one director.

**Conflicts**

There are no potential conflicts of interest between the duties of the directors of the Trustee to the Trustee and their private interests or other duties.

**Secretary**

The Trustee’s secretary is Maples Secretaries (Cayman) Limited of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

**The Trustee Administrator**

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the “Trustee Administrator”). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement entered into between the Trustee and the Trustee Administrator (the “Corporate Services Agreement”), the Trustee Administrator has agreed to perform in the Cayman Islands, the United Arab Emirates and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and to provide certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the “Registered Office Terms”). In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such appointments upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months’ notice in writing to the other party.

The Trustee Administrator will be subject to the overview of the Trustee’s board of directors.

The Trustee Administrator’s principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.
SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with “Financial review”.

See also “Presentation of certain financial and other information” for a discussion of the sources of the numbers contained in this section.

Consolidated Statement of Financial Position Data

The table below shows the Group’s consolidated statement of financial position data as at 30 September 2020 and 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>As at 30 September</th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>(KD 000's)</td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with banks</td>
<td>35,461</td>
<td>96,319</td>
</tr>
<tr>
<td>Due from banks</td>
<td>345,548</td>
<td>439,370</td>
</tr>
<tr>
<td>Financing receivables</td>
<td>2,003,572</td>
<td>1,865,618</td>
</tr>
<tr>
<td>Investment securities</td>
<td>191,620</td>
<td>179,886</td>
</tr>
<tr>
<td>Investment in associate</td>
<td>1,533</td>
<td>1,538</td>
</tr>
<tr>
<td>Investment properties</td>
<td>53,938</td>
<td>58,236</td>
</tr>
<tr>
<td>Other assets</td>
<td>21,735</td>
<td>15,611</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>30,768</td>
<td>31,043</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,684,175</td>
<td>2,687,621</td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks and financial institutions</td>
<td>708,673</td>
<td>795,126</td>
</tr>
<tr>
<td>Depositors’ accounts</td>
<td>1,577,019</td>
<td>1,469,574</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>41,900</td>
<td>47,506</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,327,592</td>
<td>2,312,206</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>113,275</td>
<td>107,881</td>
</tr>
<tr>
<td>Share premium</td>
<td>49,480</td>
<td>49,480</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(45,234)</td>
<td>(45,234)</td>
</tr>
<tr>
<td>Other reserves</td>
<td>144,333</td>
<td>168,663</td>
</tr>
<tr>
<td><strong>Equity attributable to shareholders of the Bank</strong></td>
<td>261,854</td>
<td>280,790</td>
</tr>
<tr>
<td>Perpetual Tier 1 Sukuk</td>
<td>91,035</td>
<td>91,035</td>
</tr>
</tbody>
</table>
As at 30 September | As at 31 December
---|---
2020 | 2019 | 2018 | 2017
(KD 000's)

Non-controlling interests | 3,694 | 3,590 | 3,414 | 3,324
Total equity | 356,583 | 375,415 | 276,604 | 263,891
Total liabilities and equity | 2,684,175 | 2,687,621 | 2,168,595 | 1,916,040

Consolidated Statement of Profit or Loss Data

The table below shows the Group’s consolidated statement of profit or loss data for the nine months ended 30 September 2020 and 2019 and for the year ended 31 December in each of 2019, 2018 and 2017.

For the nine months ended 30 September | For the year ended
---|---
2020 | 2019 | 2019 | 2018 | 2017
(KD 000's)

Financing income | 70,077 | 76,447 | 103,436 | 89,470 | 74,559
Financing cost and estimated distribution to depositors | (32,686) | (36,520) | (50,753) | (35,815) | (25,514)
Net financing income | 37,391 | 39,927 | 52,683 | 53,655 | 49,045
Fees and commission income | 5,704 | 7,681 | 10,244 | 9,864 | 9,281
Net gain from foreign exchange | 571 | 628 | 826 | 931 | 861
Investment income | 1,698 | 3,056 | 4,084 | 1,571 | 4,469
Other income | 3,987 | 501 | 675 | 609 | 595
Total operating income | 49,351 | 51,793 | 68,512 | 66,630 | 64,251
Staff costs | (15,446) | (15,529) | (20,973) | (19,089) | (17,603)
General and administrative expenses | (9,497) | (11,366) | (14,845) | (14,522) | (13,288)
Depreciation | (3,137) | (2,723) | (3,691) | (2,275) | (1,889)
Total operating expenses | (28,080) | (29,618) | (39,509) | (35,886) | (32,780)
Profit from operations before provisions and impairment losses | 21,271 | 22,175 | 29,003 | 30,744 | 31,471
Provisions and impairment losses | (20,577) | (8,681) | (10,365) | (8,244) | (12,353)
Profit from operations | 694 | 13,494 | 18,638 | 22,500 | 19,118

Profit for:

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) | (5) | (124) | (172) | (206) | (174)
National Labour Support Tax (NLST) | (12) | (322) | (464) | (582) | (508)
Zakat | — | (128) | (181) | (227) | (193)
Board of Directors’ remuneration | — | — | (500) | (450) | (450)
Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

The table below shows the Group’s consolidated statement of profit or loss and other comprehensive income data for the nine months ended 30 September 2020 and 2019 and for the year ended 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th>For the nine months ended</th>
<th>For the year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>(KD 000's)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>677</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
</tr>
<tr>
<td>Shareholders of the Bank</td>
<td>568</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>109</td>
</tr>
</tbody>
</table>

**Items that may be reclassified to consolidated statement of profit or loss:**

- Change in fair value of financial assets available for sale
- Transfer to consolidated statement of profit or loss on impairment of financial assets available for sale
- Transfer to consolidated statement of profit or loss on disposal of financial assets available for sale
- Change in fair value of debt instruments at fair value through other comprehensive income
- Foreign currency translation adjustments

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,905</td>
<td>1,360</td>
<td>1,597</td>
<td>(321)</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>945</td>
<td>180</td>
<td>(120)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>2,850</td>
<td>1,540</td>
<td>1,477</td>
<td>(321)</td>
<td>597</td>
</tr>
</tbody>
</table>

**Items that will not be reclassified to consolidated statement of profit or loss:**

- Change in fair value of equity investments at fair value through other comprehensive income
- Revaluation of property and equipment
- Other comprehensive (loss)/income for the period

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(5,752)</td>
<td>721</td>
<td>2,423</td>
<td>1,382</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>188</td>
<td>—</td>
<td>(157)</td>
</tr>
<tr>
<td></td>
<td>(2,902)</td>
<td>2,261</td>
<td>4,088</td>
<td>1,061</td>
<td>440</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Cash Flows Data

The table below summarises the Group’s consolidated statement of cash flows data for the nine months ended 30 September 2020 and for the year ended 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>For the nine months ended 30 September</th>
<th>For the year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Net cash (used in)/from operating activities</td>
<td>(27,009)</td>
<td>227,119</td>
</tr>
<tr>
<td>Net cash (used in)/from investing activities</td>
<td>(16,117)</td>
<td>(70,708)</td>
</tr>
<tr>
<td>Net cash (used in)/from financing activities</td>
<td>(9,112)</td>
<td>(77,494)</td>
</tr>
<tr>
<td>Effect of foreign currency translation</td>
<td>945</td>
<td>(120)</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>329,993</td>
<td>96,208</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period/year</td>
<td>278,700</td>
<td>329,993</td>
</tr>
</tbody>
</table>

### Selected Consolidated Ratios and Alternative Performance Metrics (“APMs”)

The tables below show selected consolidated ratios for the Group as at, and for the nine months ended, 30 September 2020 and as at, and for the years ended, 31 December in each of 2019, 2018 and 2017.

The tables below also contain information relating to APMs. APMs are presented in this Offering Circular because the Group considers them an important supplemental measure of the Group’s operating performance and financial position and the Group believes they may be used by securities analysts, investors and other interested parties in the evaluation of banks in the banking industry. With the exception of the Group’s capital adequacy and financial leverage ratios, none of the information in the table below has been audited or reviewed by the Auditors. See further “Presentation of certain financial and other information”.

---

**Total comprehensive (loss)/income for the period**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attrutable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the Bank</td>
<td>(2,225)</td>
<td>15,181</td>
<td>21,409</td>
<td>22,096</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>104</td>
<td>15,060</td>
<td>21,233</td>
<td>22,008</td>
</tr>
</tbody>
</table>

---

**Consolidated Statement of Cash Flows Data**

The table below summarises the Group’s consolidated statement of cash flows data for the nine months ended 30 September 2020 and for the year ended 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>For the nine months ended 30 September</th>
<th>For the year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Net cash (used in)/from operating activities</td>
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<td>227,119</td>
</tr>
<tr>
<td>Net cash (used in)/from investing activities</td>
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<td>(70,708)</td>
</tr>
<tr>
<td>Net cash (used in)/from financing activities</td>
<td>(9,112)</td>
<td>(77,494)</td>
</tr>
<tr>
<td>Effect of foreign currency translation</td>
<td>945</td>
<td>(120)</td>
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<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>329,993</td>
<td>96,208</td>
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<tr>
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<td>278,700</td>
<td>329,993</td>
</tr>
</tbody>
</table>

### Selected Consolidated Ratios and Alternative Performance Metrics (“APMs”)

The tables below show selected consolidated ratios for the Group as at, and for the nine months ended, 30 September 2020 and as at, and for the years ended, 31 December in each of 2019, 2018 and 2017.

The tables below also contain information relating to APMs. APMs are presented in this Offering Circular because the Group considers them an important supplemental measure of the Group’s operating performance and financial position and the Group believes they may be used by securities analysts, investors and other interested parties in the evaluation of banks in the banking industry. With the exception of the Group’s capital adequacy and financial leverage ratios, none of the information in the table below has been audited or reviewed by the Auditors. See further “Presentation of certain financial and other information”.

---

**Total comprehensive (loss)/income for the period**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attrutable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the Bank</td>
<td>(2,329)</td>
<td>15,060</td>
<td>21,233</td>
<td>22,008</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>104</td>
<td>121</td>
<td>176</td>
<td>88</td>
</tr>
</tbody>
</table>
### Performance measures

<table>
<thead>
<tr>
<th></th>
<th>As at for the nine months ended 30 September</th>
<th>As at for years ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Return on average assets</td>
<td>0.03</td>
<td>0.7</td>
</tr>
<tr>
<td>Return on average equity</td>
<td>0.3</td>
<td>6.2</td>
</tr>
<tr>
<td>Cost to income ratio</td>
<td>56.9</td>
<td>57.7</td>
</tr>
</tbody>
</table>

### Financial ratios

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net financing margin</td>
<td>2.0</td>
<td>2.4</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>1.2</td>
<td>25.0</td>
<td>31.4</td>
<td>27.5</td>
</tr>
</tbody>
</table>

### Asset quality

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impaired financing receivables ratio</td>
<td>3.6</td>
<td>1.9</td>
<td>1.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Financing receivables loss coverage ratio</td>
<td>89.5</td>
<td>140.3</td>
<td>296.4</td>
<td>113.4</td>
</tr>
<tr>
<td>Liquidity coverage ratio</td>
<td>174.9</td>
<td>215.2</td>
<td>140.2</td>
<td>169.5</td>
</tr>
<tr>
<td>Financing receivables to deposits ratio</td>
<td>87.7</td>
<td>82.4</td>
<td>87.5</td>
<td>81.6</td>
</tr>
</tbody>
</table>

### Other ratios

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 capital adequacy ratio</td>
<td>17.05</td>
<td>18.05</td>
<td>15.45</td>
<td>17.89</td>
</tr>
<tr>
<td>Total capital adequacy ratio</td>
<td>18.25</td>
<td>19.24</td>
<td>16.63</td>
<td>19.05</td>
</tr>
<tr>
<td>Financial leverage ratio</td>
<td>11.62</td>
<td>11.79</td>
<td>10.48</td>
<td>10.92</td>
</tr>
</tbody>
</table>

**Notes:**

1. Profit for the annualised period/year attributable to shareholders of the Bank divided by average assets for the period/year, with average assets for each period/year calculated as the sum of total assets on a quarterly basis divided by five.
2. Profit for the annualised period/year attributable to shareholders of the Bank divided by average equity attributable to shareholders (excluding Perpetual Tier 1 Sukuk) of the Bank for the period/year, with average shareholders’ equity for each period/year calculated as the sum of equity attributable to shareholders of the Bank on a quarterly basis divided by five.
3. Total operating expenses for the period/year divided by total operating income for the period/year.
4. Net financing income for the annualised period/year divided by average earning assets for the period/year, with average earning assets for each year calculated as the sum of earning assets on a quarterly basis divided by five. Earning assets comprise balances with banks, due from banks, financing receivables and sukuk investment securities. For these purposes, balances with banks comprises “Balances with banks” and “Balances with CBK” as set out in Note 9 to the 2019 Financial Statements and Note 10 to the 2018 Financial Statements and sukuk investment securities comprises “Investment in sukus” as set out in Note 11 in the 2019 financial statements and Note 12 in the 2018 Financial Statements.
5. Profit for the period/year attributable to shareholders of the Bank divided by total operating income for the period/year.
6. Gross impaired financing receivables as a percentage of total gross financing receivables along with bank exposures. For these purposes, gross impaired financing receivables amounted to KD 78.8 million as at 30 September 2020, KD 37.8 million as at 31 December 2019, KD 17.3 million as at 31 December 2018 and KD 40.0 million as at 31 December 2017 and gross financing receivables along with bank exposures amounted to KD 2,171.2 million as at 30 September 2020, KD 2,032.1 million as at 31 December 2019, KD 1,792.2 million as at 31 December 2018 and KD 1,457.6 million as at 31 December 2017. Gross financing receivables including banks after adjusting day 1 loss due to deferral of retail financing portfolio is KD 2,164.0 million as at 30 September 2020.
7. Provision for impairment on financing receivables along with bank exposures as a percentage of gross impaired financing receivables. Provision for impairment on financing receivables along with bank exposures amounted to KD 70.5 million as at 30 September 2020.
September 2020, KD 53.1 million as at 31 December 2019, KD 51.3 million as at 31 December 2018 and KD 45.3 million as at 31 December 2017.


(9) Total financing receivables divided by the sum of depositors’ accounts and due to banks and financial institutions.

(10) Calculated in accordance with the requirements of the CBK and the capital adequacy regulations issued by the CBK as stipulated in CBK Circular number 2/RB, RBA/336/2014 dated 24 June 2014 (“Basel III, as implemented in Kuwait”).

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in “Presentation of certain financial and other information”, “Selected financial information” and the Financial Statements.

The discussion of the Group’s financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS, as adopted for use by Kuwait. This discussion contains forward-looking statements that involve risks and uncertainties. The Group’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Offering Circular, particularly under the headings “Cautionary statement regarding forward-looking statements” and “Risk factors”.

See “Presentation of certain financial and other information” for a discussion of the source of the numbers presented in this section and certain other relevant information.

Overview

The Bank was established in 1973 as Kuwait Real Estate Bank and converted to a Sharia-compliant Islamic bank licensed by the CBK in 2007. It provides a range of Sharia-compliant corporate and retail products predominantly to the local market and operates through a network of 20 branches as at 31 December 2019 supported by alternative delivery channels, such as automated teller machines (“ATMs”), point of sale (“POS”) terminals, telebanking, internet banking and mobile banking.

The Bank has a strong commercial and international banking portfolio and also provides real estate-related services, such as appraisals and property management, in addition to financing solutions for real estate customers. The Bank’s retail operations principally comprise deposit taking and personal financings, which are usually backed by salary assignment.

The Bank’s major shareholder is Bukhamseen Group Holding, a holding company representing the diversified business interests of the Bukhamseen family, which, together with its consolidated and associated entities, held 35.9 per cent. of the Bank’s share capital as at 31 December 2019. The Bank is listed on the Boursa Kuwait and, as at 31 December 2019, 45.95 per cent. of its shares were publicly held.

Principal factors affecting results of operations

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group’s results of operations.

Economic conditions

The Group is a Kuwaiti Sharia-compliant financial services group primarily focused on lending to, and accepting deposits from, institutions, companies and residents in Kuwait. As at 31 December 2019, the Group also owned 73.6 per cent. of Al Dawli Takaful Insurance Company KSCC (which operates as KIB Takaful) which provides Sharia-compliant insurance services, principally to Kuwaiti customers. As a result, the Group’s revenue and results of operations are principally affected by economic and market conditions in Kuwait, which in turn are significantly impacted by changes in international oil prices. See “Neither the Trustee’s obligations under the Certificates nor the Bank’s obligations under the Transaction Documents are guaranteed by the Government”.

According to the CSB, Kuwait’s real GDP (based on constant 2010 prices) was estimated at KD 9,997.5 million in the fourth quarter of 2019, representing negative growth of 1.1 per cent. in real terms compared to estimated
real GDP of KD 10,109.7 million in the fourth quarter of 2018. In 2018, Kuwait’s estimated real GDP was KD 39,262.8 million compared to KD 38,779.6 million in 2017, principally reflecting higher crude oil prices in 2018.

According to the CSB, Kuwait’s nominal GDP was estimated at KD 10,431.9 million in the fourth quarter of 2019, representing negative growth of 3.0 per cent. compared to an estimated KD 10,758.4 million in the fourth quarter of 2018, principally reflecting lower average oil prices and lower production levels pursuant to commitments under the OPEC+ production cut agreement. In 2018, Kuwait’s estimated nominal GDP was KD 42,474.9 million compared to KD 36,610.6 million in 2017, a 16.0 per cent. increase reflecting better performance for both oil-sectors (a 31.3 per cent. increase) and non-oil sectors (a 5.2 per cent. increase) of the economy.

The IMF in its Kuwait Article IV Consultation Report released in March 2020 projected that Kuwait’s economy had expanded by 0.7 per cent. in real terms in 2019 and would expand by 1.5 per cent. in 2020. The IMF noted in such report that it expects Kuwait’s non-oil growth to increase from 3.0 per cent. in 2019 and 2020 to 3.5 per cent. in 2021. However, the IMF’s World Economic Outlook released in April 2020 projected Kuwait’s real economic growth would amount to negative 1.1 per cent. in 2020 (down from a 1.5 per cent. expansion in their previous projection), mainly due to economic consequences resulting from Covid-19. The sustained drop in oil prices (due to Covid-19, trade tensions and weaker global growth), in addition to delays in fiscal and structural reforms being the main downside risks. In addition, increased security tensions and a challenging geopolitical environment in the region are an additional source of risk that could dampen confidence, investment and growth. In relation to the banking sector, the IMF also noted that the banking sector remains sound with Kuwaiti banks reporting high capitalisation and plentiful short-term liquidity. As growth recovers, and capital projects come on stream, the IMF expects that credit growth should pick up, supported by ample banking sector liquidity and the recent easing of lending limits on personal financing.

Factors affecting net financing income

The Group’s net financing income is the major contributor to its total operating income, comprising 76.9 per cent. of its total operating income in 2019, 80.5 per cent. in 2018 and 76.3 per cent. in 2017.

The Group’s financing income is principally derived from three types of advance made to customers:

- wakala receivables, which accounted for 48.3 per cent. of financing income in 2019, 45.9 per cent. in 2018 and 45.2 per cent. in 2017;
- murabaha receivables, which accounted for 35.4 per cent. of financing income in 2019, 37.7 per cent. in 2018 and 38.7 per cent. in 2017; and
- ijara receivables, which accounted for 14.2 per cent. of financing income in 2019, 14.9 per cent. in 2018 and 15.0 per cent. in 2017.

The Group’s financing cost principally comprises the share of profit paid to its depositors each year. The Bank’s primary sources of funding are its customer deposits and, to a lesser extent, interbank deposits.

The Group’s net financing income is affected by a number of factors. It is primarily determined by the volume of income-earning assets relative to cost-bearing liabilities (including deposits eligible for profit distribution), as well as the differential between rates earned on income-earning assets and paid on cost-bearing liabilities.

The Group’s net financing income for 2019 was KD 972 thousand, or 1.8 per cent., lower than its net financing income in 2018. This small decrease in the Group’s net financing income in 2019 reflected higher finance costs and distributions to depositors. The Group’s financing income increased by KD 13.97 million, or 15.6 per cent., in 2019 compared to 2018 driven by a combination of factors, including growth in the financing receivables portfolio, supported by higher investment in sukuk.
The Group’s financing cost and distribution to depositors increased by KD 14.9 million, or 41.7 per cent., in 2019 compared to 2018, principally a result of high deposit volume supported by attractive profit distribution rates and various marketing campaigns.

The Group’s net financing income for 2018 was KD 4.6 million, or 9.4 per cent., higher than its net financing income in 2017. This increase in the Group’s net financing income reflected both higher financing income and higher financing cost. The Group’s financing income increased by KD 14.9 million, or 20.0 per cent., in 2018 compared to 2017 driven by a combination of factors, including:

- a KD 7.4 million, or 21.8 per cent., increase in financing income earned on wakala receivables;
- a KD 5.0 million, or 17.1 per cent., increase in financing income earned on murabaha receivables; and
- a KD 2.2 million, or 19.6 per cent., increase in financing income earned on ijara receivables,

which, in all three cases, principally reflected an increase in the underlying asset base as well as improved yields on such assets.

The Group’s financing cost and distribution to depositors increased by KD 10.3 million, or 40.4 per cent., in 2018 compared to 2017, principally as a result of increased volumes as well as higher profit distribution rates in line with market conditions.

The CBK’s discount rate was 2.5 per cent. up to 16 March 2017, 2.75 per cent. up to 21 March 2018, 3 per cent. up to 30 October 2019, 2.75 per cent. up to 4 March 2020, 2.50 per cent. up to 16 March 2020 and 1.5 per cent. as of May 2020 (source: CBK). The CBK’s discount rate directly impacts the profit rates chargeable by the Bank on its Kuwaiti dinar-denominated customer financing.

Principally reflecting the factors described above, the Group’s net financing margin was 2.4 per cent. in 2019, 2.8 per cent. in 2018 and 2.8 per cent. in 2017.

**Provisions and impairment losses**

The Group’s provisions and impairment losses charged to its consolidated statement of profit or loss amounted to KD 10.4 million in 2019, KD 8.2 million in 2018 and KD 12.4 million in 2017. The Group’s charge for provisions and impairment losses principally reflects its charge in respect of financing receivables net of any recoveries on financing receivables. In 2019, this net charge amounted to KD 8.2 million, compared to KD 9.1 million in 2018 and KD 10.3 million in 2017. In 2017, the Group also recorded impairment charges of KD 2.3 million on available for sale financial assets.

Since 1 January 2018, the Group determines its impairment charge for financing receivables as the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK Instructions. Prior to 1 January 2018, the Group assessed its financial assets for objective evidence of impairment in accordance with both CBK regulations relating to the method of calculating specific provisions and estimates made in accordance with IAS 39, as adopted for use by Kuwait for financial institutions regulated by the CBK. The IAS 39 requirement for collective provision had been replaced by the CBK’s requirement for a minimum general provision. The Group believes that the reducing trend in its net impairment charge for financing receivables in 2017, 2018 and 2019 reflects improved asset quality and recoveries.

As at 31 December 2019, the Group’s ECL for financing receivables (determined in accordance with IFRS 9 as adopted by CBK) amounted to KD 57.3 million, which was lower than the KD 58 million provision for credit losses required by the CBK.
Significant Accounting Policies

The Financial Statements have been prepared in accordance with IFRS, as adopted by the CBK for use by Kuwait. For a discussion of the significant accounting policies applied by the Group generally, see Note 2.5 to the 2019 Financial Statements.

Critical Accounting Judgments and Estimates

In preparing the Group’s consolidated financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group’s assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the consolidated financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Group’s consolidated financial statements, see Note 2.6 to the 2019 Financial Statements, which identifies the following factors:

- **Classification of financial assets – applicable from 1 January 2018.** The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding. See the discussion relating to the classification of financial assets in Note 2.5 to the 2019 Financial Statements for more information.

- **Classification of real estate.** Management decides, when it acquires real estate, whether it should be classified as trading, investment property, property under development or property and equipment. The Group classifies real estate as “trading property” if it is acquired principally for sale in the ordinary course of business. The Group classifies real estate as “investment property” if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. The Group classifies real estate as “property under development” if it is acquired with the intention of development and it classifies real estate as “property and equipment” when it is acquired for owner occupation.

- **Determining the lease term of contracts with renewal and termination options – Group as lessee.** The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew considering relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

- **Impairment of financial instruments – applicable from 1 January 2018.** The Group estimates ECL for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments. Significant judgements are required in applying the accounting requirements for measuring ECL, including (i) determining criteria for a significant increase in credit risk; (ii) choosing appropriate models and assumptions for the measurement of ECL; (iii) establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated
ECL; and (iv) establishing groups of similar financial assets for the purpose of measuring ECL. The Group regularly reviews its model in the context of its actual loss experience and adjusts the model when necessary.

- **Impairment losses on financing receivables and investment in debt instruments – applicable before 1 January 2018.** The Group reviewed problem financing receivables and investments in debt instruments on a regular basis to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgment by management was required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates were necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

- **Valuation of financial instruments with significant unobservable inputs.** Valuation techniques for financial instruments with significant unobservable inputs include estimates such as expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; recent arm’s length market transactions; current fair value of another instrument that is substantially the same; and other valuation models. Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of unquoted financial assets.

### Results of Operations

#### Total operating income

The table below shows the breakdown of the Group’s total operating income in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2019 (KD 000’s)</th>
<th>(per cent.)</th>
<th>2018 (KD 000’s)</th>
<th>(per cent.)</th>
<th>2017 (KD 000’s)</th>
<th>(per cent.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net financing income</td>
<td>52,683</td>
<td>76.9</td>
<td>53,655</td>
<td>80.5</td>
<td>49,045</td>
<td>76.3</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>10,244</td>
<td>14.9</td>
<td>9,864</td>
<td>14.8</td>
<td>9,281</td>
<td>14.4</td>
</tr>
<tr>
<td>Net gain from foreign exchange</td>
<td>826</td>
<td>1.2</td>
<td>931</td>
<td>1.4</td>
<td>861</td>
<td>1.3</td>
</tr>
<tr>
<td>Investment income</td>
<td>4,084</td>
<td>6.0</td>
<td>1,571</td>
<td>2.4</td>
<td>4,469</td>
<td>7.0</td>
</tr>
<tr>
<td>Other income</td>
<td>675</td>
<td>1.0</td>
<td>609</td>
<td>0.9</td>
<td>595</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td><strong>68,512</strong></td>
<td><strong>100.0</strong></td>
<td><strong>66,630</strong></td>
<td><strong>100.0</strong></td>
<td><strong>64,251</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The Group’s total operating income amounted to KD 68.5 million in 2019 compared to KD 66.6 million in 2018 and KD 64.2 million in 2017.

**2019 and 2018 compared**

The increase of KD 1.9 million, or 2.8 per cent., in total operating income in 2019 compared to 2018 principally reflected an increase of KD 2.5 million, or 160 per cent., in investment income which was offset by a decrease of KD 972 thousand, or 1.8 per cent., in net financing income.

The decrease in net financing income is discussed under “—Principal factors affecting results of operations—Factors affecting net financing income” above.

The increase in investment income principally reflected a KD 1.1 million gain through changes in fair value of financial assets at fair value through profit or loss in 2019 compared to a loss of KD 1 million in 2018 and a higher rental income of KD 2 million in 2019 compared to KD 1.1 million in 2018.
2018 and 2017 compared
The increase of KD 2.4 million, or 3.7 per cent., in total operating income in 2018 compared to 2017 principally reflected an increase of KD 4.6 million, or 9.4 per cent., in net financing income, which was offset by a decrease of KD 2.9 million, or 64.8 per cent., in investment income.

The increase in net financing income is discussed under “—Principal factors affecting results of operations— Factors affecting net financing income” above.

The decrease in investment income principally reflected no realised gain from sale of investment securities recorded on the consolidated statement of profit or loss in 2018 compared to a gain of KD 1.4 million in 2017, a KD 1.0 million loss in the fair value of financial assets through profit or loss in 2018 compared to no change in 2017 and a KD 0.5 million lower gain from the sale of investment property recorded in 2018 compared to 2017, in each case principally reflecting weaker market conditions.

Total operating expenses
The Group’s total operating expenses comprise its staff costs, general and administration expenses and depreciation charge.

The table below shows the breakdown of the Group’s total operating expenses in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2019 (KD 000’s)</th>
<th>(per cent.)</th>
<th>2018 (KD 000’s)</th>
<th>(per cent.)</th>
<th>2017 (KD 000’s)</th>
<th>(per cent.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td>20,973</td>
<td>53.1</td>
<td>19,089</td>
<td>53.2</td>
<td>17,603</td>
<td>53.7</td>
</tr>
<tr>
<td>General and admin.</td>
<td>14,845</td>
<td>37.6</td>
<td>14,522</td>
<td>40.5</td>
<td>13,288</td>
<td>40.5</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,691</td>
<td>9.3</td>
<td>2,275</td>
<td>6.3</td>
<td>1,889</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>Total operating</strong></td>
<td><strong>39,509</strong></td>
<td><strong>100.0</strong></td>
<td><strong>35,886</strong></td>
<td><strong>100.0</strong></td>
<td><strong>32,780</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The Group’s total operating expenses amounted to KD 39.5 million in 2019 compared to KD 35.9 million in 2018 and KD 32.8 million in 2017.

2019 and 2018 compared
The increase of KD 3.6 million, or 10.1 per cent., in total operating expenses in 2019 compared to 2018 reflected:

- an increase of KD 1.9 million, or 9.9 per cent., in staff costs, which principally reflected general increments, promotions and senior management recruitments;
- an increase of KD 323 thousand, or 2.2 per cent., in general and administration expenses, which principally reflected usual fixed and variable expenditure to support growing business needs; and
- an increase of KD 1.4 million, or 62.2 per cent., in depreciation, which includes amortisation of lease contracts in line with the adoption of IFRS 16, “Leases”.

2018 and 2017 compared
The increase of KD 3.1 million, or 9.5 per cent., in total operating expenses in 2018 compared to 2017 reflected:

- an increase of KD 1.5 million, or 8.4 per cent., in staff costs, principally as a result of senior management hires, changes in indemnity laws and rationalisation of staff remuneration in line with peers;
• an increase of KD 1.2 million, or 9.3 per cent., in general and administration expenses, which principally reflected investments in IT infrastructure and related consultancy costs to support business growth as part of the Group’s strategy and new branding; and

• an increase of KD 0.4 million, or 20.4 per cent., in depreciation, which principally reflected increased capitalisation of projects undertaken in line with the Group’s strategy.

**Profit from operations before provisions and impairment losses**

Reflecting the above factors, the Group’s profit from operations before provisions and impairment losses was KD 29 million in 2019 compared to KD 30.7 million in 2018 and KD 31.5 million in 2017, a decrease of KD 1.7 million, or 5.7 per cent., in 2019 compared to 2018 and compared to a decrease of KD 0.7 million, or 2.3 per cent., in 2018 compared to 2017.

**Provisions and impairment losses**

Prior to 1 January 2018, the Group assessed its financial assets for objective evidence of impairment in accordance with both CBK regulations relating to the method of calculating specific provisions and estimates made in accordance with IAS 39, as adopted for use by Kuwait for financial institutions regulated by the CBK. Since 1 January 2018, the Group assesses its financial assets for impairment in accordance with the ECL requirements of IFRS 9 and applicable CBK instructions. For a discussion of the Group’s methodology for determining provisions and impairment losses, see “Risk management—Credit Risk”.

The Group’s provisions and impairment losses charged to its consolidated statement of profit or loss amounted to KD 10.4 million in 2019, KD 8.2 million in 2018 and KD 12.4 million in 2017. The changes in the Group’s provisions and impairment losses are discussed under “—Principal factors affecting results of operations—Provisions and impairment losses” above.

**Profit for the year**

Reflecting the above factors and the Group’s provisions for various required national contributions, zakat and Board of Directors’ remuneration, the Group’s profit for the year was KD 17.3 million in 2019 compared to KD 21.0 million in 2018 and KD 17.8 million in 2017, a decrease of KD 3.7 million, or 17.7 per cent. in 2019 compared to 2018 and compared to an increase of KD 3.2 million, or 18.2 per cent., in 2018 compared to 2017.

**Other comprehensive income**

The Group’s other comprehensive income principally comprises the net change in the fair value of its investment securities and revaluations of its property and equipment.

The Group’s other comprehensive income was KD 4.1 million in 2019 compared to KD 1.1 million in 2018 and KD 0.4 million in 2017.

**Total comprehensive income**

Reflecting the above factors and the Group’s profit for the year, the Group’s total comprehensive income was KD 21.4 million in 2019 compared to KD 22.1 million in 2018 and KD 18.2 million in 2017, a decrease of KD 687 thousand, or 3.1 per cent., in 2019 compared to 2018 and compared to an increase of KD 3.9 million, or 21.2 per cent., in 2018 compared to 2017.

**Segmental Analysis**

The Group has five reporting segments as follows:
• **Commercial and international banking** ("C&IB") – this reporting segment comprises a range of banking services and investment products provided to corporate customers, including commodity and real estate murabaha finance, ijara and wakala facilities;

• **Retail banking** – this reporting segment comprises a range of banking services and investment products provided to individual customers, including commodity murabaha finance, ijara and wakala facilities;

• **Treasury, fund management and institutional banking** ("TFM&IB") – this reporting segment comprises liquidity management, correspondent banking, clearing, murabaha investments and exchange of deposits with banks and financial institutions;

• **Investment management** – this reporting segment comprises the Bank’s investment in an associate and other investments, including investment properties; and

• **Others** – this reporting segment comprises all other activities of the Group, including those of its insurance subsidiary.

The table below shows the Group’s reporting segments as at, and for the years ended, 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th>Segment</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>C&amp;IB</td>
<td>Retail banking</td>
<td>TFM&amp;IB</td>
</tr>
<tr>
<td>Segment operating income</td>
<td>74,307</td>
<td>1,722</td>
<td>(16,218)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Provisions and impairment losses</td>
<td>(6,257)</td>
<td>(3,892)</td>
<td>(25)</td>
</tr>
<tr>
<td>Segment profit/(loss)</td>
<td>33,833</td>
<td>(2,619)</td>
<td>(4,295)</td>
</tr>
<tr>
<td>Segment assets</td>
<td>1,611,994</td>
<td>269,440</td>
<td>551,382</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>339,110</td>
<td>667,943</td>
<td>1,266,307</td>
</tr>
</tbody>
</table>

**Commercial and international banking**

The C&IB reporting segment recorded segment operating income of KD 74.3 million in 2019 compared to KD 65.9 million in 2018 and KD 54.6 million in 2017, an increase of KD 8.4 million, or 12.8 per cent., in 2019 compared to 2018 and compared to an increase of KD 11.3 million, or 20.7 per cent., in 2018 compared to 2017. The increase in 2019 and 2018 principally reflected significant increases in the deposit base and the financing receivables portfolio, in both cases reflecting higher volumes and more customers.
The C&IB reporting segment records the majority of the Group’s provisions and impairment losses, which amounted to KD 6.3 million in 2019, or 60.4 per cent. of the Group’s total provisions and impairment losses in that year, KD 7.0 million in 2018, or 84.6 per cent. of the Group’s total provisions and impairment losses in 2018 and KD 8.0 million, or 64.4 per cent., of the Group’s total provisions and impairment losses in 2017. The declining trend in provisions and impairment losses principally reflected improved asset quality notwithstanding a significant increase in the financing receivables portfolio.

The C&IB reporting segment recorded a segment profit of KD 33.8 million in 2019 compared to KD 32.8 million in 2018 and KD 24.3 million in 2017, an increase of KD 1.0 million, or 3.1 per cent., in 2019 compared to 2018 and compared to an increase of KD 8.6 million, or 35.4 per cent., in 2018 compared to 2017.

Retail banking
The retail banking reporting segment recorded segment operating income of KD 1.7 million in 2019 compared to KD 5.0 million in 2018 and KD 8.1 million in 2017, a decrease of KD 3.3 million, or 65.7 per cent., in 2019 compared to 2018 and compared to a decrease of KD 3.1 million, or 38.1 per cent., in 2018 compared to 2017.

The decrease in 2019 compared to 2018 principally reflected higher marketing and advertising expenses to support portfolio growth. The decrease in 2018 compared to 2017 principally reflected increased sales promotions and branding related expenses.

The retail banking reporting segment recorded provisions and impairment losses of KD 3.9 million in 2019, KD 2.2 million in 2018 and KD 2.3 million in 2017. The increase in provisioning levels principally reflected other impairment losses of KD 2.2 million.

The retail banking reporting segment recorded a segment loss of KD 2.6 million in 2019 compared to a segment loss of KD 0.9 million in 2018 and a segment profit of KD 55,000 in 2017. The segment loss in 2019 principally reflected the increase in provisions and impairment losses to 3.9 million in 2019 compared to 2.2 million in 2018. The segment loss and the small segment profit in 2018 and 2017, respectively, principally reflected the realignment of the segment for the purpose of becoming more customer-centric as part of the Group’s strategy. See “Description of the Group—Strategy”.

Treasury, fund management and institutional banking
The TFM&IB reporting segment recorded operating losses in each year, principally reflecting its cost of funds. The TFM&IB reporting segment’s operating loss amounted to KD 16.2 million in 2019 compared to a loss of KD 9.1 million in 2018 and KD 6.0 million in 2017, an increase in loss of KD 7.1 million, or 77.3 per cent., in 2019 compared to 2018 and compared to an increase in loss of KD 3.2 million, or 52.8 per cent., in 2018 compared to 2017.

The increase in segment operating loss in 2019 and 2018 principally reflected an increased cost of funds in line with interest rate trends and weaker local market conditions.

The TFM&IB reporting segment recorded immaterial provisions and impairment losses in 2018 and 2019 and no provisions or impairment losses in 2017.

The TFM&IB reporting segment recorded a segment loss of KD 4.3 million in 2019 compared to a segment profit of KD 0.7 million in 2018 and KD 2.8 million in 2017, a decrease of KD 5.0 million in 2019 compared to 2018 and compared to a decrease of KD 2.1 million in 2018 compared to 2017.

Investment management
The investment management reporting segment recorded segment operating income of KD 5.7 million in 2019 compared to KD 2.4 million in 2018 and KD 4.9 million in 2017, an increase of KD 3.3 million, or 137.4 per cent., in 2019 compared to 2018 and compared to a fall of KD 2.5 million, or 51.2 per cent., in 2018 compared to 2017. The variation between the years primarily reflects a gain in 2017 from the sale of assets.
The investment management reporting segment recorded provisions and impairment losses of KD 256 thousand in 2019 and an immaterial recovery of provisions and impairment losses in 2018 compared to provisions and impairment losses of KD 2.3 million in 2017. The provisions and impairment losses in 2017 principally reflected asset impairments.

The investment management reporting segment recorded a segment loss of KD 1.0 million in 2019 compared to a segment loss of KD 2.1 million in 2018 and a segment loss of KD 1.0 million in 2017, a decrease in loss of KD 1.1 million, or 51.9 per cent., in 2019 compared to 2018 and compared to an increase in loss of KD 1.1 million, or 107.1 per cent., in 2018 compared to 2017.

Others
The others reporting segment recorded segment operating income of KD 3.0 million in 2019 compared to KD 2.5 million in 2018 and KD 2.6 million in 2017, an increase of KD 0.5 million, or 20 per cent., in 2019 compared to 2018 and compared to a decrease of KD 0.1 million, or 5.2 per cent., in 2018 compared to 2017.

The others reporting segment recorded an immaterial recovery of provisions and impairment losses in 2019 and recoveries of provisions and impairment losses of KD 0.9 million in 2018 and KD 0.2 million in 2017.

The others reporting segment recorded a segment loss of KD 8.6 million in 2019 compared to a segment loss of KD 9.5 million in 2018 and KD 8.3 million in 2017, a decrease in loss of KD 0.9 million, or 9.8 per cent. in 2019 compared to 2018 and compared to an increase in loss of KD 1.3 million, or 15.3 per cent., in 2018 compared to 2017.

Liquidity and Funding

Overview
The Group’s liquidity needs arise primarily from making advances to customers, the payment of expenses and investments in securities. To date, the Group’s liquidity needs have been funded principally through deposits and operating cash flow, including income received on its financing receivables portfolio and, to a small extent, its portfolio of sukuk investment securities. See “—Funding”.

Cash flow
The table below summarises the Group’s cash flow from or used in operating activities, investing activities and financing activities for each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(KD 000’s)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow from operating activities before changes in operating assets and liabilities</td>
<td>26,467</td>
<td>29,052</td>
<td>26,705</td>
</tr>
<tr>
<td>Net cash from/(used in) operating activities</td>
<td>227,119</td>
<td>77,433</td>
<td>(44,231)</td>
</tr>
<tr>
<td>Net cash (used in)/from investing activities</td>
<td>(70,708)</td>
<td>(22,455)</td>
<td>3,223</td>
</tr>
<tr>
<td>Net cash from/(used in) financing activities</td>
<td>77,494</td>
<td>(9,286)</td>
<td>(9,310)</td>
</tr>
<tr>
<td>Effect of foreign currency translation</td>
<td>(120)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>96,208</td>
<td>50,516</td>
<td>100,834</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>329,993</td>
<td>96,208</td>
<td>50,516</td>
</tr>
</tbody>
</table>
Operating cash flow

The Group’s cash flow from operating activities before changes in operating assets and liabilities amounted to KD 26.5 million in 2019, KD 29.1 million in 2018 and KD 26.7 million in 2017 and principally reflects its profit for the year adjusted to add back its provisions and impairment losses.

The Group’s net cash from operating activities was KD 227.1 million in 2019 compared to net cash from operating activities of KD 77.4 million in 2018 and net cash used in operating activities of KD 44.2 million in 2017.

Investing cash flow

The Group’s net cash used in investing activities was KD 70.7 million in 2019 compared to net cash used in investing activities of KD 22.5 million in 2018 and net cash from investing activities of KD 3.2 million in 2017.

The Group’s net cash from investing activities principally reflects cash used in or received from the purchase, redemption and sale of securities in its investment securities portfolio. These activities resulted in a net outflow of KD 69.2 million in 2019, net outflow of KD 22.0 million in 2018 and net inflow of KD 1.9 million in 2017.

Financing cash flow

The Group’s net cash from financing activity in 2019 amounted to KD 77.5 million. The Group’s net cash from financing activities principally reflects cash received from the proceeds from the issue of perpetual tier 1 sukuk amounting to KD 91 million offset by the payment of dividends amounting to KD 10.2 million. The Group’s financing activity in 2018 and 2017 comprised the payment of dividends, which amounted to KD 9.3 million in each of 2018 and 2017.

Funding

The Group’s primary sources of funding in 2019, 2018 and 2017 were its customer deposits (referred to as depositors’ accounts in the Financial Statements) and, to a lesser extent, interbank deposits (referred to as due to banks and financial institutions in the Financial Statements) made with it. During 2018, the Group also obtained an unsecured syndicated murabaha financing amounting to U.S.$250 million (equivalent to KD 76 million) with a tenor of three years. During 2018, the Group also repaid the remaining U.S.$80 million (equivalent to KD 24 million) balance of a U.S.$320 million unsecured syndicated murabaha obtained in 2015. These murabaha facilities are recorded as interbank deposits in the Group’s statement of financial position.

The Group also has a portfolio of investment securities, including quoted equity securities and investments in sukuk, that it can access to meet liquidity needs, in addition to its cash balances.

The Group’s depositors’ accounts were KD 1,469.6 million, or 63.6 per cent. of its total liabilities, as at 31 December 2019, KD 1,318.5 million, or 69.7 per cent. of its total liabilities, as at 31 December 2018 and KD 1,203.2 million, or 72.8 per cent. of its total liabilities, as at 31 December 2017. Growth in the Group’s customer deposit base has been supported by innovative retail deposit product launches, increased promotional activity and the attractive profit rates offered by the Bank.

The Group has a significant concentration of deposits from the Government and government related entities (as is common for banks in Kuwait), which, in the Group’s case, amounted to 49 per cent. of its total deposits as at 31 December 2019. See “Risk factors—Risks relating to the Trustee’s ability to fulfil its obligations under the Transaction Documents—The Group’s financial assets and depositors’ accounts are concentrated in Kuwait” and “Risk factors—Risks relating to the Trustee’s ability to fulfil its obligations under the Transaction Documents—The Group has significant customer and sector concentrations”.

As at the date of this Offering Circular, the Group currently has no outstanding liabilities recorded as borrowings on its statement of financial position as the syndicated murabaha financing referred to above is recorded as due to banks and financial institutions. The Group continues to diversify its long-term deposit base. In June 2019,
the Bank issued U.S.$300,000,000 Additional Tier 1 Capital Certificates to diversify the Group’s sources of funding as well as strengthen its capital base.

**Deposits**
The table below shows the Group’s funding in the form of depositors’ accounts and amounts due to banks and financial institutions as at 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(KD 000’s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depositors’ accounts</td>
<td>1,469,574</td>
<td>1,318,535</td>
<td>1,203,213</td>
</tr>
<tr>
<td>Due to banks and</td>
<td>795,126</td>
<td>517,537</td>
<td>394,438</td>
</tr>
<tr>
<td>financial institutions</td>
<td>(per cent.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depositors’ accounts</td>
<td></td>
<td>64.9</td>
<td></td>
</tr>
<tr>
<td>Due to banks and</td>
<td></td>
<td>35.1</td>
<td></td>
</tr>
<tr>
<td>financial institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Group’s depositors’ accounts take the form of current accounts, saving and fixed term deposit investment accounts, call accounts, margin accounts, mudaraba and wakala.

The Group does not make profit distributions in relation to its current and margin accounts. All of its other depositors’ accounts bear profit. Amounts may be withdrawn from the Group’s current accounts, call accounts and saving investment accounts at any time without notice. The remaining accounts are fixed term accounts, with maturities ranging between one month and three years. The Group accepts deposits in both dinar and a range of other currencies, including U.S. dollar and euro.

The Group believes that its current accounts are diversified and sticky in nature, and constitute a stable and secure source of low cost funding.

**Maturity profile**
The table below shows the maturity profile of the Group’s funding as at 31 December 2019, 2018 and 2017. This analysis is based on contractual undiscounted repayment obligations.

<table>
<thead>
<tr>
<th></th>
<th>Less than 1 month</th>
<th>1-3 months</th>
<th>3-12 months</th>
<th>1-5 years</th>
<th>Total (KD 000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks and</td>
<td>319,919</td>
<td>127,998</td>
<td>281,274</td>
<td>72,597</td>
<td>801,788</td>
</tr>
<tr>
<td>financial institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depositors’ accounts</td>
<td>571,759</td>
<td>457,808</td>
<td>292,453</td>
<td>150,502</td>
<td>1,472,522</td>
</tr>
<tr>
<td>Total</td>
<td>891,678</td>
<td>585,806</td>
<td>573,727</td>
<td>223,099</td>
<td>2,274,310</td>
</tr>
<tr>
<td>31 December 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks and</td>
<td>76,108</td>
<td>113,838</td>
<td>239,532</td>
<td>93,397</td>
<td>522,875</td>
</tr>
<tr>
<td>financial institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depositors’ accounts</td>
<td>594,699</td>
<td>267,085</td>
<td>322,889</td>
<td>135,878</td>
<td>1,320,551</td>
</tr>
<tr>
<td>Total</td>
<td>670,807</td>
<td>380,923</td>
<td>562,421</td>
<td>229,275</td>
<td>1,843,426</td>
</tr>
<tr>
<td>31 December 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks and</td>
<td>100,265</td>
<td>42,627</td>
<td>171,340</td>
<td>84,890</td>
<td>399,122</td>
</tr>
<tr>
<td>financial institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A significant proportion of the Group’s funding disclosed in the table above as at 31 December 2019 is short term in nature, with 39.2 per cent. of such funding being repayable on demand or within one month, a further 25.8 per cent. being repayable within one to three months and a further 25.2 per cent. being repayable between three and 12 months. See “Risk factors—Factors that may affect the Trustee’s ability to fulfil its obligations under or in connection with the Certificates—The Group is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business”. The issue of the Certificates is intended to help the Group diversify its sources of funding and to extend the average maturity of its funding base.

Given the state-run and oil-driven nature of the domestic economy, the Group’s deposit base is, at least in the near future, expected to remain concentrated by depositor type, namely cash-rich Government and Kuwaiti government related entities. Significant time deposits from large customers are, with the customers’ agreement, divided into smaller deposits with varying maturities, thereby partly mitigating the non-renewal risk associated with single large deposits.

**Equity**

For a discussion of the Group’s share capital and reserves as at 31 December 2019, 2018 and 2017, see Notes 18 and 19 to the 2019 Financial Statements and Notes 19 and 20 to the 2018 Financial Statements.

**Lending**

**Financing receivables portfolio**

The Group’s financing receivables portfolio (net of deferred profit and provisions for impairment) was KD 1,865.6 million as at 31 December 2019 compared to KD 1,605.8 million as at 31 December 2018 and KD 1,304.4 million as at 31 December 2017. The table below shows the breakdown of the Group’s financing receivables portfolio (net of provisions) by type as at 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(KD 000’s)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murabaha receivables</td>
<td>587,208</td>
<td>544,021</td>
<td>507,259</td>
</tr>
<tr>
<td>Wakala receivables</td>
<td>1,166,827</td>
<td>940,076</td>
<td>742,429</td>
</tr>
<tr>
<td>Ijara receivables</td>
<td>259,821</td>
<td>259,330</td>
<td>185,308</td>
</tr>
<tr>
<td>Other receivables</td>
<td>6,018</td>
<td>8,908</td>
<td>5,924</td>
</tr>
<tr>
<td></td>
<td>2,019,874</td>
<td>1,752,335</td>
<td>1,440,920</td>
</tr>
<tr>
<td>Less: deferred profit</td>
<td>(101,314)</td>
<td>(95,469)</td>
<td>(91,376)</td>
</tr>
<tr>
<td><strong>Net receivables</strong></td>
<td>1,918,560</td>
<td>1,656,866</td>
<td>1,349,544</td>
</tr>
<tr>
<td>Less: provision for impairment</td>
<td>(52,942)</td>
<td>(51,033)</td>
<td>(45,128)</td>
</tr>
<tr>
<td></td>
<td>1,865,618</td>
<td>1,605,833</td>
<td>1,304,416</td>
</tr>
</tbody>
</table>
The Group’s customer financing portfolio is principally denominated in dinar, although financing is also advanced in U.S. dollars.

**Distribution of financing receivables portfolio by maturity**

The table below shows the distribution of the Group’s financing receivables portfolio by maturity as at 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>Up to 1 month (KD 000's)</th>
<th>1-3 months (KD 000's)</th>
<th>3-12 months (KD 000's)</th>
<th>Over 1 year (KD 000's)</th>
<th>Total (KD 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 31 December 2019</td>
<td>253,953</td>
<td>302,923</td>
<td>633,457</td>
<td>675,285</td>
<td>1,865,618</td>
</tr>
<tr>
<td>As at 31 December 2018</td>
<td>165,489</td>
<td>318,845</td>
<td>601,004</td>
<td>520,495</td>
<td>1,605,833</td>
</tr>
<tr>
<td>As at 31 December 2017</td>
<td>133,921</td>
<td>194,451</td>
<td>553,529</td>
<td>422,515</td>
<td>1,304,416</td>
</tr>
</tbody>
</table>

**Sectoral and geographical breakdowns of financial assets and contingent liabilities**

The Group does not disclose the sectoral and geographical exposure of its financing receivables portfolio. However, it does disclose the sectoral and geographical exposure of its financial assets and contingent liabilities and this is set out in the table below as at 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2019 (KD 000's)</th>
<th>2018 (KD 000's)</th>
<th>2017 (KD 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Geographic region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>44,024</td>
<td>59,067</td>
<td>12,226</td>
</tr>
<tr>
<td>North America</td>
<td>2,495</td>
<td>7,020</td>
<td>3,836</td>
</tr>
<tr>
<td>Middle East (excl. Kuwait)</td>
<td>152,180</td>
<td>71,988</td>
<td>44,454</td>
</tr>
<tr>
<td>Europe</td>
<td>50,948</td>
<td>843</td>
<td>1,260</td>
</tr>
<tr>
<td>Kuwait</td>
<td>2,282,743</td>
<td>1,891,803</td>
<td>1,695,256</td>
</tr>
<tr>
<td></td>
<td>2,532,390</td>
<td>2,030,721</td>
<td>1,777,982</td>
</tr>
<tr>
<td><strong>Industry sector</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal</td>
<td>262,452</td>
<td>245,684</td>
<td>226,227</td>
</tr>
<tr>
<td>Banking and financial institutions</td>
<td>778,176</td>
<td>495,105</td>
<td>505,154</td>
</tr>
<tr>
<td>Real estate</td>
<td>656,199</td>
<td>597,396</td>
<td>491,166</td>
</tr>
<tr>
<td>Construction</td>
<td>121,191</td>
<td>119,930</td>
<td>144,202</td>
</tr>
<tr>
<td>Others</td>
<td>714,372</td>
<td>572,606</td>
<td>411,233</td>
</tr>
<tr>
<td></td>
<td>2,532,390</td>
<td>2,030,721</td>
<td>1,777,982</td>
</tr>
</tbody>
</table>

As at 31 December 2019, the Group’s financial assets amounted to KD 2,532.4 million. Of this amount, 73.7 per cent. was in the form of financing receivables, 17.4 per cent. was amounts due from banks, 5.2 per cent. represented the Group’s investment in sukuks, 3.3 per cent. represented the Group’s balances with banks and the remaining 0.4 per cent. was in the form of other financial assets.
The Group’s financial assets are concentrated in the real estate and construction sectors, which together comprised 30.7 per cent. of the Group’s financial assets as at 31 December 2019, 35.3 per cent. as at 31 December 2018 and 35.7 per cent. as at 31 December 2017. In addition, the banking and financial institutions sector comprised 30.7 per cent. of the Group’s financial assets as at 31 December 2019, 24.4 per cent. of the Group’s financial assets as at 31 December 2018 and 28.4 per cent. as at 31 December 2017.

The Group’s financial assets are geographically concentrated in Kuwait, which comprised 90.1 per cent. of the Group’s financial assets as at 31 December 2019, 93.2 per cent. of the Group’s financial assets as at 31 December 2018 and 95.3 per cent. as at 31 December 2017.

See “Risk factors—Risks relating to the Trustee’s ability to fulfil its obligations under the Transaction Documents—The Group’s financial assets and depositors’ accounts are concentrated in Kuwait” and “Risk factors—Risks relating to the Trustee’s ability to fulfil its obligations under the Transaction Documents—The Group has significant customer and sector concentrations”.

See also “Risk management—Credit Risk” for a discussion of the Group’s financing origination and monitoring procedures, its financing receivables classification system, its collateral policy and an analysis of its non-performing financing receivables and provisioning and write-off policies.

**Investment Securities Portfolio**

The Group’s investment securities portfolio comprises investment in sukuk and quoted and unquoted equity securities which are held either at FVTPL or at FVOCI (under IFRS 9 which the Group adopted in 2018) or available for sale (under IAS 39 which was applied in 2017). The securities are issued by both domestic and international issuers. The Group invests in these securities both to generate returns and to provide an additional source of liquidity when needed. Its investment policy focuses on both high quality income generating assets and investment grade securities, primarily sovereigns.

**Structure of the investment securities portfolio**

The table below summarises the Group’s investment securities portfolio as at 31 December 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(KD 000’s)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial assets at FVTPL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted equity securities</td>
<td>13,148</td>
<td>12,627</td>
<td>62</td>
</tr>
<tr>
<td><strong>Financial assets at FVOCI/available for sale</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted equity securities</td>
<td>5,000</td>
<td>—</td>
<td>13,534</td>
</tr>
<tr>
<td>Unquoted equity securities</td>
<td>29,928</td>
<td>27,504</td>
<td>26,353</td>
</tr>
<tr>
<td>Investment in sukuk</td>
<td>131,810</td>
<td>65,844</td>
<td>43,891</td>
</tr>
<tr>
<td></td>
<td>166,738</td>
<td>93,348</td>
<td>83,778</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>179,886</td>
<td>105,975</td>
<td>83,840</td>
</tr>
</tbody>
</table>

The Group’s FVOCI/available for sale and FVTPL securities are measured at fair value. For further information on the manner in which the fair value of these securities is determined, see Note 24(v) to the 2019 Financial Statements and Note 25(v) to the 2018 Financial Statements.
The growth in the Group’s investment portfolio in 2019 was driven by investment in high quality sukuk, which is part of the Group’s strategy to diversify and optimise its balance sheet.

Credit quality of the investment securities portfolio
The Group’s investment policy along with individual product criteria defines its investments in sukuk. The ECL allowance for the Group’s sukuk portfolio was KD 76 thousand as at 31 December 2018 and KD 339 thousand as at 31 December 2019. See Note 11 to the 2019 Financial Statements.

None of the Group’s investments in sukuk were past due or impaired as at 31 December in each of 2019, 2018 and 2017.

Counterparties and geographic concentration
The Group does not provide a breakdown of its investment securities by counterparty or by geography, although a significant proportion of its sukuk portfolio represents securities issued by government and GRE issuers.

See “Risk factors—Risks relating to the Trustee’s ability to fulfil its obligations under the Transaction Documents—The Group’s financial assets and depositors’ accounts are concentrated in Kuwait” and “Risk factors—Risks relating to the Trustee’s ability to fulfil its obligations under the Transaction Documents—The Group has significant customer and sector concentrations”.

Capital Adequacy
Capital adequacy, financial leverage and the use of various levels of regulatory capital are monitored regularly by the Group’s management and are also governed by guidelines of the Basel Committee as adopted by the CBK.

The CBK Basel III framework consists of three Pillars:
- Pillar 1 provides a framework for measuring capital requirements for credit, operational and market risks under the “Standardised Approach”;
- Pillar 2 relates to the supervisory review process and emphasises the importance of the Internal Capital Adequacy Assessment Process (“ICAAP”) performed by banks; and
- Pillar 3 aims to complement the above capital adequacy requirements under Pillar 1 and Pillar 2 by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in Kuwait.

The Basel III minimum requirements for capital are underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. There are also buffer requirements in the form of a capital conservation buffer, a counter-cyclical capital buffer and an additional surcharge for banks designated as domestic systemically important.

A key objective for the Group is to maximise shareholders’ value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with externally imposed capital requirements. The Group aims to ensure adherence to the CBK’s requirements by monitoring its capital adequacy and adopting both a capital forecasting process that ensures that pro-active action is taken where necessary and a strategy that ensures that a sufficient capital buffer above minimum required levels is maintained at all times.

The total capital adequacy ratio required by the CBK for the years under review was 13.0 per cent. of risk-weighted assets (Tier 1 plus Tier 2 capital). The total capital adequacy ratio required by the CBK does not include a capital conservation buffer as the Bank has not been designated as a D-SIB.
As a temporary measure to mitigate the impact of the Covid-19 pandemic on Kuwait’s domestic economy and the banking sector, the CBK reduced the minimum capital adequacy requirement from 13.0 per cent. to 10.5 per cent. by releasing the capital conservation buffer of 2.5 per cent. with effect from 1 April 2020. According to the CBK, the amendment will be in effect until the end of 2020, when it will be reviewed again.

The table below shows the composition of the Group’s regulatory capital and its capital ratios as at 31 December in each of 2019, 2018 and 2017 (determined in accordance with Basel III as implemented in Kuwait).

<table>
<thead>
<tr>
<th></th>
<th>2019 (KD 000's)</th>
<th>2018 (KD 000's)</th>
<th>2017 (KD 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-weighted assets</td>
<td>2,025,009</td>
<td>1,704,218</td>
<td>1,406,336</td>
</tr>
<tr>
<td>Capital required</td>
<td>263,251</td>
<td>221,548</td>
<td>182,824</td>
</tr>
<tr>
<td>Tier 1 capital</td>
<td>365,435</td>
<td>263,306</td>
<td>251,615</td>
</tr>
<tr>
<td>Tier 2 capital</td>
<td>24,088</td>
<td>20,144</td>
<td>16,305</td>
</tr>
<tr>
<td>Total capital</td>
<td>389,523</td>
<td>283,450</td>
<td>267,920</td>
</tr>
<tr>
<td>Tier 1 capital adequacy ratio</td>
<td>18.05%</td>
<td>15.45%</td>
<td>17.89%</td>
</tr>
<tr>
<td>Total capital adequacy ratio</td>
<td>19.24%</td>
<td>16.63%</td>
<td>19.05%</td>
</tr>
</tbody>
</table>

The Group’s total common equity tier 1 (“CET 1”) capital amounted to KD 273,993 as at 31 December 2019 compared to KD 262,919 thousand as at 31 December 2018 and KD 251,230 thousand as at 31 December 2017, giving it CET 1 capital ratios of 13.53 per cent. as at 31 December 2019 compared to 15.43 per cent. at 31 December 2018 and 17.86 per cent. as at 31 December 2017.

The increase in the Group’s capital ratio as at 31 December 2019 was principally a result of the issuance of U.S.$300,000,000 Additional Tier 1 Capital Certificates in June 2019.

The Bank is also subject to a CBK Basel III leverage ratio requirement of 3.0 per cent. The Bank’s financial leverage ratio was 11.79 per cent. as at 31 December 2019, 10.48 per cent. as at 31 December 2018 and 10.92 per cent. as at 31 December 2017.

**Commitments and Contingent Liabilities**

The Group has contingent liabilities in respect of revocable commitments to extend credit that it has made, as well as in relation to acceptances, letters of credit and letters of guarantee issued by it. The table below shows these contingent liabilities as at 31 December in each of 2019, 2018 and 2017.

<table>
<thead>
<tr>
<th></th>
<th>2019 (KD 000’s)</th>
<th>2018 (KD 000’s)</th>
<th>2017 (KD 000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letters of guarantee</td>
<td>263,413</td>
<td>263,281</td>
<td>269,324</td>
</tr>
<tr>
<td>Acceptances</td>
<td>20,000</td>
<td>17,181</td>
<td>36,958</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>7,367</td>
<td>9,941</td>
<td>22,066</td>
</tr>
<tr>
<td>Revocable commitments to extend credit</td>
<td>236,402</td>
<td>165,275</td>
<td>169,050</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019 (KD 000's)</th>
<th>2018 (KD 000's)</th>
<th>2017 (KD 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letters of guarantee</td>
<td>263,413</td>
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</tr>
<tr>
<td>Revocable commitments to extend credit</td>
<td>236,402</td>
<td>165,275</td>
<td>169,050</td>
</tr>
</tbody>
</table>
Related Party Transactions

The Group enters into transactions with certain related parties (major shareholders, associates, directors and executive officers of the Group, close members of their families and companies in which they are principal owners or over which they are able to exercise significant influence) who are customers of the Group in the ordinary course of business. These transactions are made on substantially the same terms, including profit rates, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

Further information on the Group’s related party transactions in each of 2019, 2018 and 2017 is set out in Note 22 to the 2019 Financial Statements and Note 23 to the 2018 Financial Statements.

Recent Developments

On 11 November 2020, the Group published the 2020 Interim Financial Statements, which have been reviewed but not audited. The following discussion is based on the financial information included in the 2020 Interim Financial Statements.

Total operating income

<table>
<thead>
<tr>
<th></th>
<th>Nine months ended 30 September</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020 (KD 000’s)</td>
<td>2019 (KD 000’s)</td>
</tr>
<tr>
<td>Net financing income</td>
<td>37,391</td>
<td>39,927</td>
</tr>
<tr>
<td>Fees and commission income</td>
<td>5,704</td>
<td>7,681</td>
</tr>
<tr>
<td>Net gain from foreign exchange</td>
<td>571</td>
<td>628</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,698</td>
<td>3,056</td>
</tr>
<tr>
<td>Other income</td>
<td>3,987</td>
<td>501</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td><strong>49,351</strong></td>
<td><strong>51,793</strong></td>
</tr>
</tbody>
</table>

The Group’s net financing income decreased by 6.4 per cent. from KD 39.9 million for the nine months ended 30 September 2019 to KD 37.4 million for the nine months ended 30 September 2020. The main reasons for this decrease were the reduction in the CBK discount rate to 1.5 per cent. in March 2020 compared to 3 per cent. in March 2019 along with a mismatch in the repricing period of the financing receivables portfolio versus depositors' accounts.

Non-financing income constituted 24.2 per cent. of the Group’s total operating income for the nine months ended 30 September 2020 and 22.9 per cent. of the Group’s total operating income for the nine months ended 30 September 2019. Total non-financing income for the nine months ended 30 September 2020 increased 0.8 per cent. from KD 11.9 million for the nine months ended 30 September 2019 to KD 12.0 million for the nine months ended 30 September 2020. This increase was principally the result of a KD 3.5 million increase in other income. Other income for the nine months ended 30 September 2020 included KD 1.6 million from the confirmation of an insurance claim along with a KD 1.9 million grant from the Government for six months in respect of the Manpower and Government Restructuring Programme (MGRP) for Kuwaiti staff retention.
As a result of the foregoing, the Group’s operating income for the nine months ended 30 September 2020 decreased by 4.7 per cent. from KD 51.8 million for the nine months ended 30 September 2019 to KD 49.4 million for the nine months ended 30 September 2020.

**Net impairment loss on financial assets**

The Group’s provisions and impairment losses charged to its consolidated statement of profit or loss for the nine months ended 30 September 2020 increased by 137.0 per cent. from KD 8.7 million for the nine months ended 30 September 2019 to KD 20.6 million for the nine months ended 30 September 2020. This was principally the result of a higher provision charge relating to one large corporate client.

The Group’s impaired financing receivables ratio (calculated as gross impaired financing receivables as a percentage of total gross financing receivables along with bank exposures) for the nine months ended 30 September 2020 was 3.6 per cent. compared to 1.9 per cent. for the year ended 31 December 2019. The Group’s financing receivables loss coverage ratio (calculated as provision for impairment on financing receivables along with bank exposure as a percentage of gross impaired financing receivables) for the nine months ended 30 September 2020 was 89.5 per cent. compared to 104.1 per cent. for the nine months ended 30 September 2019.

**Staff costs**

The Group’s staff costs decreased by 0.5 per cent. from KD 15.5 million for the nine months ended 30 September 2019 to KD 15.4 million for the nine months ended 30 September 2020.

**General and administrative expenses**

The Group’s general and administrative expenses decreased by 16.4 per cent. from KD 11.4 million for the nine months ended 30 September 2019 to KD 9.5 million for the nine months ended 30 September 2020.

**Profit from operations**

As a result of the foregoing, the Group’s profit from operations for the nine months ended 30 September 2020 decreased by 94.9 per cent. from KD 13.5 million for the nine months ended 30 September 2019 to KD 694,000 for the nine months ended 30 September 2020.

**Profit for the period**

As a result of the foregoing, the Group’s profit for the nine months ended 30 September 2020 decreased by 94.8 per cent. from KD 12.9 million for the nine months ended 30 September 2019 to KD 677,000 for the nine months ended 30 September 2020.

**Financial position**

**Total assets**

The Group’s total assets decreased by 0.1 per cent. from KD 2,687.6 million as at 31 December 2019 to KD 2,684.2 million as at 30 September 2020. The Group’s financing receivables increased by 7.4 per cent. from KD 1,865.6 million as at 31 December 2019 to KD 2,003.6 million as at 30 September 2020.

**Customers’ deposits**

The Group’s depositors’ accounts increased by 7.3 per cent. from KD 1,469.6 million as at 31 December 2019 to KD 1,577.0 million as at 30 September 2020.

**Impact of Covid-19**

Covid-19 has caused an unprecedented economic and health crisis. The measures implemented by governments to contain the virus have triggered an economic downturn and increased volatility with a sharp fall in the price of risk assets and a significant deterioration in market liquidity.
A number of central banks and governments have announced financial stimulus and economic support packages aimed at stabilising the economy and improving liquidity. In Kuwait, effective from 2 April 2020, the CBK implemented a range of measures aimed at mitigating the economic effects of Covid-19 (see “Risk Factors – Risks relating to the Group’s business – The Group’s business, results of operations and financial condition may be adversely affected by the impact of Covid-19”).

The Group’s corporate portfolio is primarily Kuwait-focused and as such, the relief measures provided by the CBK directly assist the Group and are expected to mitigate some of the negative economic impact of Covid-19. However, the restrictive measures imposed by governments have also resulted in reduced demand in certain industries which have in turn resulted in redundancies, reduced pay and cash flow concerns for smaller businesses. All of this is expected to have a more immediate impact on the Group’s retail portfolio and impact recoverability and liquidity. In terms of impact on its ECL, the Group’s net provision and impairment charges were KD 20.6 million for the nine month period ended 30 September 2020. Given that the Group’s portfolio is largely based in Kuwait, the Government’s relief measures are expected to mitigate the severity of the impact of ECL on the Group’s portfolio. However, it is difficult to predict the longevity and exact nature of the economic impact of Covid-19 and the resultant impact on the Group’s ECL. Please see Note 16 (Impact of Covid-19 Pandemic) to the 2020 Interim Financial Statements for further details.
DESCRIPTION OF THE GROUP

Overview

The Bank was established in 1973 as Kuwait Real Estate Bank and converted to a Sharia-compliant Islamic bank licensed by the CBK in 2007. It provides a range of Sharia-compliant corporate and retail products predominantly to the local market and operates through a network of 20 branches as at 31 December 2019 supported by alternative delivery channels, such as ATMs, POS terminals, telebanking, internet banking and mobile banking.

The Bank has a strong commercial and international banking portfolio and also provides real estate-related services, such as appraisals and property management, in addition to financing solutions for real estate customers. The Bank’s retail operations principally comprise deposit taking and personal financings, which are usually backed by salary assignment.

The Bank’s major shareholder is Bukhamseen Group Holding, a holding company representing the diversified business interests of the Bukhamseen family, which, together with its consolidated and associated entities, held 35.9 per cent. of the Bank’s share capital as at 31 December 2019. The Bank is listed on the Boursa Kuwait and, as at 31 December 2019, 45.95 per cent. of its shares were publicly held.

As at 31 December 2019, the Bank’s total assets were KD 2,687.6 million compared to KD 2,168.6 million as at 31 December 2018 and KD 1,916.0 million as at 31 December 2017 and its total equity was KD 375.4 million as at 31 December 2019 compared to KD 276.6 million as at 31 December 2018 and KD 263.9 million as at 31 December 2017. As at 31 December 2019, the Bank’s portfolio of financing receivables was KD 1,865.6 million compared to KD 1,605.8 million as at 31 December 2018 and KD 1,304.4 million as at 31 December 2017 and its aggregate depositors’ accounts and due to banks and financial institutions were KD 2,264.7 million as at 31 December 2019 compared to KD 1,836.1 million as at 31 December 2018 and KD 1,597.7 million as at 31 December 2017.

In 2019, the Bank’s profit for the year was KD 17.3 million compared to KD 21.0 million in 2018 and KD 17.8 million in 2017.

As at 31 December 2019, the Bank’s total and tier 1 capital adequacy ratios, calculated in accordance with Basel III methodology as adopted by the CBK, were 19.24 per cent. and 18.05 per cent., respectively, and its financial leverage ratio, calculated in accordance with CBK regulations, was 11.79 per cent.

History

The Bank is a Kuwaiti public shareholding company that was incorporated on 13 May 1973 in Kuwait with commercial registration number 19634. The Bank’s registered office is at West Tower – Joint Banking Center – PO Box 22822, Safat 13089, Kuwait and its telephone number is +965 1 888 999.

In 2007, the Bank converted to an Islamic bank. In the same year it acquired a 40 per cent. shareholding in Ritaj Takaful Insurance Company KSC (Closed) (now named Al Dawli Takaful Insurance Company KSCC and operating as KIB Takaful). It subsequently increased this shareholding which stood at 73.6 per cent. as at 31 December 2019. KIB Takaful remains the Bank’s only consolidated subsidiary.

The Bank has been listed on the Boursa Kuwait since 1984. Its total market capitalisation as at 31 December 2019 was KD 294 million.

The Bank has won a number of global and regional awards in recent years from a range of providers, including:

- Best Bank Capital Sukuk in Kuwait – 2019 from The Asset Magazine;

Best Sharia-compliant Bank MENA – 2019, 2018, 2017, 2016 and 2015 from Capital Finance International (CFI.co);

Fastest Growing Islamic Bank MENA – 2019, 2018, 2017 and 2016 from Capital Finance International (CFI.co); and

Best Islamic Bank in Kuwait and GCC – 2018 from World Finance.

Strategy

The Bank’s strategy is built around its vision to become the bank to offer the best digital services in Kuwait. In summary, the Bank’s key strategic priorities are to be:

- the one-stop-shop leading digital real estate bank in Kuwait;
- the go-to adviser for mid-cap companies across key sectors in Kuwait and an internationally recognised partner; and
- the Islamic digital retail bank of choice, known for unique savings value proposition.

The above strategic priorities are supported by three core pillars:

- a digital-first business model;
- agile ways of working, powering innovation and rapid time-to-market; and
- operational excellence.

The above strategic priorities and core pillars are outlined in further detail below.

Strategic overview

- **To be the one-stop-shop leading digital real estate bank in Kuwait**

  The Bank is creating a holistic offering that can address end-to-end real estate needs of customers using a best-in-class digital platform. The Bank’s strategic plan includes initiatives aimed at automating the process of conducting real estate appraisals, aiming to lessen time and increase accuracy and effectiveness, and to receive and process real estate financing proposals automatically, while building on the Bank’s unique and extended experience in the local real estate market. In addition, the platform will provide buyer/seller marketplace and real estate advisory capabilities.

- **To be the go-to adviser for mid-cap companies across key sectors in Kuwait and an internationally recognised partner**

  The Bank aims to diversify and enhance its offerings by building specific bundles targeting mid-cap companies in trade, contracting, food and beverage, education and healthcare sectors. For international and large-cap companies, the Bank’s aim is to provide customer-tailored banking solutions. This will enable the Bank to attract a number of large corporates, and to participate in financing infrastructure projects such as those executed by Kuwait Petroleum Corporation. The Bank aims to further its corporate banking offering by utilising digital tools and processes to empower its employees (such as relationship managers) and enable personalised experiences to best serve customer needs.
• To be the Islamic digital retail bank of choice known for unique savings value proposition

The Bank is developing a digital-powered retail offering focused on superior customer experience, frictionless banking and accessible financial products. In line with the evolving macro environment, the key value proposition will be designed around savings products, while providing easy access to other daily banking products. The retail strategy is designed to constantly improve the value delivered to customers by ensuring rapid delivery that is in line with dynamic market circumstances.

The core pillars to support the strategy

• Digital-first business model

The Bank intends to be a digital-first bank by providing its customers with simple digital products and a superior digital experience. Customers are increasingly demanding digital services, a trend that has been accelerated by the Covid-19 pandemic. The convenience of accessing other services online has raised expectations for customer service in all industries worldwide. The Bank intends to address this shift through continuing to develop and offer unique digital products, designed to create a seamless and enjoyable customer experience. The Bank’s strategic plan sets the foundation of a flexible digital-first business model, able to provide customised products and services to meet customers’ future requirements and aspirations.

• Agile ways of working powering innovation and rapid time-to-market

The Bank’s various strategic initiatives will be executed by adopting new agile ways of working that bring together cross-functional teams with collective responsibility for outputs. The agile teams work intensively to deliver rapidly products which meet the shifting requirements of the Bank’s customers. The agile innovation model will also enable fast adaptation to market trends, immediate response to customer needs and constant product improvement to lead digital innovation in the Kuwaiti banking industry.

• Operational excellence

The Bank will continue to fully modernise its systems and operations to enable straight through processing across all key business processes. The Bank will continue to invest heavily in its infrastructure, recruit human resources with advanced digital skills, and enhancing its existing human capital in a manner which strengthen the Bank’s competitive advantage and enriches the Bank’s predictive capabilities to fulfil its customers’ current and future needs.

Strengths

Consistent financial performance

Over the last five years as it has implemented its new strategy, the Group has remained profitable while growing its total assets from KD 1.8 billion as at 31 December 2015 to KD 2.7 billion as at 31 December 2019. Between 2015 and 2019, the Group’s net profit for the year grew by 7.7 per cent., while its total assets grew by 50.1 per cent. The majority of the Group’s assets comprise financing receivables, which increased by 16.2 per cent. as at 31 December 2019 compared to 31 December 2018 and increased by 59.1 per cent. as at 31 December 2019 compared to 31 December 2015, illustrating the success of the Bank’s lending strategy and ability to capture business opportunities.

The Group retains a high financing receivables loss coverage ratio (140.3 per cent. as at 31 December 2019, 296.4 per cent. as at 31 December 2018 and 113.4 per cent. as at 31 December 2017) and its impaired financing
receivables ratio was 1.9 per cent. as at 31 December 2019, 1.0 per cent. as at 31 December 2018 and 2.7 per cent. as at 31 December 2017.

The Group’s net cash from operating activities before changes in operating assets and liabilities was KD 26.5 million in 2019 compared to KD 29.1 million in 2018 and KD 26.7 million in 2017.

Focus on comprehensive digital transformation and innovation
Since 2015, the Bank has pursued a new strategy which, among other things, aims at making the Bank the most innovative bank in Kuwait. This has involved significant improvements across the Bank’s processes, products and services and distribution network, as well as the launch of a new brand, see “—Strategy” above.

With the implementation of its new strategy substantially complete, the Bank has re-engineered its customers’ experience and upgraded its systems and platforms. It believes that presents a comprehensive virtual banking experience through its website, mobile application and all other communication channels with its customers. Moreover, it continues to foster the value of the services offered to its customers, and to ensure that those services are easy to access anywhere on a 24/7 basis. As a result, the Bank believes that it is well poised to continue to grow its balance sheet and generate higher levels of operating income in a competitive market. However, see also “Risk factors—Risks relating to the Trustee’s ability to fulfil its obligations under the Transaction Documents—The banking industry is competitive and the Group is exposed to significant competition in Kuwait”.

Expertise in the Kuwaiti real estate market
The Bank was incorporated in 1973 as Kuwait Real Estate Bank and converted to an Islamic bank in 2007. Reflecting its origins, the Bank retains a strong focus on real estate. As at 31 December 2019, the construction and real estate industry sectors accounted for 30.7 per cent. of the Group’s credit risk exposure (excluding contingent liabilities) compared to 35.3 per cent. as at 31 December 2018. Although many other Kuwaiti banks also have significant exposure to the real estate industry in Kuwait, the Bank believes that its integrated RED, which offers property management and advisory services in addition to traditional financing solutions, provides it with a significant competitive advantage in this area. However, see also “Risk factors—Risks relating to the Trustee’s ability to fulfil its obligations under the Transaction Documents—The Group has significant customer and sector concentrations”.

Shareholders’ support, experienced Board of Directors and qualified management
The Group’s main shareholders, including the Bukhamseen family, have consistently provided all necessary support to the Bank, including ensuring that the corporate governance standards are comprehensively adopted by the Bank and supporting its ambitious new strategy. There are two members of the Bukhamseen family on the Bank’s Board of Directors and one of those directors is also the Bank’s Vice Chairman and Chief Executive Officer (“CEO”).

The Bank believes that it has a strong and stable Board of Directors, consisting of nine directors. All of the Bank’s directors have experience in the financial services industry and a number are also experienced in the real estate industry. The Chairman of the Board has been in that post since 2010.

The executive management team has acquired vast experience and has a strong track record in Kuwait, regionally and internationally. See “Management and employees” for further information on the Bank’s Board of Directors and management.

Reputable Sharia advisory board
Since the conversion of the Bank to comply with Islamic principles in 2007, the shareholders of the Bank have appointed an active, experienced and reputable Fatwa and Sharia Supervisory Board to provide management with the required support and guidance. The Fatwa and Sharia Supervisory Board consists of a number of well-
regarded Sharia scholars who have significant experience in Islamic finance and sit on the Sharia advisory boards of many other Islamic financial institutions. The Fatwa and Sharia Supervisory Board has played a key role in assisting the Bank in developing its Sharia-compliant banking products and services. See “Management and employees—Fatwa and Sharia Supervisory Board” for further information on the Bank’s Fatwa and Sharia Supervisory Board.

Shareholders

The table below shows the Bank’s principal shareholders (those owning more than 5 per cent. of its shares) and their shareholdings as at 31 December 2019.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage of issued share capital (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bukhamseen Group Holding and its consolidated entities</td>
<td>35.90</td>
</tr>
<tr>
<td>The Public Institution for Social Security (GRE)</td>
<td>8.16</td>
</tr>
<tr>
<td>Other shareholders (free float)</td>
<td>45.95</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>9.99</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Business

Reporting segments

As at the date of this Offering Circular, the Group operates through five segments for financial reporting purposes. These segments reflect the Group’s operating business units and are described below:

- **C&IB** – which comprises a range of banking services and investment products provided to corporate customers, including commodity and real estate murabaha finance, ijara and wakala facilities;

- **Retail Banking** – which comprises a range of banking services and investment products provided to individual customers, including commodity murabaha finance, ijara and wakala facilities;

- **TFM&IB** – which comprises liquidity management, correspondent banking, clearing, murabaha investments and deposits with and from banks and other financial institutions;

- **Investment Management** – which comprises the Bank’s investment in associate and other investments, including investment properties; and

- **Others** – which comprises the activities of KIB Takaful and all other business not included in the other segments.

The table below is calculated from the financial information in Note 23 to the 2019 Financial Statements and Note 24 to the 2018 Financial Statements. It shows the percentage contribution of certain financial information in relation to each reporting segment as at, and for the years ended, 31 December in each of 2019, 2018 and 2017.
## Commercial and International Banking

C&IB is the Group’s most significant business in terms of operating income, profit and assets, accounting for 108.5 per cent., 195.3 per cent. and 60 per cent. of the Group’s operating income, profit and assets respectively as at and for the year ended 31 December 2019. It also grew in 2019, with its assets increasing by 15.4 per cent. and its liabilities increasing by 4.6 per cent., in each case compared to 2018. In addition, C&IB’s operating income increased by 12.8 per cent. and its segment profit increased by 3.1 per cent., in each case in 2019 compared to 2018.

C&IB comprises two departments: the Wholesale Banking Department ("WBD") and the RED.

### WBD

The WBD offers its customers a comprehensive set of innovative products, services and solutions, including cash and non-cash financing services (such as working capital and long-term murabaha, real estate ijara, letters of credit and letters of guarantee). It also provides other banking services that serve corporate customers and financial institutions, including structured finance and syndications, correspondent banking, cash management and trade solutions, in addition to a range of current, call and term deposit accounts.

The Bank believes that the WBD benefits from:

- its deep understanding of its customers’ businesses;
- its solid coverage model along industry lines to better serve its client base through industry and sector specialisation; and
- its comprehensive and innovative range of services and strategic, solution-driven capabilities.

The WBD offers its products and services through a number of dedicated divisions, including its large corporates, public sector, project finance, trading, contracting, small and medium-size enterprises and real estate finance divisions. These products are offered to large, medium and small-sized corporate customers as well as governmental departments, government related entities and financial institutions. The industry sectors served

<table>
<thead>
<tr>
<th></th>
<th>C&amp;IB</th>
<th>Retail banking</th>
<th>TFM&amp;IB</th>
<th>Investment management</th>
<th>Other</th>
<th>Total (per cent.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment operating income</td>
<td>108.5</td>
<td>2.5 (23.7)</td>
<td>8.3</td>
<td>4.4</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Segment profit/(loss)</td>
<td>195.3</td>
<td>(15.1) (24.8)</td>
<td>(5.8)</td>
<td>(49.6)</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Segment assets</td>
<td>60</td>
<td>10 20.5</td>
<td>8</td>
<td>1.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>14.6</td>
<td>28.9</td>
<td>54.8</td>
<td>—</td>
<td>1.7</td>
<td>100.0</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment operating income</td>
<td>98.8</td>
<td>7.5 (13.7)</td>
<td>3.6</td>
<td>3.8</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Segment profit/(loss)</td>
<td>156.1</td>
<td>(4.1) 3.2</td>
<td>(9.9)</td>
<td>(45.3)</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Segment assets</td>
<td>64.4</td>
<td>11.6</td>
<td>16.2</td>
<td>6.2</td>
<td>1.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>17.1</td>
<td>39.0</td>
<td>41.3</td>
<td>—</td>
<td>2.6</td>
<td>100.0</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment operating income</td>
<td>84.9</td>
<td>12.6 (9.3)</td>
<td>7.7</td>
<td>4.1</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Segment profit/(loss)</td>
<td>136.3</td>
<td>0.3</td>
<td>15.5 (5.7)</td>
<td>(46.4)</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Segment assets</td>
<td>57.1</td>
<td>12.2</td>
<td>22.1</td>
<td>6.5</td>
<td>2.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Segment liabilities</td>
<td>16.4</td>
<td>36.9</td>
<td>43.7</td>
<td>—</td>
<td>3.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
are the real estate sector, financial institutions, oil and gas, other industries, including construction, manufacturing, wholesale trade and retail.

The WBD’s customers utilise trade financing facilities made available by the trade finance division. This division uses its extensive knowledge to help customers enhance their global competitiveness and reduce risk. The trade finance division offers a wide range of services, including:

- letters of credit, including the extension of cash financing; and
- letters of guarantee, including bid bonds, performance, advance payment, retention, purchase and counter guarantees; and bills for collection, both documentary and clean with payment at sight/acceptance, settlement and remittance proceeds.

Notwithstanding intense competition during 2019, the WBD achieved strong results and expansion across all of its specialised units. This growth was attained by deepening existing relationships and acquiring new corporate customers with a special focus on large corporate clients and family conglomerates as they offer strong cross-sell opportunities, particularly in relation to trade, cash management and treasury products and services. The WBD has also sought to offer its customers exceptional customer service standards, while maintaining a high-quality asset portfolio and providing greater value and enhanced product offerings. The WBD also helped support the national economy through structuring and arranging facilities to pioneering local companies, as well as other leading companies in investment, communication, aviation leasing, oil and gas and financial services.

**RED**

Historically, the Bank has been one of the leading providers of real estate finance services in Kuwait. The Bank played a significant role in supporting corporate real estate developments, including the construction of commercial and residential properties.

In 2018, the Bank launched the RED to offer integrated real estate products and services to its clients, including:

- real estate financing: RED offers products such as murabaha, ijara and istisna’a to enable its customers to finance the purchase of investment, commercial and residential properties;
- consultation: with its significant experience and extensive knowledge of the Kuwait real estate sector, the Bank believes that RED is positioned to offer unmatched advisory services to clients;
- property management: the Bank is among a select set of banks in Kuwait which offers property management services to its clients, including marketing and property management to improve both the utilisation of income and enhance property values; and
- real estate appraisal activities: the Bank is one of only two banks in Kuwait that are authorised by the CBK for property valuation. RED’s real estate appraisal service is a key reference for governmental authorities, banking institutions, investment and real estate companies in Kuwait.

These services continue to grow in line with the Bank’s strategy, enhancing the Group’s revenues and supporting its credit portfolio.

**Retail Banking**

Retail Banking accounted for 10.0 per cent. of the Group’s assets and 28.9 per cent. of its liabilities as at 31 December 2019. In 2019, its assets increased by 7.0 per cent. and its liabilities decreased by 9.5 per cent., in each case compared to 2018. Retail Banking recorded a KD 2.6 million loss in 2019, a 857 thousand loss in 2018 and a small profit in 2017.
Particularly in the retail area, the Bank is executing a significant transformation focused on putting the customer at the centre of every interaction, across all touch points and channels. As part of this transformation, the Bank has launched a number of new digital banking solutions designed to improve the overall customer experience, including:

- the first multi-channel contact centre in Kuwait which has a visual interactive voice response (VIVR) which provides customers with access to most of the Bank’s services through a visual interface, with live chat assistance and video call assistant;
- a new mobile and online solution; and
- 3D secure.

The Group’s strategy for the retail banking business also includes increasing its market share by focusing on salary acquisition with innovative salary campaigns, creating more visibility in the market and providing additional services and products to enhance customer experience, including providing targeted services for high net worth individuals (for example, priority banking with a dedicated service area within branches) and Kuwaiti youth (for example, incentivising youth to deposit their Government allowances with the Bank by offering youth-related gadgets, petrol cards and consumer discounts). The strategy includes enhancing the distribution network, both physical and digital, simplifying existing products, launching new products and targeted promotions to increase value for the Bank’s retail customers. The Group’s new retail banking strategy is expected to enable the Group to continue to expand its retail customer base in the coming years.

Retail Banking offers a range of deposit accounts, financing and card products and related services to personal customers in Kuwait through its distribution network, see “—Distribution network” below. In addition, the Group has a direct sales force which markets its retail products and services to its customers. Retail Banking’s customers principally comprise Kuwaiti residents of various nationalities.

Retail Banking’s deposit accounts include current, savings and term deposit accounts. The savings accounts include profit-bearing investment accounts offered to Kuwaitis and expatriates and a savings account that offers quarterly profit distributions. The Group’s term deposits are profit-bearing, can be denominated in a range of currencies and have terms of between one month and three years, depending on the customer’s preferences. The minimum opening balances required for the savings and deposit products vary based on the type of account.

Retail Banking’s financing products include construction, consumer and musawama (zero per cent.) auto financing products. The Bank’s construction financing is available to customers who seek to purchase building or construction materials to build or renovate a home. The financing is advanced for a maximum term of 15 years and up to a maximum amount of KD 70,000, in each case in accordance with CBK requirements. The financing is available to Kuwaitis, GCC and other expatriates residing in Kuwait. Consumer and auto financing is advanced for a maximum term of five years and up to KD 25,000 (or 25 times the customer’s salary, whichever is less). Personal financing can only be used for the purpose of paying medical and education expenses or purchasing furniture, electronic appliances, marine equipment and cars.

Retail Banking offers Visa signature, classic, gold and platinum and MasterCard world credit cards and pre-paid Visa cards which can be reloaded by money transfer from a personal account. Different card types are focused on different customer segments with a range of services and benefits attached to each card.

**Treasury, Fund Management and Institutional Banking**

TFM&IB accounted for 20.5 per cent. of the Group’s assets and 54.8 per cent. of its liabilities as at 31 December 2019. TFM&IB recorded an operating loss in each of 2019, 2018 and 2017 principally reflecting its cost of funding. In 2019 TFM&IB recorded a segment loss of KD 4.3 million. In each of 2018 and 2017, TFM&IB recorded a segment profit of KD 0.7 million and KD 2.8 million, respectively.
TFM&IB applies dynamic funding strategies (which adjust according to TFM&IB’s expectations of the profit rate and liquidity trends in the markets) to support the Group’s business areas, while focusing on the efficient management of cost of funds to maximise profit. TFM&IB applies a transparent funds transfer pricing model (in which all relevant departments provide their input by taking balance sheet compositions, any growth trends and budget targets of the Group into consideration) to help management and the business units make the right pricing decisions on products and increase profitability. This model adopts a matched-maturity approach to reflect the true cost of funding through a robust methodology that determines the costs/benefits of liquidity based on maturities of assets and liabilities, thus allowing higher rates to be assigned to products that use/provide liquidity for longer periods of time.

TFM&IB is also responsible for the daily management of the Bank’s liquidity, through a dedicated asset and liability management team to ensure compliance with internal policies and the daily limits set by the ALCO, as well as the regulatory requirements of the CBK (which include a liquidity coverage ratio, a net stable funding ratio, a liquidity ratio and maturity ladders).

TFM&IB offers its customers (principally government-related entities and other financial institutions) foreign exchange transactions and Islamic deposits structured to meet their business requirements.

In addition, TFM&IB:

- manages the Bank’s foreign exchange transactions and its overall foreign currency exposure in line with the Bank’s set limits, both internal through the ALCO and the regulatory limits set by the CBK; and
- manages the Group’s profit rate exposure by deploying excess liquidity in line with profit rate forecasts and market movements and using liquidity maturity ladders (which compare the Group’s future cash inflows to its future cash outflows over a series of specified time periods) according to the daily and cumulative limits set by ALCO and the CBK.

Investment Management

Investment Management accounted for 8.0 per cent. of the Group’s assets as at 31 December 2019. Investment Management has no liabilities. Investment Management recorded small amounts of operating income and made a loss in each of 2019, 2018 and 2017.

Investment Management continues to focus on deploying funds into stable income generating liquid assets with a primary focus on sukuk investment that provides a stable income and strong risk-adjusted return. The Investment Management portfolio comprises strategic investments, principally in entities in the financial industry that complement the Group’s banking business, sukuk, real estate and equity investments. The majority of Investment Management’s income is derived from yields on sukuk, rental income from investment properties and dividends from equity investments.

Others

Others accounted for 1.5 per cent. of the Group’s assets and 1.7 per cent. of its liabilities as at 31 December 2019. Others recorded operating income of KD 3.0 million in 2019 and KD 2.5 million in 2018 and losses of KD 8.6 million in 2019 and KD 9.5 million in 2018.

Others principally comprises the Group’s majority shareholding in KIB Takaful. KIB Takaful is an Islamic insurance company registered in Kuwait. Its main activity is to provide takaful (co-operative) insurance to both corporates and individuals through medical, motor, marine, fire and general, travel and family income benefit plans.

Distribution network

The Bank’s principal distribution channels, available to both its corporate and retail customers, comprise:
• **Branch network, ATMs and POS terminals:** As at 31 December 2019, the Bank had a network of 20 strategically located branches in Kuwait that cater to all demographics and customer needs, and an ATM network of 110 machines (28 of which are located at its branches and 82 of which are located off-site). The Bank had 2,991 POS terminals, mainly in retail shops, restaurants, clinics, schools and real estate offices as at 31 December 2019.

• **Telebanking:** The Bank provides banking services by telephone to its customers and also operates a call centre on a 24/7 basis. These services can be used by customers in Kuwait to conduct a variety of transactions, including making balance and account enquiries, transferring money, making credit card payments and enquiring about foreign exchange. In 2019, the call centre handled 549,641 customer calls of which 197,599 were transferred to an agent and 30,749 used the Bank’s recently introduced visual telebanking service (VIVR), which it believes is the first of its kind in Kuwait and which replaces traditional automatic answers with visual responses.

• **Internet banking:** The services provided to account holders through the platform include the provision of account balances and statements, funds transfers, bill payments and a secure channel for customers to request other products and services.

• **SMS and mobile banking:** The Bank’s customers may use its SMS banking services to receive regular account updates and SMS alerts. The Bank also offers a mobile banking application that, among other things, allows account balance checking, local and international fund transfers and credit card payments.

• **Direct sales force:** The Bank’s direct sales force brings the Bank’s products and services to the homes or offices of its clients throughout Kuwait. The Bank had a direct sales force comprising 35 members as at 31 December 2019. The direct sales force focuses on customer acquisition.

• **Social media:** This serves as a channel to engage with customers through the launch of KIB Instagram and Facebook accounts.

• **Payment gateway:** This is an electronic solution provided by the Bank to business customers that allows them to charge for their goods and services over the internet. As at 31 December 2019, the Bank had 36 payment gateway customers.

**Competition**

As at the date of this Offering Circular, the Kuwaiti commercial banking sector (excluding foreign banks that operate in Kuwait) comprises five banks operating according to Sharia requirements (the Bank, Kuwait Finance House, Boubyan Bank, Ahli United Bank and Warba Bank) and five banks with a conventional banking licence (National Bank of Kuwait, Burgan Bank, Gulf Bank, Al Ahli Bank of Kuwait and Commercial Bank of Kuwait).

As at 31 December 2019, the Bank’s total assets represented 7.7 per cent. of the total assets of the Kuwaiti Islamic commercial banking sector and 3.1 per cent. of the total assets of the Kuwaiti total commercial banking sector (excluding foreign banks) (source: annual reports published on the company website of Kuwaiti Islamic commercial banks).

As at 31 December 2019, the Bank’s customer deposits represented 6.2 per cent. of the total customer deposits of the Kuwaiti Islamic commercial banking sector and 2.8 per cent. of the total customer deposits of the Kuwaiti total commercial banking sector (excluding foreign banks) (source: annual reports published on the company website of Kuwaiti Islamic commercial banks).

As at 31 December 2019, the Bank’s total customer financings represented 9.2 per cent. of the total customer financings of the Kuwaiti Islamic commercial banking sector and 3.7 per cent. of the total customer financings.
of the Kuwaiti total commercial banking sector (excluding foreign banks) (source: annual reports published on
the company website of Kuwaiti Islamic commercial banks).

The Islamic banking sector in Kuwait is attracting a growing customer base, particularly among local
cooperative and other similar bodies. A general prohibition on mortgages over private residences in Kuwait was
introduced in 2008. However, in 2011 an exception was created in respect of Islamic banks only, allowing them
to finance purchases of residential properties using a mortgage over the property as security. Accordingly, the
principal competitive advantage enjoyed by Islamic banks is their ability to offer residential mortgage financing,
which conventional banks are not permitted to do. Regulatory restrictions relating to profit rates and ratios for
personal lending typically favour Islamic banks over conventional banks. In particular, whereas the interest
rates that can be charged by conventional banks are subject to caps, Islamic banks in Kuwait are able to earn
higher margins than conventional banks on their financing portfolios, as the CBK permits Islamic banks, subject
to CBK limits, to charge customers higher margins to compensate for the fixed nature of profit on financings.

**Information Technology**

The Group considers that IT is essential to its business.

The Bank’s core banking system carries out all business processes, including retail and corporate banking as
well as supporting financial and management information system activities. Its Contact Centre system uses
state-of-the-art technology to provide services and support to clients through IVR and Visual-IVR. The Bank’s
omni-channel (online banking, mobile banking and ATMs) systems provide both corporate and retail clients
with easy and secure access to their accounts as well as services such as funds transfer, salary processing,
finance payments and card services.

The Group has an offsite IT disaster recovery site located in Kuwait that can be activated when required. This
is to ensure that all critical systems are fully operational in line with the Group’s business continuity plan, in
order to provide essential services to its customers. The Group carries out daily and other periodic data back-
ups which are stored in the main data centre and replicated online (in real time) to the disaster recovery centre.

Additionally, the Group provides back-ups of all critical systems and data to an international location (physical
and online) in compliance with CBK instructions.

**Information Security**

Customer confidentiality and the protection of information assets are essential aspects of the Group’s core
values. Operating under the ISO 27001:2013 framework, the most widely recognised, internationally accepted
security standard and benchmark developed for information security management systems, the Group has
integrated information security extensively in all its core business operations.

The Group’s information security strategy includes continuous comprehensive assessments to identify flaws
and weaknesses in its entire infrastructure. The Group continually invests in information security to combat and
deter cybersecurity attacks, a threat which it believes is severe and rapidly growing.
RISK MANAGEMENT

Overview

Risk is inherent in all activities of the Group and is managed through a process of ongoing identification, measurement, mitigation and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group’s financial health and continuing profitability. The Group’s business generates exposure to the following broad risk types from its financial transactions, use of financial instruments and its operations: credit risk, market risk, liquidity risk and operational risk. In addition, there are other risk areas that need to be monitored and controlled. This section provides information about the Group’s exposure to each of these risks, the Group’s objectives, framework of policies, models and quantification techniques, and processes for identifying, measuring, mitigating and managing risks, and the management of the Group’s capital.

Risk Strategy

As an Islamic bank, the Bank’s activities are principally related to the sourcing of funds through Sharia-compliant financial instruments within the guidelines prescribed by the CBK and deploying these funds in Sharia-compliant financing and investment activities to earn a profit. The profits are shared between the shareholders and the profit sharing deposit account holders, in accordance with the policies and proportions determined by the Board of Directors and the Bank’s Fatwa and Sharia Supervisory Board. The funds raised by the Bank vary in maturity between short and longer tenors and are mainly in dinar, apart from major foreign currencies (including GCC currencies). While deploying the funds, the Bank focuses on the safety of the funds as well as maintaining sufficient liquidity to meet all claims that may fall due. The safety of shareholder and depositor funds is further enhanced by diversification of financing activities across economic and geographic sectors, as well as borrower types.

The Group’s risk strategy is to establish a balance between (i) the expected growth in the markets in which the Group operates and (ii) managing the risks associated with the business environments in these markets through controlling risk tolerance levels, defined risk adjusted return on capital levels and collateral coverage assisted by due diligence that takes into account current market intelligence and emerging macroeconomic factors. The main objective of risk management in the Group is to achieve an optimum balance between the twin goals of profit maximisation and capital maintenance. The Group’s risk management framework is built around this objective and seeks to address specific concerns of its various stakeholders, such as shareholders, the CBK, rating agencies, customers, depositors and the general public.

Risk Management Structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank’s risk management function. The Board has established a Board Risk Management Committee (the “BRMC”) which oversees the Bank’s Risk Management Department (the “RMD”) and ensures that the Bank’s policies embody sound risk management practices and are properly implemented.

In addition to the BRMC, there are a number of management committees that have risk functions. These include the ALCO, the Provisioning & Impairment Committee and the Financing and Investment Committee, each of which is discussed further under “Management and employees—Management—Management committees”.

The Group has established a prudent and professional approach to risk taking with the following underlying principles that support its risk management framework:
• actively promoting an overall culture that accords high value to disciplined and effective risk management;
• using professionally qualified people with appropriate risk management skills;
• disciplined processes for evaluation and acceptance of risk within appropriate limits in individual transactions, products and the management of financing and investments;
• a management information system that provides timely and accurate information on risks to the relevant management group and the commitment to continuously upgrade these systems and apply the most up-to-date analytical tools and systems to properly capture risks, monitor positions and determine the impact of potential management actions; and
• an internal audit function to ensure ongoing adherence to and integrity of risk management processes.

The RMD is primarily responsible for managing all risks arising from the use of financial instruments, including credit, liquidity, market (foreign exchange, profit rate and equity) and operational risks, in the Group. In accordance with CBK guidelines on corporate governance, the RMD is an independent department, is headed by a General Manager and is supported by an experienced and qualified team of risk managers, risk officers and analysts. The RMD reports directly to BRMC and administratively to the CEO.

The Group’s risk management methodologies include:

• pro-active methodologies such as the continuous review and enhancement of the Group’s policies and procedures; the development and enhancement of risk measurement tools such as risk grading models, pricing models and Value at Risk (“VaR”) models; risk inputs in respect of the Group’s strategic planning as well as structuring and review of product and services;
• on-going methodologies, such as risk management inputs in respect of proposed financing and investment applications; post approval compliance review of financing and investment facilities; periodic reviews of the financing and investment portfolio by way of reports and highlighting perceived risks to executive management as well as line functionaries; and the continuous monitoring of market, operational and technology related risks; and
• post fact methodologies, such as the review of proposals and trends in respect of provisions; and write-offs and disposal of investments.

Risk Appetite

The Group’s risk appetite defines the maximum limit of risk that it is willing to accept in relevant business categories to achieve an optimal balance of risk and return which will enable the achievement of its strategic objectives and is proposed by the RMD and approved at Board of Directors level. Any risk which breaches the Group’s stated risk appetite must be mitigated as a matter of priority to within acceptable levels. The risk appetite is reviewed and recommended by the BRMC to the Board of Directors for approval and periodic updates. This ensures the risk appetite statements are consistent with the Group’s strategy and business environment. Through the risk appetite statements, the Board of Directors communicates to management the acceptable level of risk for the Group, determined in a manner which meets the objectives of shareholders, depositors and regulators. The RMD aims to identify early warning signs of risk limit and risk appetite breaches, and is responsible for notifying them to the BRMC and the Board of Directors.
Risk Management Systems

In order to manage risks in a holistic manner and to measure risks on a consolidated basis, the Group has a formal Risk Governance Framework, which provides detailed guidelines for a sound framework for enterprise-wide risk management. The objectives of risk management are supported by various risk policies that are reviewed and updated regularly. The risk policies, in general, cater to detailed planning for various risks based on business strategies, past performance, future expectations, economic conditions and internal as well as external events. The policies also require comprehensive analysis of a set of pre-determined parameters prior to introduction of new products or instruments. The policies have put in place internal limits (nominal as well as risk-based) for continuous monitoring and ensuring that risks are maintained within the Group’s risk appetite. Periodic reporting of risks to various internal bodies, including the ALCO, the Provisioning & Impairment Committee, the Financing and Investment Committee and the BRMC, ensures that the Board of Directors and the executive management are continuously kept aware of positions thereby enabling informed decision-making. The risk management policies are established to identify, quantify, control, mitigate and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and ensure adherence to the risk appetite limits. Risk management policies and systems are subject to review regularly, on an ongoing basis, to reflect changes in the economic environment, market conditions and products and services offered by the Group.

The Group performs semi-annual stress tests under three scenarios: mild, medium and severe. These tests are based on two sets of assumptions: one based on CBK-prescribed parameters and the other based on the Group’s own assumptions. These parameters cover stress scenarios for profitability parameters, assets and liabilities structures, financing exposures, capital adequacy, profit income, fee income, foreign exchange income, falls in collateral value and stock market declines resulting in additional impairment losses. The Group also undertakes scenario testing at periodic intervals to quantify potential and inherent risks that it faces.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This includes the risk of a decline in the credit standing of a customer. While such decline does not imply default, it increases the probability of the customer defaulting. Financial instruments that create credit risk for the Group include financing receivables, contingent liabilities and commitments to extend credit and investment in sukuk.

Credit risk management structure

To manage credit risk, the Group has established the Board Strategy and Financing & Investment Committee (the “BSFIC”) and two management committees:

• the Financing and Investment Committee; and

• the Provisioning & Impairment Committee.

The BSFIC is responsible for reviewing and approving recommendations made by the Financing and Investment Committee and Provisioning & Impairment Committees’ recommendations with regard to credit facilities, financing relationships, financing limits, pricing, profitability and investment activities.

The Financing and Investment Committee is responsible for safeguarding the Group’s asset quality and ensuring profitable use of funds. This committee reviews the Group’s credit policy in line with CBK guidelines for commercial, retail credit and interbank credit. This committee also approves or renews credit and investment proposals within their financing limits and reviews and concurs in the approval process for the extension of credit or the making of investments in excess of its authority.
The Provisioning & Impairment Committee is primarily responsible for determining the provisions required for impaired facilities when the facility is not already classified as irregular according to CBK regulations. In addition, the Provisioning & Impairment Committee reviews the required provisions for irregular financing facilities to ensure compliance with CBK regulations/IFRS 9 regulations as applicable in Kuwait.

**Credit risk management strategy and process**

The Bank manages its credit facilities portfolio with the objective of ensuring that it is well diversified and it earns a level of return appropriate to the risk it assumes.

In the normal course of business, the Bank deploys its funds in various credit facilities, with the primary objective of generating profits for its shareholders and deposit holders. However, at the same time, the Bank seeks to ensure the quality of the credit facilities. The Bank continually strives to achieve an optimal balance between the return and credit quality of the portfolio.

The Bank’s policies and procedures manuals, dealing with credit, lay down the credit risk management framework by specifying various covenants and credit standards which include:

- clear definition of roles and responsibilities of the various functionaries involved in the different stages of the credit facility life cycle;
- establishing a clear approval authority structure both for routine as well as exceptional credit facilities;
- listing beneficiary, facility, collateral and pricing parameters for the Bank’s products;
- standardising credit approval packages;
- defining criteria for collateral valuation and policies for collateral management;
- detailing the procedures for the entire credit life-cycle, including problem financing management; and
- ensuring, by way of limits, a diversification of the credit portfolio across geographies (countries/regions), sectors and counterparties.

**Credit concentration risk**

The Bank considers credit concentration risk as the risk that the Bank is exposed due to the level of exposure to any individual or related group of customers, specific industry or sector, country or geographic locations.

**Single name concentration**

Single name concentration is monitored on an individual basis and on a consolidated related party exposure basis. Every proposal is subjected to this check and no single name concentration may exceed the 15 per cent. regulatory capital limit set by the CBK, unless specifically pre-approved by the CBK.

The Bank’s top 25 exposures are monitored on a daily basis and reported to senior management and other statutory reporting units. The Bank abides by single obligor rules set by the CBK requiring Kuwaiti banks to seek CBK approval for any planned exposure to a single counterparty or groups of connected counterparties exceeding the limit applicable to that counterparty.

**Sector concentration**

The Bank has adopted measures to diversify its exposures to various sectors. As at the date of this Offering Circular, real estate exposure is the major contributor to the Bank’s financing receivables portfolio but it remains within the limits internally prescribed and has sufficient collateral coverage. The Bank has established industry limits to ensure portfolio diversification and employs stringent financing guidelines in conjunction with close portfolio monitoring for portfolios vulnerable to systemic downturns.
**Geographic concentration**

The Bank’s operations are mainly concentrated within Kuwait. Where practicable, the Bank seeks to diversify its exposures across geographies to reduce the dependence on the local market. Diversifications across geographies expose the Bank to legal, transfer and sovereign risk. Exposures are monitored periodically to ensure compliance with the cross-border limits approved by the Board of Directors.

The Risk Management Department monitors movements in the financing receivables portfolio and reports are submitted to senior management on both a monthly and quarterly basis. The reports highlight the market trends, the business directions and the risk parameters and suggest mitigants.

**Credit origination**

As part of the credit origination process, each business unit solicits, evaluates and manages credit in accordance with the strategies, business plan, policies and portfolio limits established by the Bank. Business proposals are initiated within a well-defined target market, in conformity with the above criteria. All financing proposals are risk graded based on internal rating models and within the threshold of approved risk based pricing criteria. The Credit Risk Review function analyses every credit proposal submitted by business units in line with the Bank’s applicable policies and financing standards. Credit proposals, together with the credit risk review, are presented to the relevant approving committees for a decision. An approval authority matrix exists which defines the credit approval authorities, with the highest level being the BSFIC and, at executive level, the Financing and Investment Committee.

For retail financing, product-wise delegated authority levels are in place for the retail banking business within the Board approved credit programme and there is an escalation process for exceptional cases.

As an important part of the credit risk management function, the Bank uses an internal risk rating system to assess the credit quality of borrowers and counterparties. Each non-retail exposure is assigned a risk rating based on an eight grade scale that ranges from 1 (low risk) to 8 (high risk). In addition to the obligor rating, the Bank also determines facility ratings and each client exposure is then mapped into a final rating based on a matrix that links the obligor rating and the facility rating.

**Credit risk monitoring**

Credit risk monitoring is performed at various levels as follows:

- **monitoring of risk quality (obligor level):** The Bank has a process of review of credit based on its internal rating grades. Every proposal has to carry a risk rating as the initial check on the quality of credit. In case of any deterioration, additional reviews are made and the Bank has a process of defining and reporting all the potential problem accounts.

- **monitoring of risk quality (portfolio level):** The Bank monitors its portfolio based on economic sectors, industry, geography, ratings and business lines. Portfolio reports are generated periodically for senior management review.

- **monitoring of past dues on principal and profit:** All past due principal and profit amounts are reported periodically to senior management. Measures to realise these past due amounts are initiated and followed.

- **monitoring of potential loss accounts (watch-list):** This category comprises accounts where principal or profit are past due and which show some potential weakness in the borrower’s financial position and credit worthiness, which requires greater follow-up and monitoring. The requirement for provisions is also periodically assessed. The assessment of the impaired portfolio and the provisioning requirement is vetted through a Provisioning & Impairment Committee at senior management level as mandated by CBK regulations and escalated to appropriate Board level committees.
collateral management: The Bank has adopted a rigorous system of controls, reviews and approvals to ensure effective collateral management. This includes a commitment to value requirement for each facility and specific collateral requirements for financing against shares and real estate. Collateral is regularly evaluated and, in addition to internal assessments, valuations are backed by independent third-party reports.

During the life of a financing, it may be classified as past due but not impaired or as impaired where payments due have been missed. Note 24(i) to the 2019 Financial Statements and Note 25(i) to the 2018 Financial Statements each contain, under the heading “Credit quality of financial instruments”, an ageing analysis of the Group’s past due but not impaired and its impaired financing receivables. As at 31 December 2019, 65.3 per cent. of its past due but not impaired receivables were past due by 30 days or less, 11.7 per cent. were past due by between 31 and 60 days and the remaining 23.0 per cent. were past due by between 61 and 90 days. All of the Group’s impaired financing receivables were past due by more than 90 days.

Note 24(i) to the 2019 Financial Statements and Note 25(i) to the 2018 Financial Statements contains, under the heading “Credit quality of financial instruments”, tables analysing the Group’s exposure to credit risk by credit quality of the underlying assets which give rise to that risk as at 31 December in each of 2019, 2018 and 2017. These assets include financing receivables, amounts due from banks, investments in sukuk, balances held with banks and other assets, see Note 24(i) to the 2019 Financial Statements and Note 25(i) to the 2018 Financial Statements under the heading “Maximum exposure to credit risk” for an illustration of the relative importance of these assets as at 31 December in each of 2019, 2018 and 2017.

In managing its portfolio, the Group also utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses an internal credit rating methodology. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

CBK required provisions
Under CBK regulations, irregular credit facilities comprise:

- **Watch list requiring specific provisions on assessment basis.** This includes regular clients where, at management’s discretion, provisions have been booked to address any possible future deterioration as well as credit facilities that are overdue for 90 days or less (inclusive). The specific provision percentage is determined based on review of each case and after a thorough study by the management and also after deducting deferred, suspended profit and eligible collateral.

- **Sub-standard.** If facilities are irregular for a period of 91 – 180 days (inclusive), a minimum 20 per cent. provision rate must be applied to the total facilities net of deferred and suspended profit and eligible collateral.

- **Doubtful debts.** If debts are irregular for a period of 181 – 365 days (inclusive), a minimum 50 per cent. provision rate must be applied to the total facilities net of deferred and suspended profit and eligible collateral.

- **Bad debts.** If debts are irregular for more than 365 days, a provision rate of 100 per cent. must be applied to the total facilities net of deferred and suspended profit and eligible collateral.

In addition, in accordance with CBK instructions, a minimum general provision is made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning. The minimum general provision in excess of the present 1 per cent. for cash facilities and 0.5 per cent. for non-cash facilities is retained as a general provision until directed otherwise by the CBK.
In 2018, the Bank implemented IFRS 9-based impairment assessments for specified asset (exposure) classes as mandated by the CBK.

At 31 December 2019, the Bank’s non-performing cash finance facilities amounted to KD 37.8 million (31 December 2018: KD 17.3 million), KD 36.8 million (31 December 2018: KD 15.6 million) after excluding deferred revenue, KD 35.6 million (31 December 2018: KD 15.2 million) after excluding deferred revenue and suspended profit and KD 34.5 million (31 December 2018: KD 12.5 million) after excluding eligible collateral in accordance with CBK regulations. As at 31 December 2019, the Bank’s provision amounted to KD 53.1 million (31 December 2018: KD 51.3 million), including general provisions that amounted to KD 46.8 million (31 December 2018: KD 44.4 million). The Bank’s CBK-mandated provisions for financing receivables exceeded its IFRS 9-required provisions in 2019 by KD 0.6 million.

Assessment of ECLs

The Group computes ECL on the following financial instruments that are not measured at fair value through profit or loss:

- its financing receivables, including financing commitments;
- its letters of credit and financial guarantee contracts, including commitments;
- its investment in sukuk; and
- its balances and deposits with banks.

The Group applies a three stage approach to measure ECL as follows:

**Stage 1: 12-month ECL**

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been a significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally recognised definition of ‘investment grade’.

**Stage 2: Lifetime ECL – not credit impaired**

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but the financial assets are not credit impaired.

**Stage 3: Lifetime ECL – credit impaired**

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

**Significant increase in credit risk**

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have a significant increase in credit risk since initial recognition and migrated to stage 2, even if other criteria do not indicate a significant increase in credit risk.

The Group considers a two notch downgrade (without considering modifiers in the rating) as a significant increase in credit risk for externally rated instruments with an “investment grade” rating at inception and one notch downgrade as a significant increase in credit risk for instruments with a below “investment grade” rating.
at inception. Similarly, the Group applies a consistent quantitative criteria for its internally rated portfolio to assess whether or not there has been a significant increase in credit risk.

In the absence of ratings at inception, the Group considers the current rating at the reporting date to determine if there is a significant increase in credit risk and in such cases all instruments below investment grade or its equivalent are considered as stage 2. The Group considers a financial instrument with an external rating of “investment grade” as at the reporting date to have low credit risk.

In addition to the above quantitative criteria, the Group applies qualitative criteria for the assessment of a significant increase in credit risk based on its monitoring of certain early warning signals.

**Definition of default**
The Group considers a financial asset to be in default and therefore at stage 3 (credit impaired) for ECL calculations when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the customer is past due more than 90 days on any material credit obligation to the Group; or
- the customer is considered as credit impaired based on qualitative assessment for internal credit risk management purposes. Evidence of credit impairment includes observable data about significant financial difficulty of the customer or issuer; a breach of contract such as default or past due event; a lender having granted to the customer a concession that it would otherwise not consider, for economic or contractual reasons relating to the customer’s financial difficulty; the disappearance of an active market for a security because of financial difficulties; and the purchase of a financial asset at a deep discount that reflects an incurred credit loss. Any credit impaired or stressed facility that has been restructured is also considered to be in default.

The Group considers investments and interbank balances to be in default when the profit or principal payment is past due for one day. The Group considers any externally-rated financial asset with a rating of ‘D’ for Standard & Poor’s Credit Market Services Europe Limited and Fitch and ‘C’ for Moody’s Investors Service Ltd. ("Moody’s") to be in default.

The Group considers a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants;
- the customer having past due liabilities to public creditors or employees; and
- the borrower being deceased.

**Calculation of ECLs**
Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date. Both lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

The Group also considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward-looking information into its ECL models. These primarily reflect reasonable and supportable forecasts of future macroeconomic conditions. The consideration of such factors increases the degree of judgment in determining ECLs. The Group employs statistical models (GCorr macro
model) to incorporate macro-economic factors on historical default rates. The Group considers three scenarios (baseline, upside and downside) of forecasts of macroeconomic data separately for each geographical segment and appropriate probability weights are applied to these scenarios to derive a probability-weighted outcome of ECL. Management reviews the methodologies and assumptions, including any forecasts of future economic conditions, on a regular basis.

ECLs are probability-weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfalls represent the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group actually expects to receive. The key elements in the measurement of ECLs include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

**Probability of default**

The PD is the likelihood that an obligor will default on its obligations in the future. IFRS 9 requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Group’s estimate of the future asset quality. Through the cycle ("TTC") PDs are generated based on the internal and external credit ratings. The Group converts the TTC PD to point in time ("PIT") PD term structure using appropriate models and techniques.

The Group assesses the PD for its retail portfolio through behavioural scorecards implemented in the Group. The scorecards are based on a logistic regression technique. This enables the evaluation of a score and associated PD for each facility. The term structure of the PD is based on a hazard rate concept. The survival distribution used is exponential. The probability distribution function of an exponentially distributed random variable is used with the hazard rate as the PD evaluated from the behavioural scorecard.

**Exposure at default**

EAD represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn financing. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off balance sheet values. EAD is estimated taking into consideration the contractual terms such as profit rates, frequency, reference curves, maturity, pre-payment options, amortisation schedule and usage given default. EAD for retail financings incorporates prepayment assumptions and for credit cards credit conversion factors are applied to estimate the future draw downs.

**Loss given default**

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on historical recovery rates for claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For all unsecured financings, the Group considers a minimum of 50 per cent. LGD for senior financings and 75 per cent. LGD for subordinated financings.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of financial assets which are carried at amortised cost, including financing receivables, letters of credit and guarantees and balances with banks. In the case of its investment in sukuk, which is measured at FVOCI, the Group recognises the ECL charge in the consolidated statement of profit or loss and a corresponding amount is recognised in other comprehensive income with no reduction in the carrying amount of the sukuk in the consolidated statement of financial position.
Credit risk mitigation

The Bank uses collateral, netting and guarantees provided under certain conditions, which include such agreements being binding on all parties and legal enforceability, to mitigate its credit risk.

The Bank’s financing policy specifies the acceptable types of collateral, source of valuation, accuracy of valuation and frequency of revaluation in respect of collateral. The policy also specifies the maximum facility commitment to collateral value and approval levels for different types of collateral and facility. Cash, first demand bank guarantees, securities and real estate are all accepted as collateral.

As part of its general collateral control mechanism, the Bank periodically revalues all collateral to ascertain that the collateral cover is not lower than the value at the time of the original approval. The Bank also continuously monitors the validity and expiry dates of mortgages to ensure their timely renewal.

The main types of guarantors are individuals and corporate entities. Since none of the Bank’s guarantor counterparties have been rated by any of the three rating agencies (approved by the CBK for the purposes of calculating its capital adequacy), the Group has not taken any guarantor-related credit risk mitigation allowance in calculating its capital adequacy.

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Bank’s policy to generally dispose of repossessed properties in an orderly fashion. The proceeds are then used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use, although it may retain repossessed properties as investment properties in certain circumstances.

At 31 December 2019, 53 per cent. of the Group’s total outstanding financing receivables were fully secured compared to 53 per cent. as at 31 December 2018.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit liquidity risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors liquidity on a daily basis.

The Group’s management of liquidity risk is consistent with its overall risk management framework and includes establishing minimum liquid asset requirements and limits with regards to the acceptance of short-term wholesale deposits to protect against short-term liquidity demands.

The Group monitors liquidity risk by measuring the liquidity gaps on a daily basis and the position is reviewed by the ALCO on a monthly basis. Similarly, the Group’s liquidity reserve position, the ratio of its financing facilities to eligible deposits, Net Stable Funding Ratio and Liquidity Coverage Ratio are monitored on a daily basis.

The Group measures liquidity risk by monitoring the maturity profile of its assets and liabilities. Note 24(ii) to the 2019 Financial Statements and Note 25(ii) to the 2018 Financial Statements contains such an analysis which shows, as at 31 December 2019, a negative net liquidity gap (liabilities in excess of assets) in the up to one month and one to three month categories of KD 87.2 million and KD 187.9 million, respectively. As at 31
December 2019, in each of the three to 12 month and over one year categories the Group had positive net liquidity gaps of KD 75.8 million and KD 574.8 million, respectively.

In addition, Kuwaiti banks are subject to the Basel III Liquidity Coverage Ratio (“LCR”) as adopted by the CBK. The CBK issued its LCR regulations in 2014 and the CBK board of directors approved, in its session held on 25 October 2015, Net Stable Funding Ratio (“NSFR”) guidelines for both conventional and Islamic banks, including the branches of foreign banks operating in Kuwait. The CBK has introduced the LCR in a phased manner, setting a benchmark requirement of 70 per cent. in 2016 which has reached 100 per cent. with effect from 1 January 2019. Banks are required to submit, along with existing liquidity reports, their LCR reports on a daily and monthly basis for monitoring purposes as well as their LCRs by major currency. The minimum required NSFR is calculated as a percentage of available stable funding to the required stable funding that should not be less than 100 per cent. This requirement has been effective since 1 January 2018. In view of the liquidity stresses experienced by banks due to Covid-19, the CBK has reduced the LCR and NSFR to 80 per cent. with effect from 1 April 2020 to the end of 2020.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises profit rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control exposures within acceptable parameters, whilst optimising returns. Given the Group’s current profile of financial instruments, management believes that the principal exposure is the risk of loss arising from fluctuations in the future cash flows or fair values of its financial instruments because of a change in market rates. This is managed principally through monitoring gaps and is reviewed periodically by the ALCO.

Market risk management structure

The ALCO is the management committee that oversees the management of the Group’s day to day market risks by the treasury department, which is headed by the Acting General Manager - Treasury.

The International Banking Department is responsible for proposing country limits based on Moody’s long-term sovereign currency debt ratings, or equivalent ratings by two other rating agencies, and reviewing them annually. The measurement, monitoring and reporting of market risks is the responsibility of the market risk division within the Risk Management Department.

Market risk management strategy and process

The Group has established risk management policies and limits within which exposure to market risks is monitored and controlled. The Group uses the VaR approach for measuring the risk of foreign exchange exposures and has suitable VaR limits apart from limits on the notional value. Earnings at Risk (“EaR”) based on the re-pricing gap method is used to assess the profit rate risk in the banking book and appropriate EaR limits are established. The Group also periodically measures the change in the Economic Value of Equity by applying a standard shock. Equity price risk is measured through VaR.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is a Kuwaiti entity and the dinar is its functional currency. The Board of Directors has set limits on positions by currency. Positions are monitored on a daily basis to ensure that they are maintained within established limits. Note 24(iii)(a) to the 2019 Financial Statements and Note 25(iii)(a) to the 2018 Financial Statements contain tables which show the Group’s net exposures denominated in foreign currencies as at 31 December in each of 2019, 2018 and 2017, with the principal exposures being to
U.S. dollars and the Qatari riyal. The Group does not provide an exchange rate sensitivity analysis in the Financial Statements as management believes that the Group does not have significant exposure to foreign exchange risk.

**Equity price risk**

This is the risk that the fair value or future cash flow of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from rate of return risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. Note 24(iii)(b) to the 2019 Financial Statements and Note 25(iii)(b) to the 2018 Financial Statements contain a sensitivity analysis with respect to equity price risk which show that, for FVOCI investment securities, a 5 per cent. increase in stock prices as at 31 December 2019 would have increased equity by KD 6.8 million and for FVTPL investment securities, the impact on profit or loss would have been an increase of KD 0.7 million. An equal change in the opposite direction would have had an equal, but opposite, effect, on the basis that all other variables remained constant.

**Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes, but is not limited to, legal risk, fraud risk, risk due to money laundering and risk of non-compliance with Sharia principles.

The Group’s business and support units have primary responsibility for identifying, assessing and managing their operational risks. They employ internal control techniques to reduce their likelihood or impact to tolerable levels within the Group’s risk appetite. Where appropriate, risk is mitigated by way of insurance.

The Group has a set of policies and procedures that are applied to identify, assess and control operational risk in addition to other types of risk relating to the banking and financial activities of the Bank. Operational risk is managed through the Risk Management Department which ensures compliance with policies and procedures to identify, assess, control and monitor operational risk as part of overall risk management.

The Group has implemented a new operational risk management system which enables it to measure monitor and report the operational risks.

The Group uses the following methodologies in managing operational risk:

- **Risk and control self-assessment** (“RCSA”): The Group has in place a comprehensive process for RCSA. It uses the RCSA to identify and assess operational risks and evaluate the effectiveness of the controls that are in place to manage the identified risk. Risks are assessed based on their likelihood and potential financial impact.

- **Key risk indicators** (“KRIs”): KRIs are measures to monitor exposure to key operational risks. KRIs provide management with a holistic view of operational risks.

- **Loss data management** (“LDM”): The Group has in place an LDM process to record operational losses. All operational loss are recorded and analysed. Operational losses are classified as per Basel II event categories.

The Group’s business continuity strategy addresses the risks inherent in unexpected business interruptions and its business continuity management system is designed to provide a rigorous mechanism to ensure that its systems and procedures are capable of managing business disruptions. Technical, functional and simulation exercises are undertaken continuously to test preparedness. The Bank has been awarded the International
Organization for Standardization (ISO) 22301:2012 Certificate for “Business Continuity Management System” and is the first bank in Kuwait to obtain an ISO 22301 certificate.

The management of operational risks complies in all material respects with applicable CBK guidelines.

Other Risks

Strategic risk
The Group defines strategic risk as the current or prospective impact on its earnings and capital and risks arising from changes in the environment in which the Group operates, from adverse strategic decisions, improper implementation of decisions or lack of responsiveness to industry downturns, economic direction or technological changes. The Group has a strategic risk framework to identify, measure, monitor and report strategic risk exposures. The sources of strategic risk are:

- gaps in execution of the strategy;
- complexity of the strategy;
- current risks to the achievement of the strategy; and
- track record of achieving strategic goals in the past three years.

Strategic risk is primarily assessed in terms of the controls available to mitigate such risks and the Group’s ability to successfully implement its goals under its long-term strategic plan.

Reputation risk
Reputation risk is the risk of the current or prospective negative impact on the Group’s earnings or capital arising from damage to its reputation in the perception of major stakeholders. The Group manages its reputation risk through a reputation risk management framework and under Pillar II risks (ICAAP/stress testing). The following factors are considered in measuring reputation risk:

- financial performance (including return on equity, stock price and credit rating);
- customer satisfaction;
- regulatory breaches and fines;
- negative media publicity; and
- corporate social responsibility.

The Bank has identified various reputation KRIs and has classified them under 12 drivers: customer satisfaction, financial soundness, corporate governance, management integrity, business practice, risk management and control environment, regulatory compliance, transparency, media and rumours, corporate culture, staff competence and crisis management.

Legal risk
The Group defines legal risk as the risk of loss resulting from its inability to implement contracts or any other rights vested in it. The principal sources of legal risk are:

- terms and conditions and general structure of the legal documents and contracts to which the Bank is party;
- lack of proper documentation covering core banking business;
• inadequate or missing authorisations and signatures;
• violation of the Group’s or legal rules; and
• claims or counter-claims filed against the Group.

The Group’s approach to assessing the legal risk embedded in its contracts and processes considers four aspects:
(i) historical losses arising from legal risk, (ii) an assessment of internal audit findings around processes, systems and controls relating to legal documentation and the execution of the contracts, (iii) internal control reviews related to financing contractual documentation and (iv) review of sample legal contracts.

Compliance risks (both regulatory and Sharia)
The Group follows a zero tolerance policy with respect to regulatory compliance risk. A comprehensive CBK compliance framework is in place to monitor and review adherence to regulatory requirements. The risk management framework also covers Sharia compliance risk.

The Sharia audit department audits the Bank’s various departments on a quarterly basis, to assess their adherence to Sharia controls in respect of the Bank’s products. Any profits, contrary to the principles of Sharia law, which are realised are set aside and not included in the Group’s profit. Similarly, expenses incurred or profits accrued on account of transactions under contracts entered into with customers before the Bank’s conversion to an Islamic bank and where the customer has not agreed to convert the contracts to comply with Sharia principles, are segregated and transferred to a special charities account. The net proceeds of this account are spent on charitable works approved by the Sharia Supervisory Board.

Compliance
Overview
The Group’s compliance function is responsible for overseeing and managing compliance aspects across the Group through a robust compliance framework. It also ensures the Group’s compliance with applicable laws and regulations and CBK and CMA guidelines and internal instructions.

The compliance framework consists of compliance policies and procedures and compliance is monitored through timely reports.

The Group’s compliance programme is built on a foundation of a sound understanding of the appropriate regulatory requirements, communicating internally compliance requirements and advising deviations through effective monitoring and review mechanisms, and escalating breaches for remedial action.

Anti-money laundering and counter-terrorism financing
The Group’s anti-money laundering (“AML”) and counter-terrorism financing (“CTF”) measures take account of the Financial Action Task Force recommendations, international sanctions lists (such as those of the United Nations, the European Union and the US Office for Foreign Assets Control), applicable AML-related laws and regulations and CBK guidelines.

The Group’s AML/CTF policies apply customer due diligence principles for applicants and customers which include the following:
• all new customers being identified and verified;
• all customers being screened against all prohibited lists to ensure full compliance with international sanctions lists; and
• all outward and inward transfers being screened to comply with all sanctions lists.
Customer transactions are monitored on a daily basis under a risk-based approach to ensure that no money laundering transactions are conducted. In addition, the Group conducts enhanced due diligence in relation to high-risk customers.

**Internal Audit**

The Group’s internal audit division is an independent function that reports to the Board Audit Committee. The Board Audit Committee has three non-executive members, including its Chairman, and meets at least quarterly.

The internal audit division is headed by the Acting General Internal Auditor. Its primary role is to evaluate and improve the effectiveness of the Group’s risk management, control and governance processes through independent and objective reviews of the Group’s operations, risk management framework, processes, policies and governance arrangements. The division undertakes its activities through an approved risk-based audit plan.

Internal audit results are discussed with the CEO and reported to the Board Audit Committee. All internal audit findings are discussed with management and tracked through a quarterly follow-up exercise. Updates on the status of audit findings are presented to the Board Audit Committee.

A continuous auditing process has been implemented with the objectives of raising control-related issues outside the routine audit cycle and laying the foundations, with other assurance providers, to introduce synergies in the overall efforts of the second and third lines of defence, whilst maintaining internal audit’s objectivity and independence.
MANAGEMENT AND EMPLOYEES

Management

Corporate governance framework
The Group’s corporate governance framework is based on principles and standards defined by leading professional bodies and regulatory authorities and is embedded into the business and practices of the Group. The framework is designed to secure effective oversight of the Group’s strategy and business operations with a robust risk management approach, transparency and accountability.

The Board of Directors reviews and updates the corporate governance framework on an annual basis, senior management ensures that it is implemented through policies and procedures, and employees follow the corporate governance requirements in their day-to-day business.

The Group is committed to providing timely, consistent and accurate information to its stakeholders and has adopted a disclosure and transparency policy to ensure that this is achieved. This policy covers a wide range of areas, including the key quantitative and qualitative information related to financial performance and financial stability, risk management factors, remuneration, corporate governance, related-party transactions, conflicts of interest and substantial changes in business.

Board of Directors
The Bank operates under the direction of the Board of Directors, which comprises nine members elected during a shareholders’ general assembly meeting for a period of three years and each member can be re-elected for an unlimited number of additional three-year terms. The Board of Directors meets as often as it deems necessary, subject to a minimum of six times a year. In line with CBK requirements, the Board of Directors must convene at least once each quarter. The Board of Directors convened 10 times in 2018 and 11 times in 2019.

The Board of Directors has overall responsibility for the Bank, including approving and overseeing the implementation of its strategic objectives, risk strategy, corporate governance and corporate values. The Board is also responsible for providing oversight of the Bank’s executive management, including the CEO. The Board assumes ultimate responsibility for the Bank’s business and its financial soundness, the fulfilment of CBK requirements, the protection of the legitimate interests of shareholders, depositors, creditors, staff and stakeholders and ensuring that the Bank is managed in a prudent manner and within the applicable laws and regulations and internal policies and procedures.

The Board of Directors appoints the CEO and approves the appointment of most senior management positions reporting to the CEO or Deputy CEO.

The roles of the Board Chairman and the CEO are separate and independent of each another and there is a clear segregation of duties and responsibilities. The CEO is also the Vice Chairman of the Board of Directors. The Chairman’s responsibilities include ensuring the proper functioning of the Board of Directors and maintaining a relationship of trust with the other Board members. The Chairman ensures that Board decisions are taken on a sound and well-informed basis through proper discussion ensuring that dissenting views can be expressed and discussed within the decision-making process. The Chairman is also responsible for establishing a constructive relationship between the Board and senior management and ensuring that the Bank has sound corporate governance standards in place.

The table below shows the names of the members of the Board of Directors as at the date of this Offering Circular.
Brief biographical information on each Director is set out below.

**Sheikh Mohammed Jarrah Al-Sabah, Chairman**

Sheikh Mohammed Jarrah Al-Sabah was elected Chairman of the Board of Directors in 2010, after he had initially joined the Board of Directors in 2007. Sheikh Al-Jarrah has extensive experience in the banking, insurance and real estate investment sectors.

Sheikh Al-Jarrah is also Chairman of the Union of Arab Banks and the President of its Supreme Council of Arbitration, a member of the board of directors of the World Union of Arab Bankers, a member of the board of directors of Kuwait Banking Association, a member of the board of trustees at the Arab Academy for Banking and Financial Sciences, and Vice Chairman of the board of directors of Warba Insurance Company.

During his career, Sheikh Al-Jarrah has held several senior level positions at a number of institutions inside and outside Kuwait, including as Chairman and Managing Director of Commercial Bank of Kuwait and the General Manager of Arab International Insurance Co. in Bahrain. He has also held senior posts in Kuwait Real Estate Investment Consortium, Kuwait Re-Insurance Company, Salhiya Real Estate Company and Arab Insurance Group.

**Mr. Raed Jawad Bukhamseen, Vice Chairman and CEO**

Mr. Raed Bukhamseen was appointed CEO of the Bank in 2018 and has been the Vice Chairman of the Board of Directors since 2015, after having initially joined the Board in 2010. Mr. Bukhamseen has extensive experience in the banking, real estate and investment sectors.

Mr. Bukhamseen is also a member of the board of directors of Bukhamseen Group Holding Company, Boursa Kuwait, Warba Insurance Company, Egyptian Gulf Bank in Egypt, Layan Real Estate Company in Dubai, Souk Al-Salmiah Real Estate Company and Credit One Kuwait Holding Company. Previously, he was also Chairman and Chief Executive of Arab Investment Company.

Mr. Bukhamseen has a Bachelor of Business Administration from Boston University in the United States and has undertaken executive programmes in investment and Banking.

**Dr. Haider Hassan Al-Jumaa, Director**

Dr. Al-Jumaa joined the Board of Directors in 1998 and has extensive cross-industry experience. During his career, he held numerous leadership positions in the banking, insurance and real estate investment sectors.
Dr. Al-Jumaa was a member of the board of directors at Al-Ahli Bank of Kuwait, Egyptian Gulf Bank and Land Mark Real Estate Investment & Tourism Company, both in Egypt, and was Chairman of the board of directors of both Warba Insurance Company and KIB Takaful.

Dr. Al-Jumaa also worked as an Assistant Professor in the Accounting & Audit Department at Kuwait University. His publications include “Islamic Banks in the State of Kuwait”, “Corporate Governance, and its Role in Raising Efficiency of Institutions in both Conventional and Islamic Banks”, “Internal Audit as an Effective Tool for Corporate Governance” and “Money Laundering, Definition, Effects and Ways of Control”.

Dr. Al-Jumaa has a Bachelor’s degree in Accounting from Kuwait University. He also has a Master’s degree in Accounting from the University of Arizona and a PhD in Business Administration from the University of California.

Mr. Anwar Jawad Bukhamseen, Director

Mr. Anwar Bukhamseen joined the Board of Directors in 2004 and served as Vice Chairman of the Board from 2010 until 2015. He has broad experience in the banking, insurance and real estate investment sectors.

During his professional career, Mr. Bukhamseen has held several leadership positions. He is currently Chairman of Warba Insurance Company, Executive Director to the board of directors of Bukhamseen Group Holding Company, a member of the board of directors at Kuwait Catalyst Company, a member of the Kuwaiti Industries Association and a member of the board of directors of the Kuwait Insurance Federation.

Mr. Bukhamseen has a Bachelor of Commerce in Economics and Financial Management from the Faculty of Commerce, Economy and Political Sciences at Kuwait University. He also has a specialised degree from an executive programme in Foreign Trade Policies from Harvard University and a specialised degree conferred by the Kuwait Foundation for the Advancement of Sciences in the framework of Corporate Governance and Financial Institutions Business.

Mr. Jassem Hassan Zainal, Director

Mr. Jassem Zainal joined the Board of Directors in 2006 and has over 32 years’ experience across various sectors. He is currently Vice Chairman and Chief Executive Officer of Arzan Financial Group. He is also a member of the board of directors of Bank of Bahrain & Kuwait in Bahrain and Miami International Holdings Inc. in New York.

During his career, he has held several leadership positions, including Chairman and Managing Director in both Zumorroda Investment Company (Z-Invest) and Automated Systems Company (ASC). Additionally, he worked for a period of 25 years at Gulf Bank, during which he held a number of key positions. Mr. Zainal was also a member of the boards of directors at Khaleej Islamic Investment Bank Bahrain, Al Madina Finance and Investments and Kuwait Airways in Kuwait.

Mr. Zainal has a Bachelor’s degree in Civil Engineering and a Bachelor’s degree in Mathematics from the University of Miami. He also holds a Master’s degree in Civil Engineering from Kuwait University, and has completed executive programmes at Harvard, Wharton and other institutions.

Dr. Abdullah Abdul Samad Marafi, Director

Dr. Abdullah Marafi joined the Board of Directors in 2010. He is member of and chairs a number of boards at leading organisations, including Omniyat Holding Company and Kuwait Shipping Companies & Agents Association and is also the Vice Chairman of KIB Takaful Insurance Company. Previously he was Chairman and a member of the board of directors at major organisations including Al-Ahli Bank of Kuwait, Arab Real Estate Company, Burgan Group Holding Company, Al-Buraq Investment Holding Company and Kuwait Airways Company.
Dr. Marafi has extensive experience in the field of research, much of which has been carried out in cooperation with the Kuwait Foundation for the Advancement of Sciences, as well as Kuwait University faculty members. He was also previously seconded to the Public Authority of Applied Education and Training as a faculty member at the School of Commercial Studies.

Dr. Marafi has a Bachelor’s degree in Statistics from the Faculty of Commerce, Economy and Political Sciences at Kuwait University. He also has a Master’s degree in General Management and a PhD in Management & Finance from the American University in London.

**Mr. Saleh Sulaiman AlTrad, Director**

Mr. Saleh AlTrad joined the Board of Directors in 2016. Mr. AlTrad has more than 20 years’ experience in the banking, investment and financial sectors, and is currently Vice Chairman & CEO of The Arab Investment Company and a member of the board of directors of KIB Takaful Insurance Company, Kuwait.

Mr. AlTrad was previously President and Managing Director for MENA at Beaumont Partners SA, Geneva, in addition to being a former founding partner at Arabica Investments.

During his career, Mr. AlTrad has been Managing Director and Head of the Qatar and Kuwait offices of Nomura International Plc., Senior Vice President in the Assets Management Department at Lehman Brothers Holding Inc. in New York, Executive Head of the Kuwait and Qatar offices of Lehman Brothers International Plc. and an investment analyst at B.V. Capital in the United States.

Mr. AlTrad has a Bachelor’s degree in Manufacturing Engineering from Boston University.

**Mr. Marzouq Khalid Yousuf AlMarzouq, Director**

Mr. Marzouq Khalid Yousuf AlMarzouq joined the Board of Directors in 2019. He has over 20 years’ experience in financial services and credit management. Mr. AlMarzouq is currently the Chairman and Chief Executive Officer of Souk Al-Salmiah Real Estate Company. Additionally, he serves as Vice Chairman of Kuwait Asia Holding, board member of Arab Investment Co., General Manager at Partner Properties and General Manager at Nouf Real Estate Co.

Mr. AlMarzouq has a Bachelor’s degree in Business Administration (Marketing) from the Faculty of Commerce and Political Science, Kuwait University. He has also completed several professional courses and programmes in financial accounting, banking laws and credit management.

**Mr. Anwar Fozan Abdullah Alsabej**

Mr. Anwar Fozan Abdullah Alsabej joined the Board of Directors in 2019. He has over 25 years’ experience in the banking and insurance sector. Mr. Alsabej is currently the CEO of Warba Insurance Co. Throughout his professional career in Kuwait, Mr. Alsabej held a number of prominent senior level positions such as board member of KIB Takaful Insurance Company, board member of Kuwait Insurance Federation and Chairman of WAPMED TPA.

**Board committees**

The Board of Directors has established five Board committees which are described below. The roles and authority of the Board committees are defined and delegated by the Board and are described in each committee’s charter. The Board committees submit reports to the Board depending on the nature of the tasks assigned to them.

**Board Strategy and Financing & Investment Committee**

The role of BSFIC is to safeguard and guarantee the quality of the Bank’s assets, ensure that the financing exposures and investments conform to the CBK rules and regulations and to the respective policies of the Bank.
and that the approved proposals will ensure the highest returns and not have a negative impact on the Bank’s financial stability. The BSFIC also ensures that the Executive Management is fully aware of and is constantly monitoring the Financing and Investment exposures of the Bank. It also follows up on non-performing (past dues, impaired and legal) financing and investments and take appropriate remedial action with the aim of safeguarding the Bank’s interests and quality of assets. The BSFIC shall also handle and decide on all residual issues which do not fall under any specific Board level committee/s such as Strategy Planning and Implementation over-sight on behalf of the Board of Directors. The BSFIC met 26 times in 2018 and 34 times in 2019. The members of the BSFIC are Sheikh Al-Sabah (Chairman), Mr. Anwar Bukhamseen, Dr. Marafi and Mr. Zainal.

**Board Audit Committee**

The Board Audit Committee (the “BAC”) is responsible for:

- setting the appropriate standards to ensure a robust internal audit;
- ensuring compliance with the Bank’s internal policies and other applicable laws, regulations and instructions;
- monitoring the level of compliance with Sharia laws and principles, as well as the funds for listed investment accounts, and ensuring that expenses and profits are distributed according to Sharia provisions and the system approved by the Bank’s Fatwa and Sharia Supervisory Board;
- evaluating the effectiveness and efficiency of the internal Sharia audit and its contribution in securing compliance with Sharia principles;
- ensuring that the internal control systems related to financial and management issues are comprehensive and are controlled and properly audited; and
- assisting the Board of Directors in reviewing the financial reports, ensuring the Bank’s compliance with the legal and regulatory requirements, ensuring the adequacy of the qualifications and the expertise of the independent auditors and creating a disciplined internal control environment in the Bank.

The BAC met 10 times in 2018 and nine times in 2019. The members of the BAC are Dr. Al-Jumaa (Chairman), Mr. AlTrad and Mr. AlMarzouq.

**Board Nomination and Remuneration Committee**

The Board Nomination and Remuneration Committee (the “BNRC”) submits recommendations to the Board of Directors for proposed new Directors in accordance with CBK policies, standards and instructions. The BNRC also carries out periodic skills reviews of the Board and identifies any skills gaps to be filled. The BNRC also conducts an annual assessment of the performance of the Board as a whole, and the performance of each member independently, as well as endorsing the standards of selection and measures for appointment of the CEO and executive managers. The BNRC also ensures the establishment and application of a remuneration framework and reviews and submits recommendations concerning changes in the pay and remuneration policy, including end-of-service policies.

The BNRC also monitors, and ensures transparency in, the appointment of the members of the Fatwa and Sharia Supervisory Board, and monitors its effectiveness as a whole and on an individual basis. The BNRC also ensures transparent compensation for Fatwa and Sharia Supervisory Board members in line with their duties and responsibilities.

The BNRC met 10 times in 2018 and six times in 2019. The members of the BNRC are Mr. Anwar Bukhamseen (Chairman), Mr. AlTrad and Dr. Marafi.
**Board Risk Management Committee**

The BRMC oversees the Bank’s Risk Management Department and ensures that the Bank’s policies embody sound risk management practices and are properly implemented. The BRMC also monitors the Risk Management Department’s compliance with CBK standards and the Islamic Financial Services Board to the extent that they do not conflict with Sharia principles or CBK regulations. The BRMC also monitors and assesses the Bank’s capital adequacy and ensures that executive management is aware of, and continually oversees, the risks encountered by the Bank.

The BRMC met eight times in 2018 and eight times in 2019.

The members of the BRMC are Mr. Zainal (Chairman), Mr Alsabej and Dr. Marafi.

**Board Corporate Governance Committee**

The Board Corporate Governance Committee (the “BCGC”) assists the Board of Directors in ensuring that its corporate governance responsibilities are discharged. In particular, the BCGC prepares and updates the Bank’s corporate governance manual and oversees compliance with it. The BCGC’s functions incorporate protection of investment account holders’ interests and coordination with the Fatwa and Sharia Supervisory Board and the Audit Committee to ensure compliance with the Sharia audit manual.

The BCGC met six times in 2018 and four times in 2019.

The members of the BCGC are Sheikh Al-Sabah (Chairman), Mr. Anwar Bukhamseen (Vice Chairman), Mr. Zainal and Mr. AlTrad.

**Executive Management**

The Bank’s executive management team is responsible for day-to-day supervision and control of the Bank’s business, particularly with respect to ensuring functionality of compliance and risk control, independence of functions and separation of duties. Business policies, accounting policies and operations procedures and controls are documented and communicated through policies and standard operating procedures manuals which cover all areas and activities of the Bank. All significant policies are reviewed and approved by the Board.

The Bank’s executive management team as of the date of this Offering Circular comprises:

<table>
<thead>
<tr>
<th>Name and position</th>
<th>Brief CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Raed Jawad Bukhamseen</td>
<td>Vice Chairman and CEO</td>
</tr>
<tr>
<td>Mohamed Said El Saka</td>
<td>Deputy Chief Executive Officer</td>
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</tbody>
</table>

Mr. El Saka has over 29 years’ experience in several financial fields and 18 years’ experience in Islamic banking. He was previously the Chairman of the Accounting and Auditing Standard Board of the Accounting and Auditing Organization of the Islamic Financial Institutions (“AAOIFI”), in addition to being a member of AAOIFI and some of its technical committees for more than one term. He was also a member of some of the technical work groups for other Islamic financial institutions, such as the Islamic Financial Services Board. Mr. El Saka has also participated as a lecturer in several conferences and seminars.

Mr. El Saka joined the Bank in August 2014 as General Manager - Financial Control & Planning Department until
<table>
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<tr>
<th>Name and position</th>
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<tr>
<td><strong>Jamal Al-Barrak</strong></td>
<td>May 2016, when he was promoted to Deputy CEO. He was also Acting CEO from September 2015 to September 2018. Mr. El Saka has a Bachelor of Commerce in Accounting from Ain Shams University in Egypt. He is also a U.S. Certified Public Accountant and a U.S. Certified Internal Auditor.</td>
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<tr>
<td><strong>Ahmad AlKazemi</strong></td>
<td>Mr. Jamal Al-Barrak has more than 19 years’ banking experience, including investment banking, financial management and corporate banking. Mr. Al-Barrak leads the Bank’s team of investment professionals in managing and expanding the Bank’s investment portfolio. He is also actively involved in many of the Bank’s strategic and corporate planning initiatives, as well as representing the Bank in numerous external Boards. Prior to joining the Bank, Mr. Al-Barrak held several positions at Gulf Bank, including Head of Investments, Assistant General Manager of Investment Banking and Assistant General Manager of Corporate Finance. Mr. Al-Barrak has a Master of Business Administration in Marketing and a Bachelor’s degree in Economics and Government, both from Bentley University in Boston. He has also completed business programmes at INSEAD, Harvard Business School and Sciences Po.</td>
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<tr>
<td><strong>Mr. Abdulaziz Al-Anzi</strong></td>
<td>Mr. Ahmad AlKazemi is a senior banker with experience in corporate banking. Mr. AlKazemi joined the Bank in 2016 in his current position. Mr. AlKazemi spent his banking career at Gulf Bank, progressing through different positions and levels of management over the course of more than 30 years. His last position at Gulf Bank was as Deputy General Manager of Corporate Banking, in addition to serving as Acting General Manager of the department. Mr. AlKazemi has a Bachelor’s degree in Economics from the University of Kansas.</td>
</tr>
<tr>
<td><strong>Mr. Abdulaziz Al-Anzi</strong></td>
<td>Mr. Abdulaziz Al-Anzi joined the Bank in 2009 and has over 40 years’ experience in banking, with a focus on treasury services. Prior to joining the Bank, Mr. Al-Anzi held senior position at several banks in Kuwait. Mr. Al-Anzi has attended numerous Islamic courses including at Durham University, UK. He has also attended executive management programme at Harvard Business School.</td>
</tr>
<tr>
<td>Name and position</td>
<td>Brief CV</td>
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</table>
| **Othman Tawfiqi**  
General Manager – Retail Banking Department | Mr. Othman Tawfiqi joined the Bank in 2018 and has more than 14 years’ experience in the finance and banking industry. Mr. Tawfiqi is responsible for developing and monitoring the implementation of the Group’s retail banking strategy.  
Prior to joining the Bank, Mr. Tawfiqi was at Al-Ahli Bank of Kuwait where he was first Head of Product and Business Development and Head of Delivery Channels and then Assistant General Manager of Retail Banking. Before these roles, Mr. Tawfiqi managed the call centre at the National Bank of Kuwait.  
Mr. Tawfiqi has a Bachelor’s degree in Marketing from Kuwait University. He has also completed a strategic management and leadership executive programme at Harvard Business School. |
| **Jassim Al-Abdulhadi**  
General Manager – Real Estate Department | Mr. Jassim Al-Abdulhadi has been with the Bank since 1997. Mr. Al-Abdulhadi oversees the strategic and operational functions of the RED, guiding his team in developing banking solutions that are tailored to meet customer needs.  
Mr. Al-Abdulhadi has spent his entire banking career with the Bank and has extensive experience in the area of corporate finance, particularly for the real estate sector.  
Mr. Al-Abdulhadi has a Bachelor’s degree in Accounting and Auditing from the College of Economics and Commerce at Kuwait University. He has also completed business programmes at Harvard Business School, the Kuwait Institute of Banking Studies and Euro Money Training. |
| **Mohamed Khadiri**  
General Manager – International Banking and Large Corporate Department | Mr. Khadiri joined the Bank in 2016 and is heading the International Banking & Large Corporate Department.  
Mr. Khadiri carries more than 21 years of corporate and investment banking experience across the US, Middle East & North Africa. He worked for leading international financial institutions, including Salomon Smith Barney, Citibank, Barclays and HSBC.  
Prior to joining the Bank, Mr. Khadiri worked in HSBC Bank MENA in Dubai, undertaking different leadership roles, most recently as the Regional Head of Lending, Transaction Management and Portfolio Management.  
Mr. Khadiri holds a Master of Business Administration in Finance and Information Technology from Boston College, where he was a recipient of the prestigious Fulbright Scholarship. He also holds a Master of Science... |
Name and position

Hesham Elsayed Ezzeldine
General Manager – Business Service Department

Brief CV

in Finance from Northeastern University in Boston and a Bachelor’s degree in Business Administration & Accounting from Institut Superieur de Commerce et d’Administration des Entreprises (ISCAE) in Casablanca, Morocco.

Mr. Hesham Elsayed Ezzeldine joined the Bank in 2016 in his current role. He has over 30 years’ experience across different functions and areas, with a key focus on operations management.

Mr. Ezzeldine leads the strategic planning and execution of operational solutions and environments, in order to achieve the Bank’s business goals and strategic objectives.

Mr. Ezzeldine previously served in the role of Chief Operating Officer at several international banks in the Middle East and GCC, including Bank Al-Jazira (Saudi Arabia), Bank Credit Agricole (Egypt), National Bank of Oman, National Bank of Egypt and, most recently, Al Khaliji Bank (Qatar).

Mr. Ezzeldine has a Bachelor’s degree in Commerce from Cairo University.

Ajai Thomas
General Manager – Financial Control & Planning Department, Chief Financial Officer

Mr. Ajai Thomas joined the Bank in 2014. He has over 20 years’ experience in assurance engagements and functional responsibilities in various financial industries.

Mr. Thomas leads the financial control and planning activities, reporting to the top management and the Board of Directors on all matters related to budgets, financial performance and investor relations.

Prior to joining the Bank, Mr. Thomas spent over 10 years working with PricewaterhouseCoopers and Deloitte & Touche in Kuwait, where he led multicultural teams specialised in financial services and audits, in addition to his various functional roles in Bahrain and India.

Mr. Thomas is a Chartered Accountant (ICAI, India) and a Certified Information Systems Auditor (ISACA, United States). He also holds a Master’s degree in Financial Management from Pondicherry University and a Bachelor’s degree in Physics from Mahatma Gandhi University. Various publications have featured his articles.

Anthony John Erasmus
General Manager – Human Resources Department

Mr. Erasmus joined the Bank in 2017. He has experience spanning more than 35 years in human resources. Before joining the Bank, Mr. Erasmus was Global Head of Talent Management, Acquisition Development, HR Business Partners and International Business Banking Group –
Feroz Noorani  
General Manager – Risk Management Department

Mr. Noorani joined the Bank in 2017. He has over 37 years’ experience in banking and financial services in the GCC, Middle East and India, where he has held several senior positions in commercial and investment banking. His core competencies are in risk management, governance and compliance.

Prior to joining the Bank, Mr. Noorani was Chief Risk Officer at Warba Bank. Before that, he was Group Chief Risk Officer at Al Hilal Bank in Abu Dhabi and Head of Group Risk and Capital Strategy and Assistant General Manager for Corporate and Investment Banking at Samba Financial Group in Saudi Arabia.

Mr. Noorani has a Master’s degree in Business Strategy and Financial Management, as well as Bachelor’s degrees in Laws and in Financial Accounting and Auditing from the University of Bombay. He also has several professional certifications in bank management, compliance, risk and corporate governance, including an accreditation from INSEAD in the field of risk management within banks.

Khloud Alsalem  
Acting General Manager – Legal Affairs Department

Mrs. Khloud Alsalem oversees the Bank’s legal and regulatory functions. She serves as legal counsel to the Bank’s leadership and management, offering legal advice on all operational, administrative and financial activities. Mrs. Alsalem has a Bachelor’s degree in Law from Kuwait University.

Manal Adnan AlRubaian  
Acting General Internal Auditor

Mrs. Manal Adnan AlRubaian joined the Bank in 2020. She is professionally experienced in the internal audit function with more than twelve years within the Islamic banking sector.

Before joining the Bank, Mrs. AlRubaian spent over 5 years working with AlRajhi Bank - Kuwait branch where she was leading the internal audit function, and she had...
Name and position

Brief CV

experience prior to that in internal audit functions within Kuwait Finance House and Boubyan Bank.

Mrs. AlRubaian holds a Bachelor’s degree in Mathematics from Kuwait University as well as a Master’s degree in Business Administration from Gulf University and is certified as an Internal Audit Practitioner from the Institute of Internal Auditors. Mrs. AlRubaian has also attended a number of valuable courses with internationally accredited academic and other institutes.

Management committees

The Bank has the following management committees:

Executive Management Committee (EMC)

The EMC is responsible for following up implementation of administrative projects and matters related to human resources, IT, purchases and administrative affairs.

Financing and Investment Committee ("FIC")

The FIC is responsible for reviewing and approving proposals for financing within the authority delegated to it and conducting periodical reviews of the same; providing recommendations to the BSFIC or the Board, as appropriate, on all proposals that are beyond its delegated authority; reviewing and approving proposals for bank lines, including limits for correspondent banks, country limits and sector limits within its delegated authority; providing recommendations to the BSFIC on financing proposals that are beyond its delegated authority; reviewing and approving proposals for legal or any other action on problem financing within its delegated authority and making suitable recommendations to the BSFIC on all proposals beyond its delegated authority; and annually evaluating the Bank’s financing performance and comparing it to past periods.

The FIC is also responsible for reviewing and approving proposals for investments within the authority delegated to it in line with the approved delegation of authority; recommending new investment proposals to the BSFIC where the proposals are beyond its delegated authority; reviewing and recommending proposals for sale, buyouts, mergers, acquisition or liquidation of existing financial or direct investments to the BSFIC; reviewing on a periodic basis the Bank’s investment portfolio, including, but not limited to, adherence to limits and recommending suitable corrective actions to the BSFIC; and evaluating investment key performance metrics based on a comparison of actual returns and other benchmarks.

Provisioning & Impairment Committee

The Provisioning & Impairment Committee analyses and assesses risk exposures to approved credit facilities and investments with a view to making the required provisions in compliance with CBK requirements and IFRS 9 requirements as stipulated by the CBK.

Assets Liabilities Management Committee

The ALCO is responsible for all matters relating to the optimum balance of assets and liabilities in the short, medium and long term to ensure increased profitability aligned with compliance with regulatory requirements.

Information Security Steering Committee (ISSC)

The ISSC’s role is to review, guide and approve matters in respect to information security management system to ensure its continuing suitability, adequacy and effectiveness. The ISSC attend information security matters
and concerns that may potentially impact the business operation or adversely jeopardizes the bank’s image and reputation and raise issues and recommendations to Board of Directors, as necessary.

**Business Continuity Steering Committee (BCSC)**

The BCSC oversees and maintains compliance with bank’s Business Continuity Management (BCM) Policy. It ensures that the BCM policy incorporate sound business continuity management practices that are implemented effectively within the bank and ensures that the members, senior management are fully aware of and is constantly monitoring the continuity requirements of their business functions.

**Business address and conflicts**

The business address of each member of the Board of Directors and each member of the executive management is West Tower – Joint Banking Center, P.O. Box 22822, Safat 1308, Kuwait. No member of the Board or executive management has any actual or potential conflict of interest between his duties to the Bank and his private interests and/or other duties.

**Fatwa and Sharia Supervisory Board**

The Fatwa and Sharia Supervisory Board is a group of scholars with comprehensive knowledge of Islamic laws, economics and banking. In accordance with Kuwaiti law, an independent Sharia supervisory board must be established in each Islamic bank to supervise its business. The number of members of the Fatwa and Sharia supervisory board must not be less than three, and shall be appointed by the Bank’s General Assembly.

The Fatwa and Sharia Supervisory Board reviews all products, contracts, transactions, investments, accounts, policies and manuals and periodically reviews financial accounts to ensure their compliance with Sharia rules and principles.

The table below shows the names and positions of the current members of the Bank’s Fatwa and Sharia Supervisory Board:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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</thead>
<tbody>
<tr>
<td>Sheikh Dr. Khalid Mathkour Al-Mathkour</td>
<td>Chairman</td>
</tr>
<tr>
<td>Sheikh Ali Mohammed Hejji Al-Jady</td>
<td>Member</td>
</tr>
<tr>
<td>Sheikh Dr. Abdulaziz Khalifa Al-Qassar</td>
<td>Executive member</td>
</tr>
</tbody>
</table>

Brief biographical information on each member of the Fatwa and Sharia Supervisory Board is set out below.

**Sheikh Dr. Khalid Mathkour Al-Mathkour, Chairman**

Sheikh Al-Mathkour has a Ph.D. in Sharia and Law from Al-Azhar University - Cairo. He is a faculty member at Kuwait University in Comparative Fiqh and Sharia Policy at the Shari’a and Islamic Studies College. He is Head of the Fatwa Committee at the Ministry of Awkaf and Islamic Affairs, State of Kuwait and the Head of the Higher Consulting Committee for the Application of Islamic Sharia Principles - Amiri Diwan - State of Kuwait.

Sheikh Al-Mathkour is a member of the following organisations: the Scientific Committee for the Fiqh Encyclopedia at the Ministry of Awkaf and a member of the Fatwa and Supervision Panel; the Board of Directors of the International Islamic Authority for Information - Islamic World Union; and the International Islamic Charity Authority headquartered in Kuwait.

Sheikh Al-Mathkour is also a member of the Sharia supervision body in a number of Islamic banks and financial institutions.
Sheikh Ali Mohammed Hejji Al-Jady
Sheikh Al-Jady has a Bachelor’s degree in Basic Education. He is a teacher of Jurisprudence and a member of the Sharia Supervision body of Al Ja’farry Awkaf.

Sheikh Dr. Abdulaziz Khalifa Al-Qassar
Sheikh Al-Qassar has a Ph.D. in Sharia and Law from Al Azhar University, Cairo. He is Professor of Comparative Fiqh at the Sharia and Islamic Studies College of Kuwait University and was previously the Assistant Dean for Scientific and Higher Studies and Research Affairs at the same institution.

He is a member of the Sharia supervision body in many Islamic banks and financial institutions, both in Kuwait and abroad, and is a lecturer in Islamic Financial Transactions. He is the author of many studies in Islamic Fiqh and Contemporary Financial Transactions.

Employees
The Bank’s human resources policies are designed to attract, motivate and retain skilled, professional and knowledgeable employees to assist in driving the Bank’s performance. The ongoing focus is to build for the future by developing and growing Kuwaitis through talent management initiatives.

The Bank ensures the performance of its employees, managers and senior executives through a systematic performance management system with measurable metrics for performance rewards. Rewards vary based on the performance of all employees and executives which is linked to the overall performance of the Bank.

As at 31 December 2019, the Bank employed 730 full-time staff compared to 730 full-time staff at 31 December 2018 and 730 full-time staff at 31 December 2017.

In addition to a fixed salary, the Bank also pays performance-based remuneration to its staff based on appraisals of each applicable employee, which are carried out based on specific technical and professional standards. In 2019, the total remuneration (including salaries, wages and allowances as well as periodic or annual performance bonuses) paid to:

- the Chairman and members of the Board of Directors amounted to KD 500 thousand compared to KD 594 thousand for 2018;
- the seven senior executives who received the highest remuneration in the Bank amounted to KD 1.9 million compared to KD 1.5 million for 2018;
- higher management (25 staff in 2019 and 24 staff in 2018) amounted to KD 3.4 million compared to KD 2.8 million in 2018, of which KD 2.3 million was paid as fixed remuneration in 2019 compared to KD 1.9 million in 2018 and KD 1.5 million was paid as variable remuneration in 2019 compared to KD 868,000 in 2018;
- staff participating in risk-embedded activities (13 staff in 2019 and 12 staff in 2018) amounted to KD 2.0 million compared to KD 1.6 million in 2018, of which KD 1.4 million was paid as fixed remuneration in 2019 compared to KD 1.0 million in 2018 and KD 673 thousand was paid as variable remuneration in 2019 compared to KD 517 thousand in 2018; and
- financial control and risk control staff (21 staff in 2019 and 18 staff in 2018) amounted to KD 1.2 million in 2019 compared to KD 1.1 million in 2018, of which KD 896 thousand was paid as fixed remuneration in 2019 compared to KD 827 thousand in 2018 and KD 266 thousand was paid as variable remuneration in 2019 compared to KD 244 thousand in 2018.
The Bank is committed to identifying, attracting and developing Kuwaiti nationals in its workforce. The Kuwaiti government’s recommended policy is that not less than 70 per cent. of a bank’s total personnel should consist of Kuwaiti nationals. The Bank’s Kuwaitisation level as at 30 September 2020 was 73.93 per cent. and it is currently in compliance with all other applicable employment regulations.
OVERVIEW OF KUWAIT

Unless indicated otherwise, information in this section has been derived from Government publications.

Country Profile

Kuwait is a sovereign state on the coast of the Arabian Gulf, enclosed by Saudi Arabia to the south and southwest and Iraq to the north and west. Kuwait has proven conventional crude oil reserves of 101,500 million barrels, the fifth largest in the world (according to OPEC’s Annual Statistical Bulletin 2019). The total area of Kuwait is 17,818 square kilometres. Kuwait is a constitutional monarchy with a parliamentary system of government and Kuwait City serves as the state’s political and economic capital. Kuwait has an open economy which is primarily dependent on its oil industry and is dominated by the government sector. Based on information from the Public Authority for Civil Information, Kuwait’s population was estimated to be approximately 4.77 million as at 31 December 2018, of which Kuwaiti nationals accounted for 30 per cent. as at 30 December 2019.

Political Overview

Kuwait is a constitutional monarchy with a parliamentary system of government. Under the Kuwait Constitution, which entered into force in 1963, the head of state, the Amir, is chosen from the members of the ruling Al Sabah family and confirmed by members of the Kuwaiti parliament (the “National Assembly”). The Amir appoints a Prime Minister to form the Government. The Prime Minister selects a cabinet of a maximum of 16 members and at least one cabinet member must be drawn from the National Assembly. The membership of the cabinet is formalised by an Amiri Decree. The current National Assembly was elected in November 2016.

The current Amir is His Highness Sheikh Nawaf Al Ahmed Al Jaber Al Sabah, who acceded to the throne in September 2020. The Amir has, among other powers, the power to appoint the Prime Minister, dissolve the National Assembly, suspend certain parts of the Constitution and refer bills to the National Assembly for consideration. The Amir has the right to propose legislation as well as the right to promulgate and sanction laws. The Amir’s half-brother, His Highness Sheikh Meshal Al Ahmed Al Jaber Al Sabah, is the current Crown Prince and the current Prime Minister being His Highness Sheikh Sabah Al Khalid Al-Sabah, who was appointed in 2019. Historically, the Amir has been selected by family consensus although the Amir Succession Law provides for National Assembly input under certain circumstances.

In terms of foreign relations and membership of international organisations, Kuwait, together with Bahrain, Oman, Qatar, Saudi Arabia and the UAE, form the GCC. Kuwait is also a member of OPEC and the United Nations. It is also a member of numerous international and multilateral organisations, including the IMF, the International Bank for Reconstruction and Development, the World Trade Organisation, the League of Arab States, the Organisation of the Islamic Conference, the Multilateral Investment Guarantee Agency and the United Nations Educational, Scientific and Cultural Organisation (UNESCO).

Economic Overview

According to data from the IMF’s World Economic Outlook Database April 2020, Kuwait’s real GDP increased by 2.9 cent. in 2016, decreased by 4.7 per cent. in 2017, increased by 1.2 per cent. in 2018 and increased by 0.7 per cent. in 2019. As per MOF Closing Accounts, Kuwait posted a budget surplus for 15 fiscal years through to 31 March 2015. This was followed by a deficit resulting from lower oil prices, whereby Kuwait recorded a deficit of KD 6.0 billion for the fiscal year ended 31 March 2016, and KD 5.9 billion for the fiscal year ended 31 March 2017. Later on, the fiscal deficit was brought down due to fiscal reforms and better oil prices, where
it marked KD 4.8 billion, and KD 3.3 billion for the fiscal years ended 31 March 2018, and 31 March 2019, respectively. 

The IMF’s data indicates that inflation in Kuwait, on an average consumer price measure, was 3.7 per cent. in 2015, 3.5 per cent. in 2016, 1.5 per cent. in 2017, 0.6 per cent. in 2018 and 1.1 per cent. in 2019. The IMF estimates that inflation in Kuwait will decrease to 0.5 per cent. in 2020 and then increase up to 2.3 per cent. in 2021.

The oil and oil products sector is the most significant contributor to Kuwait’s GDP. The oil and gas sector accounted for 38.4 per cent. of Kuwait’s nominal GDP in 2016, 41.6 per cent. of nominal GDP in 2017, 47 per cent. of nominal GDP in 2018 (according to the KSB) and was projected to account for 45 per cent. of nominal GDP in 2019 (according to the IMF’s March 2020 Article IV Consultation with Kuwait). The sector is also the main contributor to Kuwait’s annual revenues. On average, Kuwait produced 2.74 million barrels of crude oil each day in 2018. Kuwait daily oil production amounted to 2.68 million barrels in 2019 (according to OPEC’s January 2020 Monthly Oil Market Report).

The IMF estimates that Kuwait’s real non-oil GDP grew by 1.4 per cent. in 2016, 1.8 per cent. in 2017 and 2.3 per cent. in 2018, and estimates that such growth will increase to 3.0 per cent. in 2019 and will be between 3.0 and 3.5 per cent. in the medium term, supported by consumption and Government investments in infrastructure and the oil sector.

Kuwait is estimated to have held reserves of foreign exchange and gold worth U.S.$38.75 billion as at 30 September 2019 (source: CBK). In addition, Kuwait’s sovereign wealth fund, the Kuwait Investment Authority, which was launched in 1953 and is the oldest sovereign wealth fund in the GCC region, has approximately U.S.$592 billion of assets under management as at December 2015 according to data from the Sovereign Wealth Fund Institute.

In February 2015, the National Assembly approved a new five-year development plan (the “Kuwait Development Plan”) that envisaged spending of approximately KD 34 billion to implement over 500 projects. The Kuwait Development Plan commenced in April 2015 and is scheduled to end in March 2020. The Kuwait Development Plan is the second of a series of plans based on a strategic vision for 2035 (that was announced in 2010 and updated on 30 January 2017) that emphasises investment in infrastructure, health and education, and envisages significant co-participation of the private sector through the establishment of public shareholding companies. The primary objectives of the plan are to boost GDP, diversify the economy by increasing the private sector share of the economy and promoting foreign investment in non-oil sectors and raise the number of Kuwaitis in the private sector. These efforts have gained special importance in light of the lower oil price environment since mid-2014.

**Banking Sector in Kuwait**

Credit growth in Kuwait increased to 4.3 per cent. in December 2019 compared to 4.2 per cent. for the same period in 2018. This reflected growth of 3.9 per cent. in credit extended in personal facilities and 9.3 per cent. in real estate facilities. Credit facilities extended to non-bank financial institutions in Kuwait increased by 9.0 per cent. during the period and credit extended to the trade sector decreased by 2.7 per cent. in the same period.

Amended regulations issued by the CBK concerning the maximum limit of consumer loans (which raised the maximum limit of loans and Islamic financing for consumer purposes to 25 times the net monthly salary of the client subject to a maximum of KD 25,000) have enhanced credit growth as consumer loans increased by 35.9 per cent. in December 2019 compared to December 2018.

Deposits in Kuwait grew by 0.3 per cent. in December 2019, driven by growth in Government deposits. Private sector deposits fell by 1.7 per cent. in the same period.
The banking sector in Kuwait has a Basel III capital adequacy ratio of 17.6 per cent. as at 30 September 2019. At the same date, the sector non-performing loans (“NPLs”) coverage ratio was 229.3 per cent. and NPLs were 1.8 per cent. of total loans compared to 2.0 per cent. as at 30 September 2018. Local banks in Kuwait maintained high liquidity levels, with total bank liquid reserves (comprising cash, deposits with the CBK and CBK bonds and tawarruq) being KD 6.8 billion as at 31 December 2019, equivalent to 9.6 per cent. of local banks’ total assets, compared to 9.3 per cent. as at 31 December 2018.

Local banks profits in Kuwait for the year ended 31 December 2019 were KD 918 million, down 1.1 per cent. compared to the same period in 2018.

**Real Estate Market in Kuwait**

In 2019, the Kuwaiti real estate market maintained its positive performance witnessed in 2018. Based on published data, the Bank estimates that real estate total sales (contracts and power of attorneys) amounted to KD 3.7 billion by the end of 2019, 2.0 per cent. less than 2018. During 2019, there were 6,799 real estate transactions, 6.6 per cent. higher than in 2018. The average transaction value in 2019 was KD 544 thousand, 8.0 per cent. lower than in 2018.

Management believes that the Kuwaiti real estate market may benefit from further economic progress, particularly with the fall in real estate prices during the last few years, which has attracted more investors to the market. On the other hand, real estate investment returns may be negatively affected by the Covid-19 pandemic and/or lower occupation levels in the short run, while further plot distributions from the Public Authority for Housing Welfare may increase pressure on residential house prices. However, management expects the commercial sector to continue to benefit from increased consumer confidence and higher spending levels, as well as by Government efforts to continue promoting doing business in Kuwait.
OVERVIEW OF BANKING AND FINANCE REGULATIONS IN KUWAIT

Unless otherwise indicated, information in this section has been derived from Law No. 32 of 1968 as amended and the instructions issued by the CBK to banks operating in Kuwait ("Instructions").

Central Bank of Kuwait

The CBK was established by Law No. 32 of 1968 and is managed by a board which is chaired by the Governor of the CBK. The membership of the board, in addition to the Governor, comprises the Deputy Governor, a representative from each of the Ministry of Finance and the Ministry of Commerce and Industry (the “MOCI”) and four additional members, each of whom must be a Kuwaiti national and must be nominated by the Minister of Finance (after obtaining the approval of the Council of Ministers). Each of the four additional board members is drawn from expert practitioners in economics, finance or banking and is appointed by an Amiri Decree for three years. The Governor of the CBK and the Deputy Governor are each appointed by decree for a five-year renewable term. The CBK’s objectives are to:

- issue currency on behalf of Kuwait;
- secure the stability of the Kuwaiti dinar and its free convertibility into other currencies;
- direct credit policy in order to contribute to Kuwait’s social and economic progress and the growth of national income;
- supervise the banking system in Kuwait;
- serve as the Government’s bank; and
- render financial advice to the Government.

The CBK is entrusted with the supervision of Kuwait’s banking system. Its supervisory authority covers an array of banking institutions, including conventional banks operating in Kuwait, Islamic banks, specialised banks, branches of foreign banks operating in Kuwait and a number of investment and exchange companies. Only banks licensed and regulated by the CBK are allowed to engage in the conduct of banking activities in Kuwait. In addition to the CBK’s supervisory responsibilities with respect to the various banking institutions it regulates and its role as the monetary authority, the CBK’s responsibilities include acting as lender of last resort to the banking sector and serving as banker and financial adviser to the Government. The CBK issues currency and directs relations with international institutions.

The CBK, either directly or through other financial institutions, undertakes operations relating to the sale and management of securities issued or guaranteed by the Government, or issued in dinar by any public organisation or institution. The CBK may purchase, sell, discount and rediscount Government treasury bills and purchase and sell public debt securities issued and offered for sale by the Government.

In its supervisory capacity, the CBK may at any time inspect banks, investment companies and other institutions subject to the CBK’s supervision, including branches, companies and banks that operate abroad that are subsidiaries of Kuwaiti banks. The CBK may issue such Instructions to banks as it deems necessary to realise its credit or monetary policy or to ensure the sound progress of the banking business. The CBK is entitled to inspect any accounts, books, records, instruments and any other documents that it deems necessary for performing its supervisory role and may also request any other relevant data and information to be provided by any board member of any CBK-regulated institution. On completion of each inspection, the CBK issues a comprehensive report incorporating its recommendations of actions to be taken to address any issues identified during the inspection.
The Instructions cover a wide range of matters, including the liquidity system, maximum limits for credit concentration, credit facilities classification, interest rate ceilings, the organisation of banks’ credit policy, the extension of consumer loans and other instalment loans, the extension of banking services, foreign exchange translation and portfolio management (see “—Certain Banking Regulations” below). The CBK may impose penalties on any institution that fails to comply with an Instruction.

The National Assembly passed Law No. 30/2003 (concerning Islamic Banks) that amended the Banking Law to include a special section on the rules and regulations governing Islamic banks (the “Islamic Banking Law”). The Islamic Banking Law allows conventional Kuwaiti banks to practise Islamic banking activities through affiliates in which the principal bank owns at least 51 per cent. of the capital, and shall maintain that percentage at all times after the establishment. The Islamic Banking Law further provides that each bank is allowed to establish one affiliate that has only one headquarters with a capital of not less than KD 15 million. The Islamic Banking Law also allows the CBK to introduce Islamic instruments to deal with Islamic banks in order to regulate banking liquidity. In conjunction with instructions issued to conventional banks, the CBK also issues separate instructions for Islamic banks.

The CBK has established the Financial Stability Office (the “FSO”), which aims to contribute to a sound financial system in Kuwait capable of withstanding financial and economic shocks by utilising financial stress testing and macro-economic models to identify key vulnerabilities in CBK-regulated institutions and suggesting appropriate corrective measures. The FSO also assists in maintaining an effective internal supervisory system and promoting sound risk management and governance practices.

Certain Banking Regulations

All banks operating within Kuwait are subject to the supervision of the CBK, which is the primary regulator of banks and financial institutions (which engage in financing activity) in Kuwait whilst the CMA exercises supervisory authority over all Kuwaiti entities (including banks and financial institutions) which are listed on Boursa Kuwait or engage in securities activities as discussed further below. The CBK imposes the following regulations upon banks:

Legal form

Only Kuwaiti shareholding companies and branches of foreign banks licensed by the CBK may engage in the business of banking.

Liquidity regulations

The CBK requires banks to maintain 18 per cent. of their KD customer deposits in the form of liquid assets comprising balances with the CBK. Islamic banks must maintain 18 per cent. of their KD customer deposits with the CBK in the form of tawarruq placements or qualified financial instruments such as finance sukuk issued by the Islamic Development Bank, The International Islamic Liquidity Management Corporation (IILM) or governments of the GCC member countries (provided that the sukuk are traded and are rated not less than BBB or equivalent).

Bank liquidity in Kuwait is monitored using the Maturity Ladder Approach under which future cash inflows are compared with future cash outflows. The resulting liquidity mismatches are then examined in time bands against approved limits for each band. The relevant Instruction relating to liquidity establishes the elements to be included when calculating assets and liabilities for the purpose of determining liquidity.

Additionally, Kuwaiti banks are subject to the Basel III Liquidity Coverage Ratio (“LCR”) as adopted by the CBK and the Net Stable Funding Ratio (“NSFR”) guidelines for both conventional and Islamic banks, including the branches of foreign banks operating in Kuwait.
The CBK introduced the LCR in a phased manner, setting a benchmark requirement of 70 per cent. in 2016 which increased by 10 per cent. each year and has been 100 per cent. since 1 January 2019. Banks are required to submit, along with existing liquidity reports, their LCR reports on a daily and monthly basis for monitoring purposes as well as LCRs by major currency.

The minimum required NSFR is calculated as a percentage of available stable funding to required stable funding that should not be less than 100 per cent. This requirement has been effective since 1 January 2018, although banks were to start reporting their NSFR to the CBK in January 2016.

However, as a temporary measure to mitigate the impact of the Covid-19 pandemic on Kuwait’s domestic economy and the banking sector, the CBK decided on 1 April 2020 to introduce certain amendments to the regulations related to liquidity. Accordingly, the CBK has reduced the liquidity ratio from 18 per cent. to 15 per cent. and has reduced the minimum limit for both LCR and NSFR from 100 per cent. to 80 per cent. According to the CBK, these amendments shall be effective until the end of 2020, when they shall be reviewed again.

**Capital Adequacy Regulations**

Over the past few years, the CBK has refined its existing regulations to reflect global best practices. The CBK has already implemented the full set of Basel III regulations, covering capital adequacy, leverage and liquidity.

The CBK has enhanced its capital adequacy regime by setting out higher and better quality capital for Kuwaiti banks to further strengthen their loss absorbing capacity. The CBK has also put up additional capital requirements for systemically important banks and introduced the Leverage Ratio (which is defined as the “capital” measure – made up of Tier 1 capital – divided by the “exposure” measure – being the sum of on-balance sheet assets, derivative exposures and off-balance sheet exposures) as a supplementary measure to ensure that Kuwaiti banks do not become overly leveraged.

The CBK’s Instructions relating to Basel III require that the conditions of Tier 1 or Tier 2 instruments issued by a licensed bank in Kuwait must contain a provision that permits such instruments to either be written-off or converted into common equity, as determined by the CBK, should a “Trigger Event” occur. Pursuant to the Instructions, a Trigger Event will have occurred if either of the following events occurs:

(i) the issuing bank is instructed by its regulator to write-off or convert such instruments, on the grounds of non-viability; or

(ii) an immediate injection of capital is required, by way of an emergency intervention, without which the issuing bank would become non-viable.

The Basel Committee on Banking Regulation and Supervisory Practices (the “Basel Committee”) has set international standards for the capital adequacy of banks. The minimum capital adequacy ratio recommended by the 1988 Basel Committee guidelines is 8.0 per cent. Pursuant to its Basel III reforms, the Basel Committee recommended a minimum total capital adequacy ratio of 8.0 per cent., which can rise to 10.5 per cent. after factoring in the capital conservation buffer over a period of time (currently extending to 2019). However, the CBK, as the banking regulator in Kuwait, requires Kuwaiti commercial banks to maintain a capital adequacy ratio based on the final instructions entitled “Implementing Capital Adequacy Standards – Basel III – for conventional banks” issued by the CBK on 24 June 2014, as may be amended or superseded from time to time (the “Instructions”). Pursuant to the Instructions, Kuwaiti commercial banks were required to maintain a capital adequacy ratio of 12.5 per cent. of risk-weighted assets by the end of 2015, which increased to 13.0 per cent. in 2016. Additionally, commercial banks are required to maintain additional capital (0.5 per cent. to 2.0 per cent. depending on the bank’s size and complexity, as determined by CBK) in the form of a D-SIB charge.

However, as a temporary measure to mitigate the impact of the Covid-19 pandemic on Kuwait’s domestic economy and the banking sector, the CBK reduced the minimum capital adequacy requirement from 13.0 per
cent. to 10.5 per cent. by releasing the capital conservation buffer of 2.5 per cent. with effect from 1 April 2020. According to the CBK, the amendment will be in effect until the end of 2020, when it will be reviewed again. Computation of CAR as at 30 September 2020 does not consider the impact of Day 1 modification loss in accordance with CBK regulations. Deferral of retail loans for six months from 1 April 2020 and the resultant waiver of interest are routed through retained earnings. CAR calculations will consider this impact in a phased manner during for years from 2021.

Credit risk regulations

Loans/financings to deposit ratio
Kuwaiti banks are restricted by the CBK from lending or financing amounts in excess of a prescribed percentage of qualifying deposits (which do not include interbank deposits). With effect from October 2016, the prescribed percentage is 90 per cent., irrespective of the maturity of such deposits. However, as a temporary measure to mitigate the impact of the Covid-19 pandemic on Kuwait’s domestic economy and the banking sector, the CBK has increased the prescribed percentage to 100 per cent. with effect from 1 April 2020. According to the CBK, this amendment will be in effect until the end of 2020, when it will be reviewed again.

Credit facility classifications
The CBK requires banks operating in Kuwait to evaluate and classify their credit facilities into two categories (regular and irregular) on a periodic basis. The relevant Instructions specify the cases when a credit facility must be classified as ‘irregular’, which include where (i) payment of an instalment is not made, (ii) interest or profit is not paid on the maturity date or (iii) the debit balance exceeds the drawing limits determined for the customer.

Foreign exchange transactions
Local banks may deal with foreign banks for foreign exchange transactions, may deposit Kuwaiti dinar with foreign banks and may enter into foreign exchange swap and other derivative transactions, including options, futures and forward contracts.

Consumer and instalment loans
The CBK’s circular on Buy Out and Top Up issued in July 2015 provides that consumer and instalment loans granted to a bank’s customers can be utilised for the purpose of repaying an existing loan with another bank in Kuwait. In November 2018, the CBK amended the regulations on granting personal loans/financing. Taking into consideration changes in macroeconomic conditions and the changes in customer demographics, these amendments increased the ceiling for both consumer loans and Islamic financing. In general, the maximum limit on consumer loans is 25 times the net monthly salary (or continuous monthly income) of the consumer, or KD 25,000, whichever is higher, and the maximum tenor for consumer loans is five years. An “instalment” loan is a long-term personal loan intended for non-commercial purposes, in particular for repair or purchase of a private residence. The maximum limit on instalment loans is KD 70,000 (which is inclusive of the maximum limit on any “consumer” loans advanced to the same customer). The maximum tenor for instalment loans is 15 years. A customer’s total consumer and instalment loans must not exceed 40 per cent. of that customer’s net annual salary.

Extension of facilities for non-residents
Local banks are permitted to extend credit facilities in KD to non-residents without the need for prior consent from the CBK only in connection with financing contracts awarded by government bodies in Kuwait whose value does not exceed KD 40 million and where the loan does not exceed 70 per cent. of the total value of the contract. In all other cases, CBK consent is required for loans to non-residents.
Concentration risk regulations

**Maximum limit for credit concentration**
Subject to certain exceptions or where prior CBK approval has been obtained, the total credit liabilities of any single customer (including its legally or economically associated entities) to a bank may not exceed 15 per cent. of the bank’s capital base.

**Clustering limit – total limit for large concentrations**
The aggregate of large credit concentrations (being concentrations which exceed 10 per cent. of a bank’s capital base), including any exceptions approved by the CBK, may not exceed four times a bank’s capital base.

**Investment limits**
The total value of the securities portfolio held by a Kuwaiti bank should not exceed 50 per cent. of the bank’s capital in its comprehensive concept, as defined under the relevant Instruction. Further, the value of an investment in the securities of any one issuer should be the lower of 10 per cent. of the bank’s capital in its comprehensive concept and 10 per cent. of the issuer’s capital.

**Interest/Profit rate cap regulations**
The CBK’s instructions to conventional banks provide that the maximum limits for such rates on KD financings to corporate borrowers should not exceed:

- 2.5 per cent. over the CBK’s discount rate in the case of commercial financings with a maturity of one year or less; and
- 4 per cent. over the CBK’s discount rate in the case of commercial financings exceeding one year.

Interest and profit rates for housing and consumer loans and financings denominated in Kuwaiti dinar are currently capped at the CBK discount rate plus 3 per cent. for each block of five years. Such rates may be adjusted by no more than plus or minus 2 per cent. for each subsequent block of five years.

While these regulations pertain to conventional banks they effectively set the rate environment in which all banks, including Islamic banks, operate and compete.

Interest and profit rates for loans and financings in currencies other than the Kuwaiti dinar are not regulated by the CBK.

**Third party portfolio management**
Instructions apply to portfolios managed by banks and investment companies for the account of third parties and invested in foreign securities and other financial instruments.

**Sharia supervisory board**
Islamic banks in Kuwait must have a Sharia supervisory board, which must have a minimum of three members. The Sharia supervisory board is responsible for determining the Sharia compliance of bank products and transactions. The board of directors of an Islamic bank must implement the directives of the Sharia supervisory board regarding Sharia compliance.

**Other Instructions**
The CBK has also issued Instructions containing guidelines relating to, among other matters: (i) post-dated cheques; (ii) banks’ credit policy ratios; (iii) verification of the purpose of credit facilities granted to customers; (iv) collateral to be granted by customers against credit facilities; (v) the provision of facilities for trading in shares listed on the Boursa Kuwait; (vi) the protection of customers; (vii) special needs of customers; and (viii) anti-money laundering and combating the financing of terrorism.
Corporate Governance

On 10 September 2019, the CBK issued updated instructions for the “Rules and Regulations of Corporate Governance in Kuwaiti Banks” (the “Governance Rules”) which apply to all banks in Kuwait and is required to be implemented with effect from 30 June 2020. This new regulation replaces the previous “Rules and Standards of Corporate Governance in Kuwaiti Banks” issued in 2012. The Governance Rules provide principles that should be followed and applied by Kuwaiti banks in order to ensure proper governance. These include, amongst other things, principles in relation to the independence of the board of directors, risk management controls, disclosure and transparency, remuneration policies and systems and the overall protection of shareholders’ and other stakeholders’ rights. The Governance Rules require each bank to adopt a corporate governance manual and establish a governance committee responsible for devising a framework to ensure adherence to the corporate governance manual. Additionally, this year the Governance Rules highlighted the issue of cybersecurity risk for banks.

The revised Corporate Governance Rules require the existence of independent directors in the composition of a banks’ boards of directors and the board committees. Effective as of 30 June 2020, a bank’s board must comprise no less than 11 board members, two of whom must be deemed “independent” but in no circumstance should the independent board members occupy more than half of the board seats. Another two independent board members are to be included to provide a total of four independent board members from the, at least, 11 board members by 30 June 2022.

The Corporate Governance Rules provide principles that should be applied by Kuwaiti banks in order to ensure proper governance. They comprise nine pillars that cover, amongst other things, board composition, independent board members, risk management governance, compliance governance, cyber security, disclosure and transparency, remuneration policies and systems and overall protection of shareholder and stakeholder’s rights. The Corporate Governance Rules require each bank to adopt a corporate governance manual and establish a corporate governance committee, tasked with devising an overall framework for the adherence to the governance manual.

The Governance Rules define the role of a bank’s board of directors and executive management (including the chief executive officer and other senior management), the executive committee (which is to include the chief executive officer), the risk committee, the internal and external audit committee, and any other committees that have an active role in the business of the bank. The Governance Rules also require each bank to adopt a disclosure and transparency policy (covering topics including material information that may affect the relevant bank’s financial position, changes to its management, board or shareholding structure).

The Board of Directors of the Bank adopts and implements internationally recognised corporate governance practices and adheres to the CBK’s requirements under the Governance Rules.

Application of CBK Regulations to the Bank

The Bank is incorporated as a public shareholding company in Kuwait. The Bank is licensed by the CBK to conduct banking activities and operates under its supervision. The Bank is also listed on Boursa Kuwait. As a company incorporated in Kuwait under the Commercial Companies’ Law No. 15 of 1960 (as replaced), for the Bank to perform any commercial activities, it must have a valid commercial licence issued by the MOCI. The MOCI issued commercial licence is renewable every four years. The Bank’s commercial licence was last renewed on 8 November 2016 for the period until 7 November 2020. The Bank has no reason to believe that its commercial licence will not be renewed by the MOCI.

The CBK acts as lender of last resort to all of the Kuwaiti banks. As a financial institution, the Bank is required to submit various periodic and one-off reports to the CBK in a format prescribed by it. The CBK also conducts
inspections of banking and financial institutions (banks, investment companies, money exchange companies and mutual funds) which are subject to its supervision in order to ascertain their financial sustainability and their adherence to their constitutional by-laws. These inspections may be in the form of a specific inspection or a full audit of all activities. The CBK periodically inspects all financial institutions which are subject to its supervision. The most recent inspection for which a report has been received was conducted between June and December 2018. The report, which was received on 10 February 2019, contained no material observations.

Alongside the CBK, the Bank is also regulated by the CMA as it is a publicly traded company with shares listed on Boursa Kuwait and conducts certain regulated securities activities.

**Banking System**

The Kuwaiti banking sector currently comprises five locally incorporated conventional commercial banks, one specialised bank, five locally incorporated Sharia-compliant banks, branches of 11 non-Kuwaiti conventional banks and a non-Kuwaiti Sharia-compliant bank.

The Kuwait banking sector has experienced increased competition and diversification from the entry of international banks establishing branches in Kuwait, following the promulgation of Law No. 28 of 2004 amending certain provisions of Law No. 32 of 1968 concerning Currency, CBK and the Organisation of Banking Business. As at 31 December 2019, total local bank assets in the Kuwaiti banking sector amounted to KD 87 billion and total credit facilities to Kuwaiti residents advanced by local banks amounted to KD 39.0 billion (source: CBK).

In addition, 12 foreign bank branches also operate in Kuwait. These are the Bank of Bahrain and Kuwait, BNP Paribas, HSBC, First Abu Dhabi Bank, Citibank, Qatar National Bank, Doha Bank, Mashreq Bank, Al-Rajhi Bank, Bank Muscat, Union National Bank and Industrial and Commercial Bank of China Limited.

**Financial Stability Law and Deposit Guarantee Law**

In response to the global financial crisis which began in 2008, the Government took a number of measures, including the passing of Decree No. 2 of 2009 (the “Financial Stability Law”). The Financial Stability Law sought to stabilise the financial sector in Kuwait and other economic sectors so as to encourage the financing of such sectors by local banks. The Financial Stability Law does not have a wide scope of application as the Government stability measures thereunder only apply to financial exposures of companies within the banking sector outstanding as at 31 December 2008.

As a further measure, the Government passed Law No. 30 of 2008 regarding the guarantee of deposits held with local banks (the “Deposit Guarantee Law”). Under the Deposit Guarantee Law, the Government has undertaken to guarantee the principal (but not interest or profit) of all deposits held with local banks in Kuwait, including saving accounts and current accounts.
SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection from the registered office of the Trustee and the specified office of the Principal Paying Agent. Words and expressions defined elsewhere in this Offering Circular shall have the same meanings in this section.

Master Purchase Agreement, as supplemented by each Supplemental Purchase Agreement

The Master Purchase Agreement will be entered into on 18 November 2020 between the Trustee (in its capacity as purchaser, the “Purchaser”) and the Bank (in its capacity as seller, the “Seller”) and will be governed by Kuwaiti law. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by Kuwaiti law.

Pursuant to each Supplemental Purchase Agreement, the Seller will sell, transfer and assign to the Purchaser, and the Purchaser will purchase from the Seller all of its rights, title, interests, benefits and entitlements in, to and under: (i) (on the issue date of the first Tranche of a Series) the relevant Initial Assets and (ii) (on each date on which any additional Certificates are issued) the relevant Additional Assets.

Wakala Agreement

The Wakala Agreement will be entered into on 18 November 2020 between the Trustee and the Bank (in its capacity as wakeel, the “Wakeel”) and will be governed by English law.

Pursuant to the Wakala Agreement, the Trustee will appoint the Wakeel to service the Wakala Portfolio relating to each Series. In particular, the Wakeel will, in relation to each Series, undertake to perform, amongst other things, the following services (the “Services”) on behalf of the Trustee, during the Wakala Ownership Period:

(a) it will service the Wakala Portfolio in accordance with the wakala services plan (the “Wakala Services Plan”) (the form of which is set out in the Schedule to the Wakala Agreement), which shall be completed at the time of issue of the first Tranche of the relevant Series upon receipt from the Trustee of the relevant Supplemental Purchase Agreement;

(b) if the Trustee issues an additional Tranche, it shall as soon as practicable after such issuance amend the Wakala Services Plan for that Series to take into account the issuance of such additional Tranche;

(c) it shall ensure that, on the Issue Date of each Tranche of a Series, at least 51 per cent. of the value of the Wakala Portfolio on such Issue Date is derived from Wakala Assets;

(d) it shall use all reasonable endeavours to procure that, at all times after the Issue Date of the first Tranche of a Series, at least 51 per cent. of the value of the Wakala Portfolio is derived from Wakala Assets (the “Minimum Tangible Asset Requirement”);

(e) it shall use all reasonable endeavours to service the Wakala Portfolio to ensure that the value of the Wakala Portfolio is, at all times, not less than the aggregate face amount of the Certificates for the relevant Series then outstanding;

(f) it shall utilise all Wakala Portfolio Principal Revenues to purchase, on behalf of the Trustee, further Eligible Assets from the Bank to the extent necessary to maintain the Minimum Tangible Asset Requirement and, to the extent that further Eligible Assets are not available, it shall hold the cash sums representing such Wakala Portfolio Principal Revenues in principal protected Shari’a compliant investments including investment deposits until further Eligible Assets become available. Such further
Eligible Assets (the “Further Wakala Assets”) so acquired shall form part of the Wakala Portfolio, in respect of which the Wakeel shall represent and warrant on the date of such acquisition, among other things, as follows:

(i) it has the power and capacity to purchase, on behalf of the Trustee, the rights, title, interests, benefits and entitlements in, to and under, the Further Wakala Assets in the manner specified by the Wakala Agreement;

(ii) each Further Wakala Asset in respect of which Wakala Portfolio Principal Revenues are being utilised is an Eligible Asset;

(iii) each Further Wakala Asset being purchased, immediately prior to its acquisition, by the Wakeel, on behalf of the Trustee, is owned by or on behalf of the Bank free and clear of any adverse claim and upon the utilisation of Wakala Portfolio Principal Revenues in respect thereof, the Wakeel will, on behalf of the Trustee, purchase all of the Bank’s rights, title, interests, benefits and entitlements in, to and under, such Further Wakala Asset, free and clear of any adverse claim;

(iv) the value of each Further Wakala Asset ascribed by the Wakeel is true, accurate and correct as of such date; and

(v) each such Further Wakala Asset complies in all material respects with Shari’a principles as laid down by the Fatwa and Sharia Supervisory Board of the Bank, it being acknowledged and agreed by the Wakeel that such acquisition of such Further Wakala Assets is conditional upon it being able to make the representations and warranties in accordance with this paragraph (f);

(g) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers (and without the need for the consent of the Trustee) reasonably necessary to ensure the assumption of, and compliance by, each Asset Obligor with its covenants, undertakings or other obligations under the Asset Contract to which it is a party in accordance with applicable law and the terms of the Asset Contract, in each case in respect of the Wakala Assets;

(h) it shall discharge or procure the discharge of all obligations to be discharged by the Bank (in whatever capacity) in respect of any of the Wakala Assets under all Asset Contracts, it being acknowledged that the Wakeel may appoint one or more agents to discharge these obligations on its behalf;

(i) it shall pay on behalf of the Trustee any actual costs, expenses, losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee’s ownership of the Wakala Portfolio;

(j) it shall use all reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues (free and clear of, and without withholding, retention or deduction for, taxes), investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues as and when the same shall become due and shall record such Wakala Portfolio Revenues in the Collection Accounts in accordance with the terms of the Wakala Agreement;

(k) it shall use all reasonable endeavours to ensure that the Wakala Portfolio Income Revenues are at least equal to the expected return to be generated by the Wakala Portfolio on a periodic basis;

(l) it shall maintain the Collection Accounts in accordance with the terms of the Wakala Agreement;

(m) it shall obtain all necessary licences, authorisations and consents in connection with any of the Wakala Assets and its obligations under or in connection with the Wakala Agreement;
(n) it shall use all reasonable endeavours to ensure that all Lessees in respect of the relevant Financing Assets maintain industry standard insurances and fulfil all structural repair and major maintenance obligations in respect of the relevant Financing Assets (each in accordance with the terms of the relevant Financing Contracts relating to such Financing Assets); and

(o) it shall carry out any incidental matters relating to any of the above.

The Wakeel shall provide the Services in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets and shall service the Wakala Portfolio relating to each Series in accordance with Shari’a principles as laid down by the Fatwa and Sharia Supervisory Board of the Bank.

The parties to the Wakala Agreement will agree and confirm that the Wakeel shall have no investment agency responsibilities, and shall not undertake any investment activities, in each case with respect to its appointment as agent of the Trustee under the Wakala Agreement and, other than as provided for in the Transaction Documents, is not permitted to trade in the Wakala Assets.

The Wakeel shall be entitled to receive a fee for acting as Wakeel which will comprise a fixed fee of U.S.$100 (the receipt and adequacy of which will be acknowledged by the Wakeel under the Wakala Agreement) and may also receive incentive payments as described below.

In the Wakala Agreement, the Trustee and the Wakeel will agree that, in relation to each Series and provided no Dissolution Event has occurred and is continuing:

(a) the Bank may at any time exercise its rights under the Sale and Substitution Undertaking to substitute any one or more Wakala Assets for new Wakala Assets, as it may select in accordance with, and subject to, the conditions of the Wakala Agreement and the Sale and Substitution Undertaking; and

(b) if, at any time, the Minimum Tangible Asset Requirement in respect of such Series is not satisfied or, upon any Wakala Asset ceasing to be an Eligible Asset, the Wakeel shall use all reasonable endeavours to identify new Wakala Assets in replacement of the relevant substituted Wakala Asset(s) provided that any such substitution shall otherwise be undertaken in accordance with, and subject to, the conditions of the Wakala Agreement and the Purchase Undertaking.

In relation to each Series, the Wakeel will maintain the Income Collection Account, the Principal Collection Account and the Reserve Account in its books (each of which shall be denominated in the Specified Currency) in which all Wakala Portfolio Revenues will be recorded. All Wakala Portfolio Revenues in relation to each Series will be recorded:

(a) to the extent that any such amounts comprise Wakala Portfolio Income Revenues, in the Income Collection Account; and

(b) to the extent that any such amounts comprise Wakala Portfolio Principal Revenues, in the Principal Collection Account.

Amounts standing to the credit of the Income Collection Account relating to each Series will be applied by the Wakeel on each “Wakala Distribution Determination Date” (being the Payment Business Day immediately prior to the relevant Periodic Distribution Date under the Certificates of the relevant Series) in the following order of priority:

(a) first, in repayment to the Bank or any relevant third party of any amounts advanced by it to the Trustee by way of a Liquidity Facility;

(b) second, in payment of any due but unpaid Wakala Liabilities Amounts for the Wakala Distribution Period ending immediately before the immediately following “Wakala Distribution Date” (being the date
which corresponds with the relevant Periodic Distribution Date under the Certificates of the relevant Series) and (if applicable) any Wakala Liabilities Amounts for any previous Wakala Distribution Period that remain unpaid;

(c)  third, in payment into the relevant Transaction Account of an amount equal to the lesser of the Required Amount payable on the immediately following Periodic Distribution Date and the balance of the Income Collection Account; and

(d)  fourth, in the case of any amounts still standing to the credit of the Income Collection Account immediately following payment of all of the above amounts by debiting from the Income Collection Account and crediting to the Reserve Account such amounts.

If, there is a shortfall on a Wakala Distribution Determination Date (after payment into the Transaction Account of the relevant amount as described above) between (i) the amount standing to the credit of the Transaction Account; and (ii) the Required Amount payable on the immediately following Periodic Distribution Date (the difference between such amounts being referred to as a “Shortfall”), amounts standing to the credit of the Reserve Account (if any) shall be applied by the Wakeel by payment into the Transaction Account of an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of the Reserve Account). If, following payment of amounts standing to the credit of the Reserve Account as described above, a Shortfall remains on any Wakala Distribution Determination Date, the Bank may either (A) provide Shari’a compliant funding itself, or (B) procure Shari’a compliant funding from a third party, in each case, to the extent necessary to ensure that the Trustee receives, on each Wakala Distribution Determination Date, the Required Amount payable by it in accordance with the Conditions of the relevant Series on the immediately following Periodic Distribution Date, by payment of the same into the Transaction Account and on terms that such funding is repayable (i) from Wakala Portfolio Income Revenues, or (ii) on the relevant Dissolution Date (such funding in relation to a Series, a “Liquidity Facility”).

The Wakeel will be entitled to deduct amounts standing to the credit of the Reserve Account at any time and use such amounts for its own account, provided that such amounts shall be repaid by it if so required to fund a Shortfall or upon the occurrence of a Dissolution Event.

The Wakeel will agree in the Wakala Agreement that all payments by it under the Wakala Agreement must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind. If there is any such withholding, retention or deduction, the Wakeel will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Wakeel will undertake in the Wakala Agreement that any payment obligations of the Wakeel under the Wakala Agreement will be (i) (in the case of Senior Certificates) direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7) unsecured obligations of the Wakeel and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Wakeel from time to time outstanding and (ii) (in the case of Tier 2 Certificates) direct, unsecured, conditional and subordinated obligations of the Wakeel which shall rank: (a) subordinate to all Senior Obligations; (b) pari passu with all other Pari Passu Obligations and (c) in priority to all Junior Obligations. The Trustee will irrevocably waive its rights to the extent necessary to give effect to the subordination provisions in (ii) above.
**Purchase Undertaking**

The Purchase Undertaking will be executed as a deed on 18 November 2020 by the Bank in favour of the Trustee and the Delegate, and will be governed by English law.

In relation to each Series, the Bank will irrevocably grant to the Trustee and the Delegate (in each case, for and on behalf of the Certificateholders) each of the following rights:

(a) provided that a Dissolution Event has occurred and is continuing, to require the Bank to purchase on the Dissolution Event Redemption Date all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;

(b) to require the Bank to purchase, on the Scheduled Dissolution Date, all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;

(c) (in the case of Senior Certificates only) provided that (i) Certificateholder Put Right is specified as applicable in the applicable Pricing Supplement (and Optional Dissolution Right is specified as not applicable in each applicable Pricing Supplement) and (ii) one or more Certificateholders have exercised the Certificateholder Put Right in accordance with the Conditions, to require the Bank to purchase on the Certificateholder Put Right Date all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the applicable portion of the Wakala Assets at the Certificateholder Put Right Exercise Price specified in the relevant Exercise Notice; and

(d) to require the Bank to assign, transfer and convey to the Trustee on the substitution date all of the Bank’s rights, title, interests, benefits and entitlements in, to and under the new Wakala Assets against the assignment, transfer and/or conveyance to the Bank of all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the substituted Wakala Assets, subject to certain conditions set out in the Purchase Undertaking,

in each case, on an “as is” basis but free and clear of any adverse claim (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Purchase Undertaking.

The Bank will covenant and undertake in the Purchase Undertaking that if the relevant Exercise Price or Certificateholder Put Right Exercise Price, as the case may be, is not paid in accordance with the Purchase Undertaking for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the Certificateholder Put Right Date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price or the Certificateholder Put Right Exercise Price, as the case may be.

The Bank will agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind. If there is any such withholding, retention or deduction, the Bank will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made. Following payment in full of an amount equal to the Exercise Price or the Certificateholder Put Right Exercise Price, as the case may be, in accordance with the Purchase Undertaking, the Bank will irrevocably undertake to enter into a Sale Agreement with the Trustee.
The Bank will undertake in the Purchase Undertaking that any payment obligations of the Bank under the Purchase Undertaking are and will be (i) (in the case of Senior Certificates) direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7) unsecured obligations of the Bank and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Bank from time to time outstanding and (ii) (in the case of Tier 2 Certificates) direct, unsecured, conditional and subordinated obligations of the Bank which shall rank: (a) subordinate to all Senior Obligations; (b) pari passu with all other Pari Passu Obligations; and (c) in priority to all Junior Obligations. The Trustee will irrevocably waive its rights to the extent necessary to give effect to the subordination provisions in (ii) above.

Sale and Substitution Undertaking

The Sale and Substitution Undertaking will be executed as a deed on 18 November 2020 by the Trustee in favour of the Bank and will be governed by English law.

In relation to each Series, the Trustee will irrevocably grant to the Bank each of the following rights:

(a) provided that a Tax Event has occurred, to require the Trustee to sell, assign, transfer and convey to the Bank on the Early Tax Dissolution Date specified in the Exercise Notice all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;

(b) (in the case of Tier 2 Certificates only) provided that a Capital Disqualification Event has occurred, to require the Trustee to sell, assign, transfer and convey to the Bank on the Capital Disqualification Event Dissolution Date specified in the Exercise Notice all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to the relevant Series at the Exercise Price specified in the relevant Exercise Notice;

(c) provided that Optional Dissolution Right is specified as applicable in each applicable Pricing Supplement (and Certificateholder Put Right is specified as not applicable in each applicable Pricing Supplement), to require the Trustee to sell, assign, transfer and convey to the Bank on the Optional Dissolution Date all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the applicable portion of the Wakala Assets at the Optional Dissolution Exercise Price specified in the relevant Exercise Notice;

(d) (in the case of Tier 2 Certificates only), provided that a Non-Viability Event has occurred, to require the Trustee to sell, assign, transfer and convey to the Bank, on the Non-Viability Event Write-down Date, all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the Write-down Portfolio Assets at the Non-Viability Event Exercise Price specified in the relevant Exercise Notice; provided that, following the occurrence of a Non-Viability Event and the receipt by the Trustee of a Non-Viability Event Notice from the Obligor, on the relevant Non-Viability Event Write-down Date, the obligation of the Obligor to pay the amount of the Non-Viability Event Exercise Price set out in paragraphs (a) and (b) of the definition of Non-Viability Event Exercise Price shall automatically be deemed to be written-down to zero and the Obligor’s obligation to pay such amounts shall be deemed to have been satisfied;

(e) following delivery of the Registered Certificate representing the cancelled Certificates to the Registrar for cancellation pursuant to Condition 10(h), to require the Trustee to assign, transfer and convey to the Bank on the cancellation date all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the cancellation Wakala Assets subject to certain conditions set out in the Sale and Substitution Undertaking; and
(f) to require the Trustee to assign, transfer and convey to the Bank on the substitution date all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under, the substituted Wakala Assets against the assignment, transfer and conveyance to the Trustee of all of the Bank’s rights, title, interests, benefits and entitlements in, to and under, the new Wakala Assets subject to certain conditions set out in the Sale and Substitution Undertaking.

in each case, on an “as is” basis but free and clear of any adverse claim (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale and Substitution Undertaking.

Master Murabaha Agreement

The Master Murabaha Agreement will be entered into on 18 November 2020 between the Trustee (in its capacity as seller, the “Commodity Seller”), the Bank (in its capacity as buyer, the “Commodity Buyer”) and the Delegate and will be governed by English law.

Pursuant to the Master Murabaha Agreement, and in connection with each relevant Tranche of Certificates, the Commodity Seller may enter into a Commodity Murabaha Investment with the Commodity Buyer using a portion of the issue proceeds of the relevant Tranche as specified in the applicable Pricing Supplement (being no more than 49 per cent. of the aggregate face amount of the Certificates of that Tranche). In accordance with the Master Murabaha Agreement, on receipt of a duly completed Notice of Request to Purchase from the Commodity Buyer, the Commodity Seller (acting through the Commodity Agent) may purchase the relevant Commodities on the relevant Issue Date from a commodity supplier on a spot basis at the relevant Commodity Purchase Price.

Upon completion of the purchase of the Commodities by the Commodity Seller and the Commodity Seller gaining title thereto and (actual or constructive) possession thereof, the Commodity Seller may deliver to the Commodity Buyer a duly completed Offer Notice by no later than 1.00 p.m. (London time) (or such other time as may be agreed in writing by the Commodity Buyer and the Commodity Seller) on the relevant Issue Date.

Provided that the Commodity Buyer has delivered a duly completed Notice of Request to Purchase in accordance with the terms of the Master Murabaha Agreement, the Commodity Buyer will irrevocably undertake to accept the terms of, countersign and deliver to the Commodity Seller any Offer Notice delivered to it in accordance with the Master Murabaha Agreement and (as a result of the Commodity Seller having acted on the request of the Commodity Buyer set out in the Notice of Request to Purchase) purchase the relevant Commodities acquired by the Commodity Seller for the relevant Deferred Payment Price, in each case no later than 2.00 p.m. (London time) (or such other time as may be agreed between the Commodity Buyer and the Commodity Seller) on the relevant Issue Date.

As soon as the Commodity Buyer has accepted the Commodity Seller’s offer by countersigning the relevant Offer Notice, a Murabaha Contract shall be created between the Commodity Seller and the Commodity Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement, the Commodity Seller shall sell and the Commodity Buyer shall buy the relevant Commodities and ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Commodity Buyer, together with all rights and obligations relating thereto.

The Commodity Buyer will agree in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind and, in such case, the Commodity Buyer will pay all additional amounts as will result in the receipt by the
Commodity Seller of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Commodity Buyer will undertake in the Master Murabaha Agreement that any payment obligations of the Commodity Buyer under the Master Murabaha Agreement will be (i) (in the case of Senior Certificates) direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7) unsecured obligations of the Commodity Buyer and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Commodity Buyer from time to time outstanding and (ii) (in the case of Tier 2 Certificates) direct, unsecured, conditional and subordinated obligations of the Commodity Buyer and shall rank: (a) subordinate to all Senior Obligations; (b) pari passu with all other Pari Passu Obligations and (c) in priority to all Junior Obligations. The Commodity Seller shall irrevocably waive its rights to the extent necessary to give effect to the subordination provisions set out in (ii) above.

Trust Deed

The Master Trust Deed will be entered into on 18 November 2020 between the Bank, the Trustee and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties shall be entered into on the Issue Date of each Tranche and shall also be governed by English law.

Upon issue of a Series of Certificates, the Master Trust Deed as supplemented by each relevant Supplemental Trust Deed shall together constitute the Trust declared by the Trustee in relation to such Series (the Master Trust Deed as supplemented by each relevant Supplemental Trust Deed for each Series being referred to herein as the “Trust Deed”).

The Trust Assets in respect of each Series shall comprise:

(a) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(b) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;

(c) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations and the covenant given to the Trustee pursuant to clause 13.1 of the Master Trust Deed);

(d) all moneys standing to the credit of the Transaction Account from time to time; and

(e) all proceeds of the foregoing.

Pursuant to the relevant Trust Deed, the Trustee will, in relation to each Series of Certificates, amongst other things, hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries pro rata according to the face amount of Certificates of that Series held by each Certificateholder and act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the relevant Trust Deed. Pursuant to the Master Trust Deed, the Trustee will, by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders under the relevant Trust Deed, irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed to:

(a) execute, deliver and perfect all documents; and
(b) exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed and the Certificates, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights, powers, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Conditions and the Trust Deed (together the “Delegation” of the “Relevant Powers”), provided that (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, authority or discretion to dissolve the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Delegate will undertake in the Master Trust Deed to ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of its powers pursuant to the Delegation.

The Delegation is to be made by the Trustee to the Delegate for the benefit of the Delegate and the Certificateholders, subject to the terms of the Conditions and the Trust Deed.

In addition to the Delegation of the Relevant Powers, certain powers, rights, authorities and discretions under the Master Trust Deed will be vested solely in the Delegate, including, amongst other things, the power to call and conduct meetings at the request of Certificateholders, to determine whether a certain event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates so as to qualify as a Trustee Event or Obligor Event, and the powers set out in Condition 15 to decide, pursuant to the provisions therein, whether the Certificates should become immediately due and payable subject to and in accordance with Condition 15, to waive or authorise a breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such, and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee, in each case as more particularly described in the Master Trust Deed.

The Bank will covenant and undertake in the Master Trust Deed, among other things, as follows:

(a) to comply with and perform and observe all provisions of the Conditions which are expressed to be applicable to it including, without limitation, the negative pledge provisions in respect of Senior Certificates described in Condition 7;

(b) to comply with and perform and observe all provisions of the Transaction Documents to which it is a party which are expressed to be binding on it;

(c) that it shall forthwith notify the Delegate and the Trustee in writing of any Dissolution Event (and the steps, if any, being taken to remedy it) and/or Potential Dissolution Event, in each case promptly upon becoming aware of its occurrence; and

(d) on the third Business Day following the occurrence of a Non-Viability Event, notify the Delegate and the Trustee in writing of such Non-Viability Event, in accordance with Condition 11(b).

The Bank will acknowledge in the Master Trust Deed that the Obligor Events applicable to it are set out in full in the Conditions, that it is fully aware of and understands the terms thereof and that the occurrence thereof shall constitute a Dissolution Event for the purposes of the Senior Certificates and that the occurrence of any
Dissolution Event as set out in Condition 15(b)(ii) shall constitute a Dissolution Event for the purposes of the Tier 2 Certificates, in each case, for the purposes of, and in accordance with, the Conditions.

The Bank will also covenant and undertake in the Master Trust Deed that if the relevant Exercise Price, Certificateholder Put Right Exercise Price, Non-Viability Event Exercise Price or Optional Dissolution Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking (as the case may be) for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates, the Certificateholder Put Right Certificates, the Non-Viability Event Write-down Certificates or the Optional Dissolution Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Certificateholder Put Right Exercise Price, the Non-Viability Event Exercise Price or the Optional Dissolution Exercise Price, as the case may be. Following payment in full of an amount equal to the Exercise Price, the Certificateholder Put Right Exercise Price, the Non-Viability Event Exercise Price or the Optional Dissolution Exercise Price, as the case may be, in accordance with the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, the Bank will irrevocably undertake to enter into a Sale Agreement with the Trustee in accordance with the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be.

The Bank will also covenant and undertake in the Master Trust Deed that if the outstanding Deferred Payment Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Master Murabaha Agreement for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption of the outstanding Certificates of such Series and, accordingly, the amount payable under any such indemnity claim will equal the outstanding Deferred Payment Price.

In addition, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 13, the Bank will covenant and undertake in the Master Trust Deed that it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any withholding, retention or deduction for or on account of tax) equals any and all additional amounts required to be paid by it in respect of the Certificates pursuant to Condition 13.

If and to the extent the Trustee has exercised its rights under Condition 21 to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so created and issued, declaring that the relevant Additional Assets (as defined in the relevant Declaration of Commingling of Assets) and the Wakala Assets comprised in the Wakala Portfolio as in existence immediately prior to the creation and issue of such additional Certificates and, if applicable, each Commodity Murabaha Investment made pursuant to the Master Murabaha Agreement (and all rights arising under or with respect thereto) in respect of the relevant Series, are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common pro rata according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

**Agency Agreement**

The Agency Agreement will be entered into on 18 November 2020 in relation to the Certificates between, amongst others, the Trustee, the Bank, the Delegate, the Principal Paying Agent and the Registrar. The Agency Agreement will govern the arrangements between the Trustee and the agents named therein for the issuance of
Certificates and the making of payments in respect thereof. The Agency Agreement will be governed by English law.

**Shari’a Compliance**

Each Transaction Document to which it is a party provides that each of KIB Sukuk Limited and Kuwait International Bank K.S.C.P. agrees that it has accepted the Shari’a compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

(a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of Shari’a;

(b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari’a compliance of the Transaction Documents to which it is a party; and

(c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of Shari’a.

For these purposes:

“Asset Contract” means a Financing Contract and/or any other contract, agreement, or document evidencing or otherwise related to or associated with a Wakala Asset, as the case may be;

“Asset Obligor” means a Lessee, an Other Tangible Asset Obligor and/or any other person that is a party to an Asset Contract (other than Bank or any party acting on behalf of the Bank) who has payment obligations thereunder, as the context so requires;

“Capital Disqualification Event” shall be deemed to have occurred if the Obligor is notified in writing by the Financial Regulator that the payment obligations of the Obligor under the Transaction Documents to which it is a party are, and/or the outstanding face amount of the Tier 2 Certificates is, excluded in full or in part from the Tier 2 Capital of the Obligor (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);

“Certificateholder Put Right Exercise Price” means, in relation to each Series, an amount equal to the aggregate of:

(a) the aggregate face amount of the relevant Certificates to be redeemed on the Certificateholder Put Right Date; plus

(b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificates; plus

(c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Wakala Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) Wakala Liabilities Amounts; plus

(d) without double counting, if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate pursuant to Condition 5(b)(i)); plus

(e) without double counting, any other amounts payable in relation to the relevant Certificates as specified in the applicable Pricing Supplement; less
(f) the applicable portion of the aggregate amounts of Deferred Payment Price then outstanding (if any) on the Certificateholder Put Right Date;

“Eligible Asset” means a Financing Asset or an Other Tangible Asset:

(a) in respect of which the relevant Asset Obligor under the related Asset Contract: (i) is generating cashflows under such Asset Contract relating to an activity which does not conflict with the principles of Shari’a; and (ii) is not in breach of its payment obligations in respect of that Asset Contract;

(b) which is held or owned by the Seller in a manner consistent with its usual credit and origination and/or investment policies as approved by the Fatwa and Sharia Supervisory Board of the Seller;

(c) in respect of which the obligations contained in the related Asset Contract entered into by the Asset Obligor thereof constitute legal, valid, binding and (subject to the laws of bankruptcy and other laws affecting the rights of creditors generally) enforceable obligations of the Asset Obligor under the governing law of that Asset Contract and any related transaction documents and in the jurisdiction in which such Asset Obligor is located;

(d) in respect of which the Seller is entitled to receive all payments due;

(e) in respect of which there has not occurred an event of default, any acceleration or analogous event; and

(f) in respect of which the Seller’s rights, title, interests, benefits and entitlements therein are capable of being sold, transferred and assigned by the Seller to the Purchaser in accordance with all applicable laws, its own terms and the terms set out in the Master Purchase Agreement;

“Exercise Price” means, in relation to each Series, an amount equal to the aggregate of:

(a) the aggregate face amount of the Certificates then outstanding on the relevant Dissolution Date; plus

(b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates; plus

(c) to the extent not previously satisfied in accordance with the Wakala Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) Wakala Liabilities Amounts; plus

(d) without double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate pursuant to Condition 5(b)(i)); plus

(e) (in respect of Senior Certificates only) without double counting, any other amounts payable on redemption of the Certificates as specified in the applicable Pricing Supplement; less

(f) the aggregate amounts of Deferred Payment Price then outstanding (if any) on the relevant Dissolution Date;

“Financing Asset” means a Real Estate Financing Asset or a Non-Real Estate Financing Asset, as the case may be;

“Financing Contract” means a Real Estate Financing Contract or a Non-Real Estate Financing Contract, as the case may be;

“Lessee” means a Real Estate Financing Lessee or a Non-Real Estate Financing Lessee, as the case may be;

“Non-Real Estate Financing Asset” means a tangible asset, other than a Real Estate Financing Asset, in relation to which the Bank or any person on its behalf has entered into a Non-Real Estate Financing Contract;
provided, however, that such tangible asset is in existence on the date on which it enters the relevant Wakala Portfolio;

“Non-Real Estate Financing Contract” means (a) an ijara contract entered into by the Bank or any person on its behalf (the “Non-Real Estate Financing Lessor”) and another person (the “Non-Real Estate Financing Lessee”) pursuant to which the Non-Real Estate Financing Lessor leases a tangible asset (other than a real estate asset) to the Non-Real Estate Financing Lessee, and in respect of which lease payments are due from the Non-Real Estate Financing Lessee to the Non-Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (b) any arrangement similar in economic effect to that described in item (a);

“Non-Viability Event Exercise Price” means, in relation to each relevant Series of Tier 2 Certificates, an amount equal to the aggregate of:

(a) the aggregate face amount of the Non-Viability Event Write-down Certificates as at the Non-Viability Event Write-down Date; plus

(b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Non-Viability Event Write-down Certificates; plus

(c) (only where no Certificate remains outstanding following the Write-down), an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) Wakala Liabilities Amounts; less

(d) the aggregate amounts of Deferred Payment Price then outstanding (if any) on the relevant Dissolution Date;

“Optional Dissolution Exercise Price” means, in relation to each Series, an amount equal to the aggregate of:

(a) the aggregate face amount of the relevant Certificates to be redeemed on the Optional Dissolution Date; plus

(b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificates; plus

(c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Wakala Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) Wakala Liabilities Amounts; plus

(d) without double counting, if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate pursuant to Condition 5(b)(i)); plus

(e) (in respect of Senior Certificates only) without double counting, any other amounts payable in relation to the relevant Certificates as specified in the applicable Pricing Supplement; less

(f) the applicable portion of the aggregate amounts of Deferred Payment Price then outstanding (if any) on the Optional Dissolution Date;

“Real Estate Financing Asset” means a real estate asset located in Kuwait in relation to which the Bank or any person on its behalf has entered into a Real Estate Financing Contract; provided, however, that such real estate asset is in existence on the date on which it enters the relevant Wakala Portfolio;

“Real Estate Financing Contract” means (a) an ijara contract entered into by the Bank or any person on its behalf (the “Real Estate Financing Lessor”) and another person (the “Real Estate Financing Lessee”) pursuant to which the Real Estate Financing Lessor leases a real estate asset located in Kuwait to the Real Estate
Financing Lessee, and in respect of which payments are due from the Real Estate Financing Lessee to the Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (b) any arrangement similar in economic effect to that described in item (a);

“Wakala Distribution Period” means, in relation to a Series, the period beginning on (and including) the Issue Date of the first Tranche of such Series and ending on (but excluding) the first Wakala Distribution Date and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date, each such period also being a Periodic Distribution Period; and

“Wakala Ownership Period” means, in relation to each Series, the period commencing on the Issue Date of the first Tranche of such Series and ending on the date on which all of the Certificates of that Series are redeemed in full.
TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere, nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Certificates should consult their own tax advisers as to which countries’ tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor’s particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on Certificates to be issued will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax. On 20 July 2020, the Trustee received an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (2018 revision) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations, and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Law (2018 revision). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

Kuwait

The following summary of taxation in Kuwait is based on the Kuwait Income Tax Decree No. 3 of 1955, as amended by Law No. 2 of 2008 “Amending Certain Provisions of Kuwait Income Tax Decree No. 3 of 1955” (the “Amendment”), the Executive Bylaws of the Amendment (the “Regulations”), and various ministerial resolutions and circulars relating thereto issued by the Kuwait Ministry of Finance (the “MOF”) and the Administrative Resolution (together, the “Taxation Laws”) as interpreted and implemented by the DIT as at the date of this Offering Circular. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT may alter and affect this summary.
**Income tax**
Under the Taxation Laws, income tax (at a flat rate of 15 per cent.) is levied on, *inter alia*, the net income and capital gains realised by any corporate entity (interpreted by the DIT to mean any form of company or partnership), wherever incorporated, that conducts business in Kuwait. However, the DIT to date has granted a concession to such corporate entities incorporated in Kuwait or in any other GCC country (being referred to in this Offering Circular as “GCC corporate entities”) and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Offering Circular as “non-GCC corporate entities”) which, for the avoidance of doubt, include shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in Kuwait. Pursuant to the Regulations, income generated from the lending of funds inside Kuwait is considered to be income realised from the conducting of business in Kuwait, and is therefore subject to income tax. The following paragraphs are therefore only applicable to non-GCC corporate entities.

Pursuant to Article 150 (bis), yields of securities, bonds, finance sukuk and all other similar securities regardless of the issuer thereof shall be exempted from taxation. Article 150 (bis) was acknowledged by the Administrative Resolution.

However, see “Risk Factors – Risks Relating to Taxation – The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Certificates which are “non–GCC corporate entities” may become subject to the Kuwaiti income tax regime in certain limited circumstances”.

Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

**Retention**
Under the Regulations, a Kuwaiti-based party making a payment (being referred to in this section as the payer) to any other party (being referred to in this section as the payee), wherever incorporated, is obliged to deduct five per cent. of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. Unlike with withholding tax, the payer is not required to transfer directly the deducted amount to the DIT immediately, but instead retains such amount and releases it either: (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realised a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand.

According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include payments by the Bank to the Trustee under the Transaction Documents to which it is a party. Given that neither Article 150 (bis) nor the Administrative Resolution address the issue of whether or not there remains an obligation, as described above, to make a deduction, a payer (such as the Bank) could be required to deduct five per cent. from every payment made by it to a payee (such as the Trustee), which amount would be released by the payer upon presentation to it by the payee of a tax clearance certificate from the DIT.

In the event of any such deduction, the Transaction Documents provide that the Obligor will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no such deduction had been made.

**Other taxes**
Save as described above, all payments in respect of the Certificates and the Transactions Documents may be made without withholding, retention or deduction for, or on account of, present taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Kuwait.

No stamp, registration or similar duties or taxes will be payable in Kuwait by holders of Certificates in connection with the issue or any transfer of the Certificates.
Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Certificates (as described under “Terms and Conditions of the Certificates—Further Issues”) that are not distinguishable from previously issued Certificates are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Certificates, including the Certificates offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.
SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the “Programme Agreement”) dated 18 November 2020, agreed with the Trustee and the Bank a basis upon which they or any of them may from time to time agree to purchase Certificates.

In accordance with the terms of the Programme Agreement, each of the Trustee and the Bank 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 Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

Each Dealer has acknowledged and agreed that the Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that, it has not offered or sold the Certificates and each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, it will not offer or sell any Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Certificates of the Tranche of which such Certificates are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Each Dealer who purchases Certificates of a Tranche (or in the case of a sale of a Tranche of Certificates issued to or through more than one Dealer, each of such Dealers as to the Certificates of such Tranche to be purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Certificates of such Tranche.

On the basis of such notification or notifications, the Principal Paying Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer has also agreed that, at or prior to confirmation of sale of Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificate, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.
In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

**Prohibition of Sales to EEA and UK Retail Investors**

Unless the Pricing Supplement in respect of any Certificates specifies the “Prohibition of Sales to EEA and UK 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 Certificates which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area or 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 (11) of Article 4(1) of MiFID II; or
    (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
    (iii) not a qualified investor as defined in the Prospectus Regulation;

(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 Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

If the Pricing Supplement in respect of any Certificates specifies “Prohibition of Sales to EEA and UK Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA and the United Kingdom (each, a “Relevant State”), 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 Certificates which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in that Relevant State, except that it may make an offer of such Certificates to the public in that Relevant State:

(a) if the applicable Pricing Supplement in relation to the Certificates specifies that an offer of those Certificates may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such Certificates which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the pricing supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Trustee and the Bank have consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and the Bank for any such offer;

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Certificates referred to above shall require the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.
For the purposes of this provision, the expression an “offer of such Certificates to the public” in relation to any Certificates in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

**United Kingdom**

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 Certificates which have a maturity of less than one year: (a) 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 (b) it has not offered or sold and will not offer or sell any Certificates 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 Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;

(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 Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Bank; 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 Certificates in, from or otherwise involving the United Kingdom.

**Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to any member of the public in the Cayman Islands.

**United Arab Emirates (excluding the 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 the Certificates to be issued under the Programme 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 and sale of securities.

**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 Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority rulebook (the “DFSA Rulebook”); and
made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

**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 Certificates, 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).

**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 Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “Saudi Investor”) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the Capital Market Authority resolution number 1-104-2019 dated 30 September 2019 (the “KSA Regulations”), made through an authorised person licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 11 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “Sophisticated Investors” under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates made by it to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and; (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 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, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a)
in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) 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 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.

Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no Certificates will be offered, marketed, and/or sold in Kuwait, unless all necessary approvals from the CMA pursuant to Law No. 7 of 2010, and its executive bylaws (each as amended), together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature), or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing and/or sale, of the Certificates.

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 Certificates, except for Certificates which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) 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(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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 Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates 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.

Malaysia

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates 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 I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b), read together with
Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be 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 Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Certificates or cause such Certificates 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 Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA;

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B(1)(c) of the SFA and the CMP Regulations 2018, unless otherwise specified in the applicable Pricing Supplement, the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded 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).
General

These selling restrictions may be modified by the agreement of the Trustee, the Bank and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the applicable Pricing Supplement issued in respect of the issue of Certificates to which it relates or in a supplement to this Offering Circular.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Certificates or possesses or distributes this Offering Circular and neither the Trustee, the Bank nor any of the other Dealers shall have any responsibility therefor.

None of the Trustee, the Bank and the Dealers represents that (i) Certificates 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 any such sale or (ii) any action has been, or will be taken in any jurisdiction that would permit a public offering of any Certificates, or possession or distribution of this Offering Circular or any other offering material or any applicable Pricing Supplement, in any country or jurisdiction where action for that purpose is required.
GENERAL INFORMATION

Admission to Trading

Application has been made to the London Stock Exchange for Certificates issued under the Programme during the 12 months from the date of this Offering Circular to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of MiFID II. The ISM is a market designated for professional investors. Certificates admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Certificates may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Trustee and the Bank.

Authorisation

Each of the Trustee and the Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the entry into and performance of the Transaction Documents to which it is a party. The establishment of the Programme was authorised by a resolution of the board of directors of the Trustee dated 20 October 2020, a resolution of the board of directors of the Bank dated 23 August 2020 and a resolution of the shareholders of the Bank dated 26 March 2020.

Significant or Material Change

There has been no significant change in the financial or trading position, or material adverse change in the prospects, of the Trustee since the date of its incorporation.

There has been no significant change in the financial or trading position of the Bank or the Group since 30 September 2020 and there has been no material adverse change in the prospects of the Bank or the Group since 31 December 2019.

Litigation

Neither the Trustee nor the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or the Bank is aware) in the 12 months preceding the date of this Offering Circular which may have or has had in the recent past significant effects on the financial position or profitability of the Trustee, the Bank or the Group.

Clearing Systems

Certificates have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Tranche of Certificates will be set out in the applicable Pricing Supplement.
The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Pricing Supplement.

Documents Available

For so long as Certificates are capable of being issued under the Programme, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available for inspection and/or collection from the registered office of the Trustee and the specified office of the Principal Paying Agent:

(a) each applicable Pricing Supplement and the other Transaction Documents in relation to each Series (save that such documents will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of the relevant Certificate and identity);

(b) the constitutional documents of the Trustee and the Bank;

(c) the consolidated financial statements of the Bank as at and for the years ended 31 December 2019, 31 December 2018 and 31 December 2017, in each case, together with the audit reports thereon and the notes thereto;

(d) the most recently published consolidated financial statements of the Bank and interim condensed consolidated financial information of the Bank, in each case, together with any audit or review reports thereon and the notes thereto; and

(e) this Offering Circular together with any supplement to this Offering Circular or further Offering Circular.


Auditors

The statutory auditors of the Bank are EY Kuwait and Deloitte Kuwait. The business address of EY Kuwait is P.O. Box 74, 18 – 21st Floor, Baitak Tower, Ahmed Al Jaber Street, Safat Square 13001, Kuwait and the business address of Deloitte Kuwait is Ahmed Al-Jaber Street, Sharq, Dar Al-Awadi Complex, Floors 7 & 9, P.O. Box 20174, Safat 13062, Kuwait. Each of EY Kuwait and Deloitte Kuwait is regulated in Kuwait by the CMA and is a registered auditor licensed to act as an auditor in Kuwait by the Kuwaiti Ministry of Commerce and Industry.

EY Kuwait and Deloitte Kuwait have audited, without qualification, each of the consolidated financial statements of the Bank as at and for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 in accordance with the International Standards on Auditing, as stated in their reports incorporated by reference herein.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.
Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Law, 2017 of the Cayman Islands (the “DPL”) on 18 May 2017 which was brought into force on 30 September 2019. The DPL introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Trustee Administrator) with certain personal information which constitutes personal data within the meaning of the DPL. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Trustee Administrator, may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPL to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Trustee Administrator by email at dubai@maples.com), which provides an outline of investors’ data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPL is the responsibility of the Ombudsman’s office of the Cayman Islands. Breach of the DPL by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

Dealers transacting with the Bank

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Bank and its affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

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 financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Bank and their affiliates, including, without limitation, the Certificates. Certain of the Dealers or their affiliates that have a lending relationship with the Trustee, the Bank and their affiliates may routinely hedge their credit exposure to the Trustee, the Bank and their affiliates 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 any Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates 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.
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