



# BOUBYAN SUKUK LIMITED

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

## U.S.\$1,000,000,000

## Trust Certificate Issuance Programme

Under the U.S.\$1,000,000,000 trust certificate issuance programme (the “**Programme**”) described in this base prospectus (the “**Base Prospectus**”), Boubyan 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 relevant Dealer(s) (as defined below). Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$1,000,000,000 (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 issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer(s) appointed under the Programme from time to time by the Trustee and Boubyan Bank K.S.C.P. (the “**Bank**” or the “**Obligor**”) (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue of Certificates or on an ongoing basis. References in this Base Prospectus to the “**relevant Dealer(s)**” shall, in the case of an issue of Certificates being (or intended to be) subscribed 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 fulfil its obligations under the Certificates, see “Risk Factors”.**

Each Tranche (as defined in the terms and conditions of the Certificates (the “**Conditions**”)) of Certificates will be constituted by: (i) a master trust deed (the “**Master Trust Deed**”) dated 31 October 2019 entered into by the Trustee, the Bank and Citibank, N.A., London Branch as delegate of the Trustee (in such capacity, the “**Delegate**”); and (ii) a supplemental trust deed (each a “**Supplemental Trust Deed**”) in relation to the relevant Tranche. Certificates of each Series confer on the holders of the Certificates from time to time (the “**Certificateholders**”) the right to receive payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the “**Trust**”).

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Trustee, the Obligor or the quality of any Certificates issued under the Programme that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in such Certificates. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for the Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the “**Official List**”) and to trading on the regulated market of Euronext Dublin. The regulated market of Euronext Dublin is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, “**MiFID II**”). Such approval relates only to the Certificates which are to be admitted to trading on a regulated market for the purposes of MiFID II (each such regulated market being a “**MiFID Regulated Market**”) and/or which are to be offered to the public in the European Economic Area (“**EEA**”).

References in this Base Prospectus to the Certificates being listed (and all related references) shall mean that such Certificates have been admitted to listing on the Official List and to trading on the regulated market of Euronext Dublin or, as the case may be, another MiFID Regulated Market as may be specified in the applicable final terms relating to the relevant Series (the “**applicable Final Terms**”). 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 unlisted Certificates and/or Certificates not admitted to trading on any market.

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 Base Prospectus, 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 (the “**Common Depositary**”) on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). The provisions governing the exchange of interests in Global Certificates for definitive Certificates are described in “*Summary of Provisions relating to the Certificates while in Global Form*”.

The Bank has been assigned a long-term issuer default rating of A+ with a stable outlook by Fitch Ratings Ltd. (“**Fitch**”) and a long-term deposit rating of A3 with a stable outlook by Moody’s Investors Service Cyprus Ltd. (“**Moody’s**”), respectively. The Programme is expected to be rated A+ by Fitch and A3 by Moody’s.

Each of Fitch and Moody’s is established in the European Union (“**EU**”) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). As such, each of Fitch and Moody’s is included in the list of credit rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A Series of Certificates to be issued under the Programme may be rated or unrated. Where a Series of Certificates is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating applicable to the Programme. 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.

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Fatwa and Shari’a Supervisory Board of the Bank, the Central Shariah Committee of HSBC Bank Middle East Limited and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari’a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari’a principles.

Amounts payable on Floating Rate Certificates will be calculated by reference to one of LIBOR, EURIBOR, KIBOR, HIBOR, KLIBOR, TRLIBOR or TRYLIBOR, SIBOR, EIBOR, TIBOR, SAIBOR, CHF LIBOR and QIBOR (as specified in the applicable Final Terms). As at the date of this Base Prospectus, the administrators of LIBOR, EURIBOR, SAIBOR and CHF LIBOR are included in ESMA’s register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the “**Benchmarks Regulation**”). As at the date of this Base Prospectus, the administrators of KIBOR, HIBOR, KLIBOR, TRLIBOR or TRYLIBOR, SIBOR, EIBOR, TIBOR and QIBOR are not included in ESMA’s register of administrators under the Benchmarks Regulation. As far as the Bank is aware, KIBOR, KLIBOR, EIBOR and QIBOR do not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that regulation. As far as the Bank is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that Treasury Markets Association, Banks Association of Turkey, Associate of Banks in Singapore, and Japanese Bankers Association are not currently required to obtain authorisation/registration (or, if located outside the EU, recognition, endorsement or equivalence).

This Base Prospectus will be valid for a period of 12 months from 31 October 2019 in relation to Certificates which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. The obligation to supplement the Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when the Base Prospectus is no longer valid in relation to such Certificates.

*Arrangers*

HSBC

Standard Chartered Bank

*Dealers*

HSBC

Standard Chartered Bank

The date of this Base Prospectus is 31 October 2019.

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Regulation.

The Trustee and the Bank accept responsibility for the information contained in this Base Prospectus and the applicable Final Terms 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 Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus 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 Final Terms.

The language of this Base Prospectus 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 Base Prospectus 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 Base Prospectus or any responsibility for any acts or omissions of the Trustee, the Bank or any other person in connection with this Base Prospectus 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 Base Prospectus 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 Arrangers, the Dealers, the Delegate or the Agents (each as defined herein). Neither the delivery of this Base Prospectus 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 Base Prospectus 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 Base Prospectus 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.

In the case of any Certificates which are to be admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Certificates).

The distribution of this Base Prospectus and the offering or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus 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 Base Prospectus, 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 Arranger or Dealer or such affiliate on behalf of the Trustee in such jurisdiction.

This Base Prospectus 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 Base Prospectus 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 Base Prospectus or any such statement. Neither this Base Prospectus 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus, 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.

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 Base Prospectus 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 Base Prospectus 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 Base Prospectus 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 Final Terms 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 Final Terms 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.

## 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 Base Prospectus 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 Base Prospectus, 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 Base Prospectus. 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 Base Prospectus 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 Base Prospectus 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

### Presentation of Financial Information

#### Historical financial statements

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

- as at and for the nine months ended 30 September 2019 (with comparative data as at and for the nine months ended 30 September 2018) (the “**Interim Financial Statements**”);
- as at and for the year ended 31 December 2018 (with comparative data as at and for the year ended 31 December 2017) (the “**2018 Financial Statements**”); and
- as at and for the year ended 31 December 2017 (with comparative data as at and for the year ended 31 December 2016) (the “**2017 Financial Statements**” and, together with the 2018 Financial Statements, the “**Audited Financial Statements**”).

The Interim Financial Statements and the Audited 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**”).

These regulations require the adoption of all IFRS requirements except for: (i) in the case of the 2017 Financial Statements, the International Accounting Standard 39, “*Financial Instruments: Recognition and Measurement*” requirement for a collective provision, which was replaced by the CBK’s requirement for a minimum general provision to be made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically; and (ii) in the case of the 2018 Financial Statements and the Interim Financial Statements, expected credit loss (“**ECL**”) should be measured at the higher of the ECL on financing facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions.

The Group adopted IFRS 9, subject to CBK guidelines and instructions, with effect from 1 January 2018. The Group did not restate comparative information for 2017 in the 2018 Financial Statements, as permitted by the transitional provisions of the standard. Therefore, the information presented for 2017 in the 2018 Financial Statements does not reflect the requirements of IFRS 9 and is not comparable to the information presented for 2018 in the 2018 Financial Statements. 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 2.4 (*Changes in accounting policies and disclosures*) to the 2018 Financial Statements.

The Group also adopted IFRS 15 with effect from 1 January 2018. The adoption of this standard did not result in any change in accounting policies of the Group and did not have any material effect on the Group’s consolidated financial statements (see further Note 2.4 (*Changes in accounting policies and disclosures*) to the 2018 Financial Statements).

The Group adopted IFRS 16 with effect from 1 January 2019. Since the Group applies this standard using the modified retrospective approach, the comparative information as at and for the nine months ended 30 September

2018 in the Interim Financial Statements has not been restated (see further Note 2.2 (*Changes in accounting policies and disclosures*) and Note 6 (*Impact of adoption of IFRS 16*) to the Interim Financial Statements).

The Interim Financial Statements have been reviewed in accordance with the International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, by Ernst & Young Al Aiban, Al Osaimi & Partners (“**EY Kuwait**”) and Deloitte & Touche Al-Wazzan & Co. (“**Deloitte Kuwait**”), as stated in their review report appearing herein.

The Audited Financial Statements have been audited in accordance with International Standards on Auditing by EY Kuwait and Deloitte Kuwait, without qualification as stated in their reports appearing herein.

The Group’s financial year ends on 31 December and references in this Base Prospectus to “**2018**”, “**2017**” and “**2016**” are to the 12 month period ending on 31 December in each such year.

### References to “deposits from financial institutions”

In this Base Prospectus, unless otherwise indicated, references to “deposits from financial institutions” are to the line item “due to banks” in the interim condensed consolidated statement of financial position (unaudited) of the Interim Financial Statements and the consolidated statement of financial position of the Audited Financial Statements.

### Certain non-IFRS financial information

This Base Prospectus 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 Alternative Performance Measures

In this Base Prospectus, the Bank uses the following metrics in the analysis of its business and financial position, which the Bank considers to constitute Alternative Performance Measures (“**APMs**”) as defined in the ESMA Guidelines. For further information, see “*Selected Financial Information – Selected Ratios*”.

<b>Metric</b>	<b>Definition and method of calculation</b>	<b>Rationale for inclusion</b>
Return on average assets	Profit for the year attributable to shareholders of the Bank divided by average assets for the year, with average assets calculated as the sum of assets on a quarterly basis divided by five	Performance measure to express how well assets are being used to generate profits
Return on average equity	Profit for the year attributable to shareholders of the Bank less Tier 1 profit divided by average shareholders’ equity for the year, with average shareholders’ equity calculated as the sum of	Performance measure to express profitability in relation to average shareholders’ equity

<b>Metric</b>	<b>Definition and method of calculation</b>	<b>Rationale for inclusion</b>
	shareholders' equity on a quarterly basis divided by five	
Cost to income ratio	Operating expenses divided by net operating income	Performance measure to express operating efficiency
Net profit rate margin	Net income from Islamic financing to customers net of finance cost and distribution to deposit holders divided by average profit earning assets for the year, with average profit earning assets calculated as the sum of profit earning assets on a quarterly basis divided by five. Profit earning assets comprise cash and short-term funds, deposits with banks, financings, advances and Islamic financing to customers and investment in sukuk ("Sukuk")	Profitability measure to express the spread generated on profit earning assets
Net profit margin	Profit for the year attributable to shareholders of the Bank divided by net operating income for the year	Profitability measure to express how much of revenue translates into profit
Impaired Islamic financing ratio	Impaired Islamic financing to customers as a percentage of total gross Islamic financing to customers	Asset quality measure
Provision for impairment ratio	Provision for impairment as a percentage of impaired Islamic financing to customers	Asset quality measure to express the sufficiency of provisions in respect of impaired Islamic financing to customers
Liquid assets ratio	Sum of liquid funds, trading securities and placements divided by total assets	Asset quality measure to express liquidity
Liquidity coverage ratio	Calculated as stipulated in CBK Circular No. 2/RB/346/2014 dated 23 December 2014 and CBK Circular No. 2/RB/363/2016 dated 2 February 2016	Asset quality measure to express short-term liquidity risk profile (i.e. adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet liquidity needs)



<b>Metric</b>	<b>Definition and method of calculation</b>	<b>Rationale for inclusion</b>
		for a 30 calendar day liquidity stress scenario)
Islamic financing to customers to depositors' accounts and due to banks ratio	Total Islamic financing to customers divided by the sum of depositors' accounts and due to banks	Asset quality measure to express ability to make payments to customers withdrawing their deposits and banks calling on their dues
Islamic financing to customers to depositors' accounts ratio	Total Islamic financing to customers divided by the sum of depositors' accounts	Asset quality measure to express ability to make payments to customers withdrawing their deposits
Common equity tier 1 ("CET1") capital adequacy ratio	Calculated in accordance with Basel III, as implemented in Kuwait	Capitalisation measure
Tier 1 capital adequacy ratio	Calculated in accordance with Basel III, as implemented in Kuwait	Capitalisation measure
Total capital adequacy ratio	Calculated in accordance with Basel III, as implemented in Kuwait	Capitalisation measure
Leverage ratio	Calculated as stipulated in CBK Circular No. 2/IBS/343/2014 dated 21 October 2014	Capitalisation measure

## **Presentation of Other Information**

### **Rounding**

Certain figures and percentages included in this Base Prospectus 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 Base Prospectus. 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 Base Prospectus, 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus, including in relation to gross domestic product ("GDP"), balance of payments, revenues and expenditures, and indebtedness of the Kuwaiti government, have been obtained from public sources identified in this Base Prospectus. All statistical information provided in this Base Prospectus, 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 Base Prospectus 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 <https://boubyan.bankboubyan.com>. The information on this website or any other website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Prospectus, and investors should not rely on it.

### **Certain definitions**

Capitalised terms which are used but not defined in any section of this Base Prospectus will have the meaning attributed thereto in the Conditions or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus 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 Base Prospectus 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 Base Prospectus, any applicable Final Terms 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 Base Prospectus, any applicable Final Terms 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus. 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus does not constitute an offer of securities in Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Base Prospectus 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 Base Prospectus 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 Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus 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 Base Prospectus.**

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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 Base Prospectus (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 Base Prospectus shall have the same meanings in this section.*

### **Risks related to the Trustee**

The Trustee is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 5 September 2019. 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 and its 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 and its ability to fulfil its obligations under the Transaction Documents**

**The Group is exposed to the credit risk of customers and other counterparties and anticipated future growth in, or deterioration in the quality of, the Group's Islamic financing to customers or investment securities portfolio could result in an increase in its credit risk profile**

Risks arising from adverse changes in the credit quality and recoverability of finance facilities, 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 pay

amounts due under their Islamic finance facilities according to their contractual terms and that the collateral (if any) securing the payment of these finance facilities may be insufficient. The Group regularly reviews and analyses its Islamic financing to customers (its “**Islamic financing portfolio**”) and credit risks, and the Group’s provision for losses on its Islamic financing portfolio is based on, among other things, its analysis of current and historical delinquency rates and Islamic finance facilities 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 further “*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – 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*”).

As at 30 September 2019, the Group’s Islamic financing portfolio amounted to KD 3.6 billion (compared to KD 3.3 billion as at 31 December 2018 and KD 2.9 billion as at 31 December 2017). The Group’s provision for impairment in respect of its Islamic financing portfolio amounted to 1.9 per cent. as at 30 September 2019 (compared to 2.1 per cent. as at 31 December 2018).

The Group’s strategy envisages that it will continue to grow its market share in Kuwait (see further “*Description of the Group – Strategy*”). As part of this growth strategy, the Group will continue to expand its Islamic financing portfolio which will, in turn, result in an increase in the Group’s credit exposure. Consequently, the Group will need to continually monitor the credit quality of its Islamic financing portfolio. This will be particularly important in the light of current economic conditions in Kuwait. See also “*Risk Management – Principal Risks – Credit risk*” and “*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – 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*”.

Credit losses could also arise from a deterioration in the credit quality of specific customers and counterparties of the Group, from a general deterioration in local or global economic conditions, or from systemic risks within these financial systems, which could affect the recoverability and value of the Group’s assets and require an increase in its provisions for the impairment of the Islamic financing portfolio, securities and other credit exposures.

Any failure by the Group to maintain the quality of its assets through effective risk management policies could lead to higher levels of defaults resulting in higher impairment provisioning and write-offs, which could have a material adverse effect on the Group’s profitability.

### **The Group’s Islamic financing portfolio, investment securities portfolio and deposit base are concentrated in Kuwait and the MENA region**

The Group’s Islamic financing portfolio and investment securities portfolio (including its portfolio of available for sale investments, funds and equity securities) together constituted KD 4.0 billion, or 80.7 per cent. of total assets, as at 30 September 2019 (compared to KD 3.6 billion, or 83.9 per cent. of total assets, as at 31 December 2018). As at 30 September 2019, 100 per cent. of the Group’s Islamic financing portfolio was advanced to customers in the MENA region, principally in Kuwait (compared to 100 per cent. as at 31 December 2018), and 97.1 per cent. of the Group’s maximum exposure to credit risk (including contingent liabilities) was concentrated in the MENA region, principally in Kuwait (compared to 96.8 per cent. as at 31 December 2018).

In addition, as at 30 September 2019, the Group’s investment securities portfolio principally comprised investment in Sukuk, with KD 249.4 million, or 72.5 per cent. of the investment in Sukuk, comprising exposure to MENA region issuers (compared to KD 197.3 million, or 63.8 per cent. of the investment in Sukuk, as at 31 December 2018). These issuers were principally Kuwaiti and other governments.



The Group's depositors' accounts constituted KD 4.1 billion, or 93.5 per cent. of total liabilities, as at 30 September 2019 (compared to KD 3.7 billion, or 96.4 per cent. of total liabilities, as at 31 December 2018). In the nine months ending 30 September 2019, over 22.1 per cent. of the Group's depositors' accounts comprised deposits from the Kuwaiti government and its related agencies.

As a result, any deterioration in general economic conditions in Kuwait and the wider MENA region or any failure by the Group to manage effectively its geographic risk concentrations could have a material adverse effect on its business, financial condition, results of operations and prospects (see further *“Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – The Group’s business, financial condition, results of operations and prospects are affected by global and regional financial markets and economic conditions and any deterioration in economic conditions in Kuwait and the wider MENA region could materially adversely impact the Group”*).

**The Group’s business, financial condition, results of operations and prospects are affected by global and regional financial markets and economic conditions and any deterioration in economic conditions in Kuwait and the wider MENA region could materially adversely impact the Group**

There has been significant volatility and disruption in the global capital and credit markets since the onset of the global financial crisis in late 2007. At times since then, there has also been a material reduction in the availability of financing for financial institutions as well as 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 further *“Overview of Banking and Finance Regulations in Kuwait”*). Despite such measures, international capital and credit markets have continued to experience volatility.

The business and results of operations of banks in Kuwait were adversely affected by these conditions and the impact they had in Kuwait and other countries in the MENA region. 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 2008 and 2009 compared to prior years, which in turn adversely affected their results of operations.

If significant market disruptions and high levels of volatility recur, 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.

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 any Certificates issued under the Programme may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Group (see further *“Risk Factors – Risks relating to the region in which the Group operates”*).

**The Group has significant customer and sector concentrations**

As at 30 September 2019, the Group's 20 largest outstanding Islamic financing to customers constituted 23.4 per cent. of the Group's gross Islamic financing portfolio (compared to 23.4 per cent. as at 31 December 2018).

Further, although diversified by industry sector, the Group's highest sector concentration is in the retail sector which accounted for 32.3 per cent. and the construction and real estate sectors which accounted for 20.8 per cent., respectively, of the Group's financial assets as at 30 September 2019, before taking into account any collateral held or credit enhancements (compared to 34.6 per cent. for the retail sector and 23.4 per cent. for the construction and real estate sectors as at 31 December 2018).

In the nine months ending 30 September 2019, over 22.1 per cent. of the Group's depositors' accounts comprised deposits from the Kuwaiti government and its related agencies. In addition, as at 30 September 2019, the Group's 20 largest depositors' accounts constituted 40.4 per cent. of the Group's total depositors' accounts (compared to 48.2 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 Islamic financing to customers or issuers of the investment-related financing held by the Group, or any factors which negatively impact the sectors to which the Group has significant exposure, could result in the Group making significant additional impairment provisions and experiencing reduced income from its Islamic financing portfolio. For instance:

- a significant decline in real estate values may weaken the credit quality of the Group's construction and real estate customers to the extent that the value of their real estate assets declines 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 retail customers to repay the Islamic financings provided to them and, as a result, could also similarly adversely impact the liquidity and profitability of the Group's financial institution customers.

Following a severe downturn associated with the global financial crisis, the Kuwaiti property market has since experienced a period of recovery. However, as an increasing number of developments are launched and reach completion, the number of properties available in the Kuwaiti market may exceed the demand for such properties leading to saturation. This could result in an increase in vacancy rates and/or a decrease in market rental rates and sale prices. In addition, demand for properties in Kuwait could decrease as a result of a range of other factors, including changes in law, macroeconomic conditions, events in neighbouring countries or factors inherent to the Kuwaiti property market. If the property market in Kuwait were to become saturated, or demand for properties in Kuwait were to decline or to be lower than expected, this could negatively impact the value of the collateral held by the Group in respect of a significant proportion of its Islamic financing portfolio which could lead to an increase in the Group's impairment provisions and reduced profitability. In addition, a large portion of the Group's customers purchase properties as investments, generally with a view to selling them for profit or leasing them for rental income. Any perceived or actual oversupply of properties in Kuwait, or a decrease in demand for rental space in Kuwait, may result in potential customers having experienced or experiencing difficulty in selling properties provided as collateral to the Group, either for an expected profit or for no profit at all. In addition, any perceived or actual oversupply of rental space in Kuwait or a decrease in demand for such rental space, for either commercial or residential properties, may cause rental rates to decline. This could result in a decrease in demand for the Group's customers properties among customers who expect to receive revenue from the part-time rental of their properties or who purchase properties for the explicit purpose of rental and, consequently, impact such customers' ability to make payments on their financing in a timely manner. This, in turn, could also lead to an increase in the Group's impairment provisions and reduced profitability.

Similarly, 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, in turn, would reduce the Group's net profit rate margin and

adversely affect the Group's operating income and profitability (see further *"Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – 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 or results of operations"*).

**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 or results of operations**

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 Kuwaiti government will continue to provide the levels of support that it has provided to date to the Kuwaiti banking sector (see further *"Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – The Kuwaiti government is under no obligation to support the Group and there is no assurance that the Group will receive future support that is commensurate with the support that it has received in the past"*).

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 credit generally and to customers in the financial services industry specifically, and the Group's financial condition, credit ratings and credit capacity.

The Group relies on both customer and interbank deposits, as well as deposits from the Kuwaiti government and its related agencies, 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. As at 30 September 2019, 71.2 per cent. of the Group's non-equity funding (which comprises amounts due to banks and depositors' accounts) had remaining contractual maturities of up to three months or was payable on demand (compared to 60.1 per cent. as at 31 December 2018) and 95.7 per cent. had remaining maturities of one year or less (compared to 92.3 per cent. as at 31 December 2018). 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. In addition, the Group's deposits are predominantly concentrated in Kuwait and the Group is reliant on certain large deposits from a limited number of government-related and private sector corporate customers (see further *"Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – The Group's Islamic financing portfolio, investment securities portfolio and deposit base are concentrated in Kuwait and the MENA region"* and *"Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – The Group has significant customer and sector concentrations"*).

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 other deposits, the interbank markets, the international capital markets or through asset sales, this would have a material adverse effect on its business, financial condition, results of operations and prospects.

**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 as well as a long-term counterparty risk rating of A2 and a long-term deposit rating of A3 with a stable outlook from Moody's. These ratings, which are intended to measure the Bank's ability to meet its financing obligations as they mature, are an important factor in determining the Bank's cost of funding.

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

- limit the Bank's or any member of the Group's ability to raise funding;
- increase the Bank's or any member of the Group's cost of funding; and
- limit the Bank's or any member of the Group's ability to raise capital,

each of which could adversely affect its business, financial condition, results of operations and prospects. Moreover, actual or anticipated changes in the Bank's credit rating may negatively affect the market value of any Certificates issued under the Programme.

According to each of Fitch and Moody's, a significant factor underpinning the Bank's ratings is their assessment that there is an extremely high probability of support for the Bank from the Kuwaiti authorities or by National Bank of Kuwait S.A.K.P ("**NBK**") (see further "*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – The Kuwaiti government is under no obligation to support the Group and there is no assurance that the Group will receive future support that is commensurate with the support that it has received in the past*" and "*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – The NBK Group exerts significant control over the Group and its interests may conflict with those of Certificateholders and/or of the Group itself*").

Any event that causes Fitch or Moody's or any other applicable rating agency in the future to adjust such view would be likely to result in a negative change in the Bank's rating.

In addition, the credit ratings assigned to the Bank may not reflect the potential impact of all risks related to an investment in any Certificates issued under the Programme. Other factors including the market and additional factors discussed in this Base Prospectus may also 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.

**Although the Group currently has strong capital ratios, it may need to raise further capital in the future for a variety of reasons and such capital may be difficult to raise when needed**

As at 30 September 2019, the Group's CET1 capital adequacy ratio was 16.8 per cent. (compared to 14.3 per cent. as at 31 December 2018) while, as at the same date, the Group's total capital adequacy ratio was 20.4 per cent. (compared to 18.2 per cent. as at 31 December 2018). As at 30 September 2019 and 31 December 2018,

the CBK required Kuwaiti banks to maintain a CET1 capital adequacy ratio and total capital adequacy ratio of at least 9.5 per cent. and 13.0 per cent., respectively. Pursuant to a letter dated 28 March 2016, the CBK informed the Bank that it had designated the Bank as a domestic systemically important bank (“**D-SIB**”) in Kuwait. Following its designation as a D-SIB, the Bank was required to comply with an additional capital requirement comprised of CET1 at a rate of 0.5 per cent. by 31 December 2016, bringing the total minimum capital requirement applicable to the Bank as at that date to 13.5 per cent. (which includes a capital conservation buffer). The CBK has advised the Bank that the results of the study conducted by the CBK in identifying D-SIBs are subject to periodic review and that the Bank will be informed by the CBK should there be any change to the capital buffer requirements applicable to the Bank. Given the current high capital adequacy of the Group, the Group continues to meet all regulatory capital requirements, even under severe stress test scenarios. For further information regarding calculation methodology as well as CBK instructions regarding capital adequacy, see “*Presentation of Certain Financial and Other Information – Presentation of Financial Information – Presentation of Alternative Performance Measures*” and “*Overview of Banking and Finance Regulations in Kuwait – Certain Banking Regulations*”.

A variety of factors may affect the Group’s capital adequacy levels, including, in particular, changes in its risk-weighted assets and its profitability from one period to another. For example, a significant increase in financing in the future is likely to reduce the Group’s capital adequacy ratios and any losses experienced by it in future periods would have a similar effect. 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**”). The Group 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 Group may need to obtain additional capital in the future. Such capital, whether in the form of Islamic borrowing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, should the Group’s capital ratios fall close to regulatory minimum levels or the Group’s own internal minimum levels, the Group may need to adjust its business practices, including reducing the risk and leverage of certain activities or undertaking asset disposals. If the Group is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase. The Group may also become subject to regulatory sanctions. Any of these factors could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

### **The Group’s financial condition and results of operations could be adversely affected by market risks**

The Group’s financial condition and results of operations could be adversely affected by market risks that are outside its control, including, without limitation, currency exchange rates (see further “*Financial Review – Principal Factors Affecting Results of Operations – Factors affecting net income from Islamic financing to customers*”).

As a financial intermediary, the Group is 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 limits set by the CBK. However, where the Group is not so hedged, it is exposed to fluctuations in foreign exchange rates and any such hedging activity may not in all cases protect the Group against such risks (see further Note 30.4 (*Foreign currency risk*) to the 2018 Financial Statements).

The Group enters into derivative transactions, such as forward foreign exchange contracts, to manage its foreign currency positions and cash flows. These derivative contracts had no notional value as at 30 September 2019 and 31 December 2018. There can be no assurance that the Group's derivative contracts will be successful in mitigating its foreign exchange exposures or that the Group will not experience significant losses on its derivatives contracts from time to time.

Adverse movements in foreign exchange rates may also adversely impact the revenues and financial condition of the Group's depositors and customers which, in turn, may impact the Group's deposit base and the quality of its exposures to certain customers.

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 currency exchange rates, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

**The Group is subject to extensive regulation and changes in this regulation, or the interpretation and enforcement of this regulation, or any failure, or perceived 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 CMA and Boursa Kuwait 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 Islamic financing portfolio or to raise capital and may also increase its cost of doing business. In addition, increased regulations 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 the European Union and 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, with consequent adverse effects on its business, financial condition, results of operations and prospects.

**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 daily 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, financial condition, results of operations and prospects.

**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 further “*Description of the Group – Competition*”).

The Group believes that, in order to compete effectively, it will need to successfully implement its strategy (see further “*Description of the Group – Strategy*”).

Any failure by the Group to successfully 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 is exposed to a range of operational risks including, in particular, the risk of loss as a result of employee misrepresentation, misconduct and improper practice and through any failure of the Group’s information technology systems**

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures (including, in particular, information technology (“IT”) failures), natural disasters or the failure of external systems (for example, those of the Group’s counterparties or vendors). The Group has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential operational risks that the Group faces. Losses from the failure of the Group’s system of internal controls could have a material adverse effect on its business, financial condition, results of operations and prospects and could materially adversely affect its reputation.

The Group’s employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients’ funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter employee misconduct, and the precautions which the Group takes to detect and prevent misconduct may not be effective in all cases. There can be no assurance that measures undertaken to combat employee misconduct will be successful. Any such actions by employees could expose the Group to financial losses resulting from the need to reimburse clients, co-investors or other business partners who suffered loss or as a result of fines or other regulatory sanctions, and could damage the Group’s reputation.

The Group depends on its IT systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Group’s business and operating data. The proper functioning of the Group’s financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing

centres, are critical to the Group's business and ability to compete effectively. The Group's business activities would be materially disrupted if there is a partial or complete failure of any of these IT systems or communications networks. Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Group's control, including natural disasters, extended power outages, computer viruses and malicious third party intrusions. The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing the Group's transaction data could subject it to claims for losses and regulatory fines and penalties. The Group has implemented business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective at all times or that they will protect the Group from all losses that could occur, including as a result of factors beyond the control of the Group.

In particular, failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could, if a cyber-attack occurs, result in disruption to the Group's business or disclosure of confidential information, create significant financial and/or legal exposure and damage the Group's reputation.

**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 which 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 the 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 credit, liquidity, market or operational risk, which may in turn have a material adverse effect on its business, financial condition, results of operations and prospects.

**The Group is exposed to reputational risks related to its operations and industry**

All financial institutions depend on the trust and confidence of their customers to succeed in their business. The Group is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Group's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has extended financing or in which it has invested. For example, if one of the Group's customers becomes associated with financial scandals or widely publicised improper behaviour, the Group's own reputation may be affected.

In common with other banks, the Group is also exposed to adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Group or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any such damage to the Group's reputation or the reputation of the industry could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Group. Any of these developments could have an adverse effect on the Group's business, results of operations and financial condition.



**The NBK Group exerts significant control over the Group and its interests may conflict with those of Certificateholders and/or of the Group itself**

As at the date of this Base Prospectus, the NBK group (the “**NBK Group**”) is the Bank’s majority shareholder and holds 59.9 per cent. of the Bank’s outstanding voting shares. The NBK Group, as a majority shareholder of the Bank, has the right to appoint and remove members of the Bank’s board of directors (the “**Board**”). Even if the NBK Group ceases to be a majority shareholder of the Bank, the NBK Group would still be able to appoint Board members *pro rata* to the number of shares it holds, with the remaining members of the Board being elected by the general assembly of the Bank’s shareholders. Notwithstanding its ability to appoint a number of Board members, the NBK Group does not have any direct legal control over the directors and management of the Bank.

As a result of its shareholding, the NBK Group has the ability to exercise indirect control over, among other things:

- the election of the Group’s directors and, in turn, selection of the Group’s management and any related business policies and strategies;
- the Group’s budget approval; and
- the issuance of debt or equity and other securities.

The interests of the NBK Group and the holders of any Certificates issued under the Programme may not necessarily align. There can be no assurance that the resolution of any matter, involving the interests of the NBK Group, will be resolved in what Certificateholders would consider to be their best interests or the best interests of the Group. The NBK Group is able to exercise significant influence over all matters requiring shareholder approval and it may use its influence over the Group to pursue its own interests. If such interests do not coincide with the interests of the Group and the Certificateholders, this could have a material adverse effect on the Group’s business, financial condition, results of operations or prospects and/or the Bank’s ability to fulfil its obligations under the Transaction Documents.

**The Group may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its strategy**

The Group’s success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The market for such personnel in the Middle East is intensely competitive, and includes competition from the government and government-related entities, which may cause the Group to face challenges in recruiting and retaining such personnel to manage its businesses.

The Group depends on the efforts, skill, reputation and experience of its executive management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent the Group from implementing its strategies. The Group is also not insured against losses that may be incurred in the event of the loss of any member of its key personnel. Any of these factors could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

**The Kuwaiti government is under no obligation to support the Group and there is no assurance that the Group will receive future support**

In light of the global financial crisis and its impact on the Kuwaiti banking sector, the Kuwaiti government initiated plans to support its domestic banks. Although the Kuwaiti government has in the past supported the domestic banking industry, there can be no assurance that it will continue to provide support to the domestic banking industry in the future. Potential investors in any Certificates issued under the Programme should note

that the Certificates are not guaranteed by the Kuwaiti government, any of the Bank's shareholders or any other party.

### **Risks Relating to the region in which the Group operates**

#### **The Group is exposed to volatility in international oil prices and sustained lower prices could materially adversely affect the Group's results of operations**

The Group's operations are focused in Kuwait. For the nine months ended 30 September 2019, 87.6 per cent. of the Group's operating income was derived from its operations in Kuwait (compared to 89.7 per cent. for the year ended 31 December 2018) while, as at 30 September 2019, 86.9 per cent. of the Group's maximum exposure to credit risk (including contingent liabilities) was concentrated in Kuwait, with a further 10.2 per cent. concentrated in the other MENA countries (compared to 89.5 per cent. concentration in Kuwait and 7.3 per cent. concentration in the other MENA countries, in each case, as at 31 December 2018).

Kuwait's economy and the economies of the other countries in the GCC are 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. Since the middle of 2014, international oil prices have fallen significantly, with the monthly average price of the OPEC reference basket falling from U.S.\$105.61 in July 2014 to a low of U.S.\$26.50 in January 2016. Since then, oil prices have recovered slowly with, for example, the OPEC reference basket monthly average price increasing from U.S.\$51.68 in December 2016 to U.S.\$62.06 in December 2017 and reaching U.S.\$56.94 in December 2018 and U.S.\$62.36 in September 2019.

Potential investors should note the significance of changes in international oil prices on Kuwait's economy. Many of Kuwait's other economic sectors are in part dependent on the oil and gas sector. The Kuwaiti government has reduced, and may continue to reduce, government expenditures in light of the budgetary pressures caused by low or falling oil prices. Government fiscal deficits are likely to result in a weakened net asset position, larger external financing needs and/or continued lower government current spending. In addition, ancillary industrial activities related to oil and gas exploration and production are also negatively affected by low oil prices. Furthermore, sectors that are dependent on government consumption may be adversely affected by lower levels of economic activity that may result from lower government revenue from oil production.

Financial institutions, such as the Bank, may experience lower liquidity or impairments if government expenditure in Kuwait continues to be constrained as a result of budgetary pressures caused by relatively low oil prices. Should international oil prices continue to remain at current levels for an extended period or fall significantly, this will be likely to continue 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.

This, coupled with political and economic developments both within and outside the Middle East (which are known to have a significant impact on a volatile prices of oil and other hydrocarbon products due to changes in market confidence and inter-relationships within the global financial markets) and the implementation by the Kuwaiti government of restrictive fiscal or monetary policies or regulations (including changes with respect to interest rates, new legal interpretations of existing regulations or the introduction of taxation or exchange controls) could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **The Group's business may be impacted by ongoing unrest in the Middle East**

Many of the Group's customers are, and a significant part of its business is, based in Kuwait. The Group intends to continue to focus on growing its business in Kuwait in the near future. Since the beginning of 2011, there has been political unrest in a range of countries that are located in the same region as Kuwait, including Syria, Iraq, Egypt, Turkey, Bahrain, Algeria, Libya, Iran, Lebanon, Jordan, Palestine, Tunisia, Sudan, Somalia 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 and civil war and armed conflict in Syria, Libya, 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. Additionally, in 2017, a number of MENA countries, including the Kingdom of Saudi Arabia, the United Arab Emirates, the Kingdom of Bahrain and Egypt, severed diplomatic relations with the State of Qatar, citing its alleged support for terrorism and accusing Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans.

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. Any renewed protests in the MENA region could lead to significant political uncertainty. Financial market and political uncertainty in the MENA region could decrease the Group's depositors' accounts or its customers' demand for Islamic finance facilities or other products offered by the Group. Continued instability in the MENA region could impact the Group's MENA-based operations and investments and could materially impact the financial prospects and condition of its MENA-based customers. 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.

### **Rising inflation, or deflation, may adversely affect the Group's profitability**

Kuwait has, at times since 1990, experienced both high levels of inflation and short periods of deflation. High inflation could slow the rate of economic growth and consumer spending in Kuwait. A deflationary environment in Kuwait could also adversely affect the Group's profitability by adversely affecting property values, which could have an adverse effect on the Group's real estate financing portfolio. There can be no assurance that the Kuwaiti government and the CBK will be able to achieve or maintain price stability, in the real estate market or otherwise and thus control inflation. High inflation could impact consumer and government spending which may result in a slowdown in the business environment in Kuwait which, in turn, could potentially impact the credit risk position of the Group. Similarly, deflation could reduce cash flows of the Group's customers which, in turn, may impact their ability to make payments to the Group when due. Deflation could also reduce the Group's profit rate margins due to a low rate environment.

### **Kuwait may introduce VAT**

Although Kuwait does not currently impose value-added tax ("VAT") on the sale of goods or services, there is a risk that this may change. 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 "**VAT Framework**"). The national legislation in Kuwait implementing the VAT Framework is yet to be promulgated and no Kuwait-specific details of the regime have been released as at the date of this Base Prospectus. Therefore, although the Kuwait parliament has indicated that it will postpone its introduction of VAT until 2021, it is impossible to state with any accuracy if, and when, VAT will be introduced in Kuwait, and the terms and conditions of such VAT.

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

#### **Kuwait may introduce corporate income tax**

The Group 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 10 per cent. on the annual profits of Kuwaiti incorporated entities (the “**Proposed Corporate Income Tax**”), which may be applicable to the Group for future financial years. As at the date of this Base Prospectus, 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 Group (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 Group's business, results of operations, financial condition and prospects.

#### **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 any Certificates issued under the Programme or on 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 and prospects.

#### **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 any Certificates issued under the Programme, will not be affected negatively by events elsewhere, especially in the emerging markets.

Specific risks in Kuwait and the MENA region that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects 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;
- increases in inflation and the cost of living;
- changing tax regimes and tax laws, including the possible introduction of VAT and possible ratification and promulgation of the Proposed Corporate Income Tax in Kuwait and the imposition of other taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions (see also “*Risk Factors – Risks*”).

*Relating to the Region in which the Group Operates – Kuwait may introduce VAT” and “Risk Factors – Risks Relating to the Region in which the Group Operates – Kuwait may introduce corporate income tax”);*

- potential adverse changes in other laws and regulatory practices;
- government interventions and protectionism;
- 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 any Certificates issued under the Programme is appropriate.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

## **Risks relating to the Certificates**

### ***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.

***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 redeem the Certificates in whole, but not in part, upon giving notice in accordance with Condition 9(b). In addition, if so provided in the applicable Final Terms, a Series may also be redeemed early at the option of the Bank pursuant to Condition 9(c). Any such early redemption feature of any Certificate is likely to limit its market value.

During any period when the Bank elects to require the Trustee to redeem the Certificates (whether pursuant to Condition 9(b) or Condition 9(c)), 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 9(c), 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.

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

The Fatwa and Shari'a Supervisory Board of the Bank, the Central Shariah Committee of HSBC Bank Middle East Limited and the Shariah Supervisory Committee of Standard Chartered Bank 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 Base Prospectus. 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 Base Prospectus, 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 18 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 Base Prospectus.

### ***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 the listing of certain Series to be issued under the

Programme on Euronext Dublin, there can be no assurance that any such listing 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.

***Emerging markets***

Investors in emerging markets should be aware that emerging markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

***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, from 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 is expected to be published by the ECB by October 2019. 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). 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, Screen Rate Determination will not apply. 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) permanent discontinuation of a Reference Rate. 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 reasonable 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.

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, 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 Final Terms). This will result in the relevant Floating Rate Certificates, in effect, becoming fixed rate Certificates.

Benchmark Events also include a public statement 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. If such a Benchmark Event occurs, the Independent Adviser (acting in good faith and in a commercially reasonable manner), following consultation with the Trustee and the Bank, shall endeavour to determine a Successor Rate or Alternative Reference Rate to be used in place of the relevant Reference Rate, despite the continued availability of such Reference Rate. The use of any such Successor Rate or Alternative Reference Rate to determine the Profit Rate is likely to result in Certificates 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 be referenced. 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 before the next Profit Rate Determination Date, the Profit Rate for the next succeeding Return Accumulation Period will be the Profit Rate applicable as at the last preceding Profit Rate Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Profit Rate Determination Date, the Profit Rate will be the initial Profit Rate (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 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 the next succeeding and any subsequent Return Accumulation Periods, as necessary.

Applying the initial Profit Rate, or the Profit Rate applicable as at the last preceding Profit Rate Determination Date before 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.

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 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, 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 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 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 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, Certificateholder Put Right Exercise Price or 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, Certificateholder Put Right Exercise Price or 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 14, 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.

## **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.

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

Statements in this Base Prospectus 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 Base Prospectus and have been filed with the Central Bank of Ireland:

- (a) the interim condensed consolidated financial information of the Bank as at and for the nine months ended 30 September 2019 together with the review report thereon and the notes thereto (available at: [https://boubyan.bankboubyan.com/media/filer\\_public/e7/6e/e76eb870-ca04-4eb2-9ac7-30ff635c4d53/boubyan\\_bank\\_e\\_30\\_sep\\_2019.pdf](https://boubyan.bankboubyan.com/media/filer_public/e7/6e/e76eb870-ca04-4eb2-9ac7-30ff635c4d53/boubyan_bank_e_30_sep_2019.pdf));
- (b) the consolidated financial statements of the Bank as at and for the year ended 31 December 2018 together with the audit report thereon and the notes thereto (available at: [https://boubyan.bankboubyan.com/media/filer\\_public/d8/e8/d8e87375-1ac4-4677-80e2-237e1da90681/boubyanbank\\_financialreport\\_q4\\_2018\\_en.pdf](https://boubyan.bankboubyan.com/media/filer_public/d8/e8/d8e87375-1ac4-4677-80e2-237e1da90681/boubyanbank_financialreport_q4_2018_en.pdf)); and
- (c) the consolidated financial statements of the Bank as at and for the year ended 31 December 2017 together with the audit report thereon and the notes thereto (available at: [https://boubyan.bankboubyan.com/media/filer\\_public/d2/29/d2299490-46f8-42ac-80ef-a839dffa155d/boubyanbank\\_financialreport\\_q4\\_2017\\_en.pdf](https://boubyan.bankboubyan.com/media/filer_public/d2/29/d2299490-46f8-42ac-80ef-a839dffa155d/boubyanbank_financialreport_q4_2017_en.pdf)),

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

The Documents Incorporated by Reference shall be incorporated in, and form part of, this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus 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 Base Prospectus. Those parts of the documents incorporated by reference in this Base Prospectus which are not specifically incorporated by reference in this Base Prospectus 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 Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

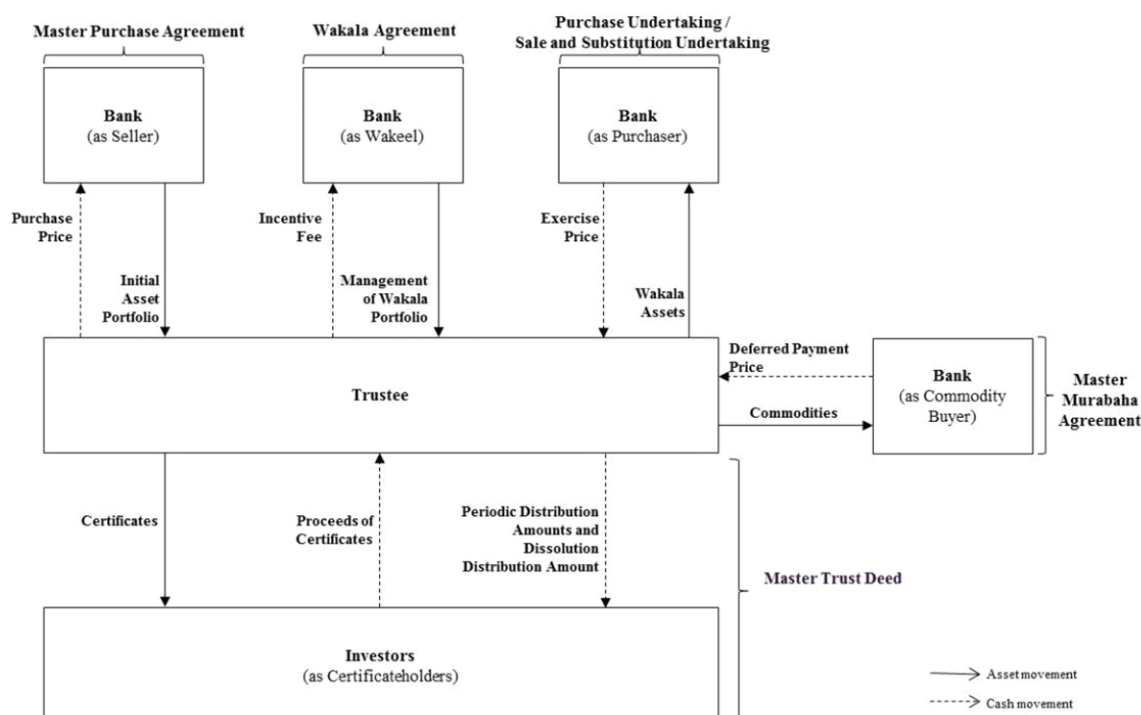
Copies of the documents incorporated by reference in this Base Prospectus may be obtained from the registered office of the Trustee and from the specified office of the Principal Paying Agent during usual business hours.

The Trustee and the Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Certificates, prepare a supplement to this Base Prospectus or publish a new Base Prospectus 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:

- an amount as specified in the applicable Final Terms, 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
- the remaining portion of the proceeds of the relevant Issue Price as specified in the applicable Final Terms, 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 Final Terms: (i) for taxation reasons; (ii) at the option of the Bank; (iii) at the option of the Certificateholders; and (iv) following a Dissolution Event.

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.

In the case of each of (i) and (ii) 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 Amount payable by the Trustee under the Certificates of the relevant Series on the relevant Dissolution Date.

*For Shari’a reasons, the Optional Dissolution Right and the Certificateholder Put Right cannot both be specified as applicable in the applicable Final Terms 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 Base Prospectus and, in relation to the terms and conditions of any particular Tranche, the applicable Final Terms. 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, in the case of listed Certificates only and, if appropriate, a supplement to the Base Prospectus 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.

<b>Bank</b>	Boubyan Bank K.S.C.P., a Kuwaiti public shareholding company incorporated in Kuwait on 21 September 2004 with its registered office at Al Hamad Towers, P.O. Box 25507, Safat 13116, Kuwait.
<b>Trustee</b>	Boubyan Sukuk Limited, an exempted company with limited liability incorporated on 5 September 2019 under the Companies Law (2018 Revision) of the Cayman Islands and formed and registered in the Cayman Islands with company registration number 355197 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.
<b>Bank (LEI)</b>	254900D1UAYOAUPGL280
<b>Trustee (LEI)</b>	549300T2HAD9JJ1YV324
<b>Ownership of the Trustee</b>	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 29 October 2019 (the “ <b>Share Declaration of Trust</b> ”).
<b>Administration of the Trustee</b>	The affairs of the Trustee are managed by MaplesFS Limited, a licensed trust company in the Cayman Islands (the “ <b>Trustee Administrator</b> ”), 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 29 October 2019 between the Trustee and the Trustee Administrator (the “ <b>Corporate Services Agreement</b> ”).
<b>Arrangers</b>	HSBC Bank plc and Standard Chartered Bank (the “ <b>Arrangers</b> ”).
<b>Dealers</b>	HSBC Bank plc and 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.

<b>Delegate</b>	Citibank, N.A., London Branch (the “ <b>Delegate</b> ”). In accordance with the Master Trust Deed, the Trustee will, <i>inter alia</i> , 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 to (and, in certain circumstances, shall, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against the Bank (in any capacity) following a Dissolution Event.
<b>Principal Paying Agent and Transfer Agent</b>	Citibank, N.A., London Branch
<b>Registrar</b>	Citigroup Global Markets Europe AG
<b>Initial Programme Size</b>	Up to U.S.\$1,000,000,000 (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.
<b>Method of Issue</b>	The Certificates may be issued on a syndicated or non-syndicated basis. The specific terms of each Series will be recorded in the applicable Final Terms.
<b>Issuance in Series</b>	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.
<b>Currencies</b>	Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a “ <b>Specified Currency</b> ”) agreed between the Trustee, the Bank and the relevant Dealer.
<b>Maturities</b>	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.
<b>Issue Price</b>	Certificates may be issued at any price on a fully-paid basis, as specified in the applicable Final Terms. 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; (ii) the minimum denomination of each Certificate admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA, in circumstances which require the publication of a prospectus under the Prospectus Regulation, will be at least €100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency, as calculated on the Issue Date of such Series); and (iii) 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 Certificates**

The 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 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 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 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.

## **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 Final Terms.

**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).

**Negative Pledge**

The Certificates 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 Certificates will have the benefit of a cross-acceleration provision, as described in Condition 13 and

	<p>paragraph (c) of the definition of Obligor Event corresponding thereto.</p>
<b>Dissolution on the Scheduled Dissolution Date</b>	<p>Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the relevant Dissolution Distribution Amount on the relevant Scheduled Dissolution Date specified in the applicable Final Terms 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.</p>
<b>Dissolution Distribution Amount</b>	<p>In relation to each Certificate of a Series, either:</p> <ul style="list-style-type: none"> <li>(a) the sum of: <ul style="list-style-type: none"> <li>(i) the outstanding face amount of such Certificate; and</li> <li>(ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or</li> </ul> </li> <li>(b) such other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date.</li> </ul>
<b>Early Dissolution</b>	<p>The Certificates may be redeemed, in whole or (to the extent specified in the Conditions and the applicable Final Terms) in part, prior to the Scheduled Dissolution Date upon the:</p> <ul style="list-style-type: none"> <li>(a) occurrence of a Tax Event;</li> <li>(b) exercise of an Optional Dissolution Right (if so specified in the applicable Final Terms);</li> <li>(c) exercise of a Certificateholder Put Right (if so specified in the applicable Final Terms); or</li> <li>(d) occurrence of a Dissolution Event,</li> </ul> <p>in each case, at the relevant Dissolution Distribution Amount on the relevant Dissolution Date.</p>
<b>Dissolution Events</b>	<p>The Dissolution Events are described in Condition 1. Following the occurrence and continuation of a Dissolution Event in respect of a Series of Certificates, 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 13.</p>
<b>Early Dissolution for Tax Reasons</b>	<p>Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11, 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</p>

	<p>case of a Floating Rate Certificate) or at any time (in the case of a Fixed Rate Certificate) at the relevant Dissolution Distribution Amount, as more particularly described in Condition 9(b).</p>
<b>Optional Dissolution Right</b>	<p>If so specified in the applicable Final Terms, the Bank may, in accordance with Condition 9(c), 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.</p> <p>If applicable to the relevant Series, the Optional Dissolution Date(s) will be specified in the applicable Final Terms.</p>
<b>Certificateholder Put Right</b>	<p>If so specified in the applicable Final Terms, Certificateholders may elect to redeem their Certificates on any Certificateholder Put Right Date(s) specified in the applicable Final Terms at an amount equal to the relevant Dissolution Distribution Amount in accordance with Condition 9(d).</p>
<b>Cancellation of Certificates held by the Bank and/or any of its Subsidiaries</b>	<p>Pursuant to Condition 9(f), 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 9(g).</p>
<b>Limited Recourse</b>	<p>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.</p> <p>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.</p> <p>See further Condition 4(b).</p>
<b>Form and Delivery of the Certificates</b>	<p>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 Depositary for Euroclear and Clearstream, Luxembourg.</p> <p>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 “<i>Summary of Provisions relating to the Certificates while in Global Form</i>”.</p>
<b>Clearance and Settlement</b>	<p>Holders of the Certificates must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or</p>

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, duties, assessments or governmental charges 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 11.

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 11, 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 11.

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.

### **Listing**

Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and to trading on the regulated market of Euronext Dublin.

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.
<b>Certificateholder Meetings</b>	A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 15.
<b>Tax Considerations</b>	See “ <i>Taxation</i> ” for a description of certain tax considerations applicable to the Certificates.
<b>Governing Law and Dispute Resolution</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<b>Waiver of Immunity</b>	The Bank has agreed in each of the Transaction Documents to which it is a party that, to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal and arbitral proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to the Bank or any of its assets or revenues, it has agreed not to claim and has irrevocably and unconditionally waived such immunity in relation to any proceedings or Disputes. In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any proceedings or Disputes.
<b>Transaction Documents</b>	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 issuer default rating of A+ with a stable outlook by Fitch and a long-term deposit rating of A3 with a stable outlook by Moody's.

The Programme is expected to be assigned a rating of A+ by Fitch and A3 by Moody's.

Each of Fitch and Moody's is established in the EU and is registered under the CRA Regulation. As such, each of Fitch and Moody's 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 Final Terms.

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.

## **Selling Restrictions**

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*".

## **United States Selling Restrictions**

Regulation S, Category 2.

## 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 Final Terms 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 Final Terms 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 Final Terms. 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.*

Boubyan 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.\$1,000,000,000 (or the equivalent in other currencies calculated as described in the programme agreement between the Trustee, Boubyan Bank K.S.C.P. (the “**Obligor**”) and the Dealers named therein dated 31 October 2019 (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 31 October 2019 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 31 October 2019 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 final terms for this Certificate (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Certificate which complete these Conditions. References to the “**applicable Final Terms**” are, unless otherwise stated, to Part A of the Final Terms (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 Final Terms;

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

**“Calculation Amount”** means the amount specified as such in the applicable Final Terms;

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

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

**“Certificateholder Put Exercise Notice”** has the meaning given to it in Condition 9(d);

**“Certificateholder Put Right”** means the right exercisable by Certificateholders pursuant to Condition 9(d);

**“Certificateholder Put Right Date”** means, in relation to any exercise of the Certificateholder Put Right, the date(s) specified as such in the applicable Final Terms 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 29 October 2019;

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

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

**“Delegation”** has the meaning given to it in Condition 16(a);

**“Dispute”** has the meaning given to it in Condition 21(b);

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

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;
- (d) any Certificateholder Put Right Date; or
- (e) 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) such other amount specified in the applicable Final Terms as being payable upon any Dissolution Date;

**“Dissolution Event”** means a Trustee Event or an Obligor Event;

**“Dissolution Event Redemption Date”** has the meaning given to it in Condition 13(a);

**“Dissolution Notice”** has the meaning given to it in Condition 13(a)(ii);

**“Early Tax Dissolution Date”** has the meaning given to it in Condition 9(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 Final Terms;

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

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

**“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 Final Terms) 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 Final Terms) and, if specified in the applicable Final Terms, 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 31 October 2019 between the Trustee, the Obligor and the Delegate;

**“Master Purchase Agreement”** means the master purchase agreement dated 31 October 2019 between the Trustee and the Obligor;

**“Maximum Optional Dissolution Amount”** means the amount specified as such in the applicable Final Terms;

**“Minimum Optional Dissolution Amount”** means the amount specified as such in the applicable Final Terms;

**“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 Final Terms, 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);

**“Obligor Event”** means 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 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 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 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.\$30,000,000 (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 Bank 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 Final Terms 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 9(c);

“**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 Final Terms;

“**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 Final Terms;

**“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 more than 12 per cent. 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, as the case may be) 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 Final Terms, shall mean the Fixed Amount or Broken Amount specified in the applicable Final Terms 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 Final Terms;

**“Profit Period Date”** means each Periodic Distribution Date unless otherwise specified in the applicable Final Terms;

**“Profit Rate”** means the profit rate payable from time to time in respect of the Certificates and that is either specified in the applicable Final Terms 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 Final Terms 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 31 October 2019 executed by the Obligor in favour of the Trustee and the Delegate;

**“Record Date”** has the meaning given to it in Condition 10(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 Final Terms) in respect of the currency and period specified in the applicable Final Terms:

- (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 11;

**“Relevant Financial Centre”** means the financial centre specified as such in the applicable Final Terms 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 11;

**“Relevant Powers”** has the meaning given to it in Condition 16(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 Final Terms, 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 Final Terms;

**“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 Final Terms;

**“Sale and Substitution Undertaking”** means the sale and substitution undertaking dated 31 October 2019 executed by the Trustee in favour of the Obligor;

**“Scheduled Dissolution Date”** means the date specified as such in the applicable Final Terms;

**“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;

**“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 Final Terms 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 Final Terms;

**“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(i);

**“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;

**“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 Final Terms;

**“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 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 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 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 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,

provided, however, that in the case of the occurrence of any of the events described in paragraphs (b) or (f) the Delegate shall have certified in writing to the Trustee that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates.

For the purpose of paragraph (a) above, all amounts payable in respect of the Certificates shall be considered due and payable (including for the avoidance of doubt any amounts calculated as being payable under Condition 8, Condition 9, Condition 11 and Condition 13) 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 31 October 2019 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 Final Terms, 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; and

“**Wakeel**” means the Obligor in its capacity as wakeel pursuant to the Wakala Agreement.

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 11 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 11 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 Final Terms. 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 Final Terms.

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 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 9(c), (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

- (a) **Status of Certificates:** The Certificates represent an undivided ownership interest in the relevant Trust Assets and are limited recourse obligations of the Trustee. The 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 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) **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.

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).

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 14(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 Base Prospectus 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 by no later than 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

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 15, 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

The Obligor covenants that, for so long as any 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 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.

## 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).
- (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). Such Periodic Distribution Date(s) is/are either shown in the applicable Final Terms as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Final Terms, “**Periodic Distribution Date**” shall mean each date which falls the number of months or other period shown in the applicable Final Terms 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 Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.
    - (A) **ISDA Determination for Floating Rate Certificates**

Where ISDA Determination is specified in the applicable Final Terms 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 Final Terms;
      - (y) the Designated Maturity is a period specified in the applicable Final Terms; and

- (z) the relevant Reset Date is the first day of that Return Accumulation Period unless otherwise specified in the applicable Final Terms.

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 Final Terms 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 Final Terms) 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 Final Terms, 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 Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), 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 Bank, 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 the Trustee and the Bank determine that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Final Terms 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 Bank will apply the following provisions:

- (i) the Trustee and the Bank 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 or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates 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, an 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) for each subsequent determination of a relevant Profit Rate (or a relevant component part thereof). If the Independent Adviser (following consultation with the Trustee and the Bank) 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, 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 Bank, determines: (A) that amendments to these Conditions, the Trust Deed 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, Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Bank and subject to the delivery of a notice in accordance with Condition 8(c)(v) and the certificate in accordance with this Condition 8(c)(iv): (x) the Trustee and the Bank shall vary these Conditions, the Trust Deed 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 Bank’s expense), without any requirement for the consent or sanction of Certificateholders, be obliged to concur with the Trustee and the Bank 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 any way.

Prior to any such Benchmark Amendments taking effect, the Bank shall provide a certificate signed by two Authorised Signatories of the Bank to the Trustee, the Delegate and the Agents, (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 such Benchmark Amendments are: (i) in the opinion of Independent Adviser, following consultation with the Trustee and the Bank, necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread; and (ii) in each case, have been drafted solely to such effect, and the Trustee, the Delegate and the Agents shall be entitled to rely on such certificates without further enquiry or liability to any person. For the avoidance of doubt, none of the Delegate or any Agent shall be liable to the Certificateholders or any other person for so acting or relying on such certificate, irrespective of

whether any such modification is or may be materially prejudicial to the interests of any such person.

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 Agents' ability to rely on such certificate as aforesaid) be binding on the Bank, the Trustee, the Delegate, the Agents and the Certificateholder;

- (v) the Trustee (failing which, the Bank) 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) and delivery of the certificate referred to in Condition 8(c)(iv), notify the Delegate, the Agents and, in accordance with Condition 18, 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. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any;
- (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 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 as at the immediately 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). 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)(vi) 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 Bank 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.

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 Bank) 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 Bank) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Trustee and Bank) 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 Bank) 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 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 Bank, the Calculation Agent or any Paying Agent to calculate any payments due to be made to any Certificateholder using the Reference Rate, provided that in the case of sub-paragraphs (ii), (iii) and (iv), the Benchmark Event shall occur on the date of the cessation of publication of the Reference Rate, the discontinuation of the Reference Rate, or the prohibition of use of the Reference Rate, as the case may be, and not the date of the relevant public statement;

**“Financial Stability Board”** means the organisation established by the Group of Twenty (G20) in April 2009;

**“Independent Adviser”** means an independent financial institution of international repute or an independent financial adviser of recognised standing with appropriate expertise appointed by the Trustee and the Bank at the Bank’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 or Certificateholder Put Right 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 Final Terms (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 Final Terms, 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 Final Terms 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 Final Terms 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 13, 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) **Determination or Calculation by the Delegate:** If the Calculation Agent does not at any time for any reason determine or calculate the Profit Rate for a Return Accumulation Period or any Profit Amount or Dissolution Distribution Amount, the Delegate may do so (or may appoint an agent on behalf of the Trustee to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Delegate or, as the case may be, such agent shall apply the foregoing provisions of this Condition 8, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (i) **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 Final Terms;
- (ii) if the TARGET System is specified as a Business Centre in the applicable Final Terms, 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 Final Terms, 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 Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, 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 Final Terms, 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 Final Terms, 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<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** 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<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, 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<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, 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<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** 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<sub>1</sub> will be 30; and

**D<sub>2</sub>** 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 D<sub>2</sub> will be 30;

- (viii) if “**Actual/Actual-ICMA**” is specified in the applicable Final Terms:

(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 Final Terms or, if none is so specified, the Periodic Distribution Date(s).

- (j) **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 Final Terms 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 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:** If:
  - (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 11 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 9(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 Final Terms 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 a Fixed 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 9(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 9(b)(i)) or the Obligor (in the case of Condition 9(b)(ii)) stating that the obligation referred to in Condition 9(b)(i) or 9(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
- (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 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 9(b)(i) or, as the case may be, Condition 9(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 9(b) and payment in full of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust.

- (c) **Dissolution at the Option of the Obligor (Optional Dissolution Right):** If Optional Dissolution Right is specified as applicable in the applicable Final Terms, 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 Final Terms to the Delegate and the Certificateholders, redeem the Certificates in whole or, if so specified in the applicable Final Terms, 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 Final Terms and no greater than the Maximum Optional Dissolution Amount to be redeemed specified in the applicable Final Terms.

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 9(c).

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 Final Terms in respect of any Series.

- (d) **Dissolution at the Option of Certificateholders (Certificateholder Put Right):** If Certificateholder Put Right is specified as applicable in the applicable Final Terms, the Trustee shall, at the option of the holder of any Certificate, upon the holder of such Certificate giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee, redeem such Certificate on the Certificateholder Put Right Date at its Dissolution Distribution Amount. If the Certificates are to be redeemed in whole, but not in part, on any Certificateholder Put Right Date in accordance with this Condition 9(d), 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 Certificate representing such 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 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 Final Terms in respect of any Series.

- (e) **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 13.
- (f) **Purchases:** 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 15(a).
- (g) **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 9 and/or Condition 13, 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 9(g), the Trustee shall be bound to dissolve the Trust.
- (h) **No other dissolution:** The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 9 and Condition 13. 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.

## 10 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 Certificateholder) 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 11 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 11), any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders 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 Certificateholder. 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 Certificateholders.

- (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 10(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 Final Terms 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.

## 11 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 governmental charges 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 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 10(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 18 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 11 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 11, 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 11.*



## 12 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.

## 13 Dissolution Events

(a) **Dissolution Event:** 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 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 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 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 13(a)(ii) whether or not notice has been given to Certificateholders as provided in Condition 13(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 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 Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the 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) **Enforcement and Exercise of Rights:** If, following the occurrence of a Dissolution Event, any amount payable in respect of the Certificates of the relevant Series has not been paid in full (notwithstanding the provisions of Condition 13(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 14(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.

## 14 Realisation of Trust Assets

- (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 14(a) and 14(b) are subject to this Condition 14(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.

## 15 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 Final Terms), (iv) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Final Terms, 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 18 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 15), 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.

## 16 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 Bank, 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 depository 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.

## 17 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. Mutilated or defaced Registered Certificates must be surrendered before replacements will be issued.

## 18 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 18. 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.*

## 19 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.

## 20 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.

## 21 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 21(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 21. 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 parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall nominate a further arbitrator who shall be the presiding arbitrator of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly, shall each nominate one arbitrator. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the nomination of the second arbitrator, such arbitrator shall be appointed by the LCIA; and
  - (iii) the language of the arbitration shall be English.
- (c) **Waiver of Immunity:** Under the Transaction Documents to which it is a party, the Obligor has agreed that, to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal and arbitral proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed in 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 in relation to any proceedings or Disputes. In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any 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 21(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 21(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, 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 Bank 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 18 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 18 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 Base Prospectus. 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 10(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 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) to Euroclear, Clearstream, Luxembourg or such 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 w 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 FINAL TERMS

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

### Final Terms

**[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.]

**[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”] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)<sup>1</sup>

[Date]

### BOUBYAN SUKUK LIMITED

**Legal Entity Identifier (LEI): 549300T2HAD9JJ1YV324**

**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”)]<sup>2</sup>  
under the U.S.\$1,000,000,000 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 Base Prospectus dated 31 October 2019 [and the supplement[s] to it dated [●] [and [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). This document constitutes the Final Terms of the Certificates described herein [for the purposes of the Prospectus Regulation]<sup>3</sup> and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus [and these Final Terms]<sup>4</sup> [is/are] available for viewing in accordance with Article 21 of the Prospectus Regulation on the website of the Central

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<sup>1</sup> 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.

<sup>2</sup> Include only for an issue of further Certificates in accordance with Condition 19.

<sup>3</sup> Include only if the Certificates are to be admitted to trading on the regulated market, and listing on the Official List, of Euronext Dublin.

<sup>4</sup> Include only if the Certificates are to be admitted to trading on the regulated market, and listing on the Official List, of Euronext Dublin.

Bank of Ireland (www.centralbank.ie) and 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:  | Boubyan Sukuk Limited  |
|    | (b) Obligor:  | Boubyan Bank K.S.C.P.  |
| 2  | Series Number:  | [●]  |
|    | (a) Tranche Number:   | [●]  |
|    | (b) Date on which the Certificates will be consolidated and form a single Series:                   | [The Certificates will be consolidated and form a single Series with <i>[identify earlier Tranche(s)]</i> on <i>[insert date/the Issue Date]</i> ] [Not Applicable]  |
| 3  | Specified Currency:   | [●]  |
| 4  | Aggregate Face Amount:  | [●]  |
|    | (i) Series:   | [●]  |
|    | (ii) Tranche:   | [●]  |
| 5  | Issue Price:  | [●] per cent. of the Aggregate Face Amount [plus <i>[Specified Currency]</i> [●] in respect of [●] days of accrued Periodic Distribution Amounts from (and including) <i>[the issue date of the Original Certificates]</i> to (but excluding) the Issue Date] <sup>5</sup> |
| 6  | (a) Specified Denominations:  | [●]  |
|    | (b) Calculation Amount:   | [●]  |
| 7  | (a) Issue Date:   | [●]  |
|    | (b) Profit Commencement Date:   | [[●]/Issue Date]   |
| 8  | Scheduled Dissolution Date:   | [●]  |
| 9  | Profit Basis:   | [Fixed Rate Certificates/Floating Rate Certificates] (further particulars specified at paragraph [15][16] below)   |
| 10 | Dissolution Basis:  | Dissolution at par   |
| 11 | Change of Profit Basis:   | [[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 16 below and identify there]/Not Applicable]  |
| 12 | Put/Call Rights:  | [Not Applicable]<br>[Optional Dissolution Right]<br>[Certificateholder Put Right]  |
| 13 | Status:   | Unsubordinated   |
| 14 | Date of Trustee's board approval and date of Obligor's board approval for issuance of Certificates: | [●] and [●], respectively  |

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<sup>5</sup> Include only for an issue of further Certificates in accordance with Condition 19.

## Provisions relating to profit payable

- |    |  |  |
|----|--|--|
| 15 | Fixed Periodic Distribution Provisions:  | [Applicable]/[Not Applicable]  |
|    | (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]<br>[Actual/Actual – ISDA]<br>[Actual/365 (Fixed)]<br>[Actual/365 (Sterling)]<br>[Actual/360]<br>[30/360]<br>[360/360]<br>[Bond Basis]<br>[30E/360]<br>[Eurobond Basis]<br>[30E/360 (ISDA)]<br>[Actual/Actual – ICMA]       |
|    | (f) Determination Date(s):   | [[●] in each year/Not Applicable]  |
| 16 | Floating Periodic Distribution Provisions:   | [Applicable]/[Not Applicable]  |
|    | (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]<br>[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                         | [●] (the “ <b>Calculation Agent</b> ”)   |

Distribution Amount (if not the Principal Paying 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] Periodic Distribution 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]

#### Provisions relating to dissolution

- 17 Notice periods for Condition 9(b):
  - Minimum period: [30] / [●] days
  - Maximum period: [60] / [●] days

- 18 Optional Dissolution Right<sup>6</sup>: [Applicable]/[Not Applicable]
- (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]/[●]
- 19 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)*
- 20 Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date, on any Early Tax Dissolution Date or following the occurrence of a Dissolution Event: [As per Condition 1]/[[●] per Calculation Amount]

**General provisions applicable to the Certificates**

- 21 Form of Certificates: Registered Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate

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<sup>6</sup> "Optional Dissolution Right" and "Certificateholder Put Right" may not both be specified as "Applicable" in the same Final Terms.



22 Financial Centre(s) relating to payment (Condition 10(d)): [Not Applicable]/[●]

**Provisions in respect of the Trust Assets**

23 Series:

(a) Wakala Percentage: [●] per cent.

(b) Murabaha Percentage: [Not Applicable]/[●] per cent.]

24 Trust Assets: Condition 5(a) applies

25 (a) Details of Transaction Account: Boubyan Sukuk Limited Transaction Account No: [●] with [●] for Series No.: [●]

(b) Supplemental Trust Deed: Supplemental Trust Deed dated [●] between the Trustee, the Obligor and the Delegate

(c) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [●] between the Trustee and the Obligor

(d) Declaration of Commingling of Assets:<sup>7</sup> [Declaration of Commingling of Assets dated [●] executed by the Trustee][Not Applicable]

(e) [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

**Boubyan Sukuk Limited**

Signed on behalf of

**Boubyan Bank K.S.C.P.**

By: .....  
*Duly authorised*

By: .....  
*Duly authorised*

**Boubyan Bank K.S.C.P.**

By: .....  
*Duly authorised*

<sup>7</sup> Include only for an issue of further Certificates in accordance with Condition 19.

## PART B – OTHER INFORMATION

### 1 Listing and Admission to Trading

- (a) Listing and Admission to trading: [Application [has been]/[is expected to be] made by the Trustee (or on its behalf) for the Certificates to be (i) admitted to trading on the regulated market of Euronext Dublin and (ii) admitted to listing on the Official List with effect from [●].]/[Not applicable]
- (b) Estimate of total expenses related to admission to trading: [●]

### 2 Ratings

- Ratings: The Certificates to be issued [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 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 European Union and is registered under Regulation (EC) No 1060/2009.]
- [[●] is not established in the 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 European Union, disclosed the intention to endorse credit ratings of [●].]
- [[●] is not established in the 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 European Union and registered under Regulation (EC) No. 1060/2009.]
- [[●] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]

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 [Base] Prospectus/*Give details*]

*(See [“Use of Proceeds”] wording in [Base] Prospectus – if reasons for offer different from what is disclosed in the [Base] Prospectus, give details here.)*

Estimated net proceeds:

[•]

5 **Indication of profit or return**

[•] per cent. per annum

(Fixed Rate Certificates only):

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) 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)]

(d) Names and addresses of additional Paying Agent(s) (if any):

[•]

(e) Delivery:

Delivery [against / free of] payment

(f) 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]

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].

## **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 5 September 2019 under the Companies Law (2018 Revision) of the Cayman Islands with company registration number 355197. 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 5 September 2019.

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:

<b>Name</b>	<b>Principal Occupation</b>
John Curran.....	Vice President, Middle East at Maples Fund Services (Middle East) Limited
Linval Stewart.....	Vice President at MaplesFS Limited

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 Interim Financial Statements and the Audited Financial Statements. See also “*Presentation of Certain Financial and Other Information*” for a discussion of the sources of the numbers contained in this section.

### Statement of Financial Position

The table below shows the Group’s statement of financial position as at the dates indicated.

	As at 30 September	As at 31 December		
	2019	2018	2017	2016
	(Unaudited)			
		(KD ‘000)		
<b>Assets</b>				
Cash and balances with banks .....	211,576	83,805	48,544	36,911
Deposits with Central Bank of Kuwait .....	285,037	244,685	310,420	292,742
Deposits with other banks.....	316,072	237,088	323,860	328,952
Islamic financing to customers .....	3,637,212	3,262,285	2,876,778	2,516,760
Investment in sukuk.....	343,782	309,339	180,928	121,304 <sup>(1)</sup>
Other investment securities.....	80,349	73,500	52,383	58,496 <sup>(1)</sup>
Investments in associates .....	30,894	28,916	52,975	62,204
Investment properties.....	24,663	24,036	53,572	24,680
Other assets.....	22,359	24,088	16,579	13,943
Property and equipment.....	81,010	57,036	54,357	25,815
<b>Total assets</b> .....	<u>5,032,954</u>	<u>4,344,778</u>	<u>3,970,396</u>	<u>3,481,807</u>
<b>Liabilities</b>				
Due to banks .....	215,600	97,216	67,474	76,278
Depositors’ accounts.....	4,102,177	3,720,935	3,410,123	2,945,076
Other liabilities .....	70,135	40,667	40,442	37,300
<b>Total liabilities</b> .....	<u>4,387,912</u>	<u>3,858,818</u>	<u>3,518,039</u>	<u>3,058,654</u>
<b>Equity</b>				
Share capital .....	288,407	238,847	227,473	216,641
Share premium.....	156,942	62,896	62,896	62,896
Proposed bonus shares.....	—	11,942	11,374	10,832
Treasury shares .....	(54)	(643)	(1,122)	(1,438)
Statutory reserve .....	25,251	25,251	19,349	14,329
Other reserves .....	22,519	19,165	14,764	9,853 <sup>(1)</sup>
Retained earnings .....	74,251	31,707	24,122	18,884
Proposed cash dividends.....	—	19,092	15,900	12,974



	As at 30 September	As at 31 December		
	2019	2018	2017	2016
	(Unaudited)			
		(KD '000)		
<b>Equity attributable to equity holders of the Bank</b> .....	567,316	408,257	374,756	344,971
Perpetual Tier 1 sukuk.....	75,388	75,388	75,388	75,388
Non-controlling interests .....	2,338	2,315	2,213	2,794
<b>Total equity</b> .....	645,042	485,960	452,357	423,153
<b>Total liabilities and equity</b> .....	5,032,954	4,344,778	3,970,396	3,481,807

Note:

- (1) The Group changed the presentation of certain line items in 2018 by: (i) extracting “Investment in sukuk” as a separate line item; (ii) combining “Financial assets at fair value through profit or loss” and “Available for sale investments” under “Other investment securities”; and (iii) combining certain reserves under “Other reserves”. The 2017 Financial Statements classify “Investment in sukuk” (as presented in the Interim Financial Statements and the 2018 Financial Statements) as a line item under “Available for sale investments” (see further Note 14 (*Available for sale investments*) to the 2017 Financial Statements). The sum of “Financial assets at fair value through profit or loss” and “Available for sale investments” (excluding “Investment in sukuk”) as specified in the 2017 Financial Statements is the amount specified as “Other investment securities” (as presented in the Interim Financial Statements and the 2018 Financial Statements) (see further Note 13 (*Financial assets at fair value through profit or loss*) and Note 14 (*Available for sale investments*) to the 2017 Financial Statements). The sum of “Voluntary reserve”, “Share based payment reserve”, “Fair value reserve” and “Foreign currency translation reserve” as specified in the 2017 Financial Statements is the amount specified as “Other reserves” (as presented in the Interim Financial Statements and the 2018 Financial Statements).

## Statement of Profit or Loss

The table below shows the Group’s statement of profit or loss for the periods indicated.

	Nine months ended 30 September		Year ended 31 December		
	2019	2018	2018	2017	2016
	(Unaudited)				
			(KD '000)		
<b>Income</b>					
Murabaha and other Islamic financing income	152,786	134,418	182,942	153,319 <sup>(1)</sup>	122,682
Finance cost and distribution to depositors.....	(64,797)	(43,757)	(62,636)	(45,955)	(34,151)
<b>Net financing income</b> .....	87,989	90,661	120,306	107,364	88,531
Net investment income .....	5,781	1,480	1,051	4,032 <sup>(1)</sup>	4,442
Net fees and commission income.....	12,761	10,610	13,436	11,134	9,820
Share of results of associates <sup>(4)</sup> .....	—	—	1,917	559	(1,691)
Net foreign exchange gain .....	2,859	2,182	3,011	2,478	2,201
<b>Operating income</b> .....	109,390	104,933	139,721	125,567	103,303
Staff costs .....	(27,071)	(25,345)	(33,633)	(31,020)	(25,428)

	Nine months ended 30 September		Year ended 31 December		
	2019	2018	2018	2017	2016
	(Unaudited)				
			(KD '000)		
General and administrative expenses .....	(11,251)	(13,013)	(18,834)	(17,918)	(14,724)
Depreciation .....	(5,847)	(3,176)	(4,288)	(3,939)	(3,250)
<b>Operating expenses</b> .....	<b>(44,169)</b>	<b>(41,534)</b>	<b>(56,755)</b>	<b>(52,877)</b>	<b>(43,402)</b>
<b>Operating profit before provision for impairment</b> .....	<b>65,221</b>	<b>63,399</b>	<b>82,966</b>	<b>72,690</b>	<b>59,901</b>
Provision for impairment .....	(17,922)	(21,153)	(23,839)	(22,427)	(16,357)
<b>Operating profit before deductions</b> .....	<b>47,299</b>	<b>42,246</b>	<b>59,127</b>	<b>50,263</b>	<b>43,544</b>
Taxation .....	(2,047)	(1,833)	(2,557)	(2,231)	(1,883) <sup>(2)</sup>
Board of directors' remuneration .....	—	—	(360)	(360)	(360)
<b>Net profit for the period/year</b> .....	<b>45,252</b>	<b>40,413</b>	<b>56,210</b>	<b>47,672</b>	<b>41,301</b>
<i>Attributable to:</i>					
Equity holders of the Bank .....	45,229	40,311	56,108	47,605	41,071
Non-controlling interests .....	23	102	102	67	230
<b>Net profit for the period/year</b> .....	<b>45,252</b>	<b>40,413</b>	<b>56,210</b>	<b>47,672</b>	<b>41,301</b>
<b>Basic and diluted earnings per share attributable to the equity holders of the Bank (fils)</b> .....	<b>15.25</b>	<b>14.20</b>	<b>21.37</b>	<b>17.81<sup>(3)</sup></b>	<b>16.94</b>

Notes:

- (1) The Group reclassified sukuk income to financing income in 2018. Accordingly, "Net investment income" is specified as KD 7.9 million in the 2017 Financial Statements and the amount presented in the above table is as presented in the 2018 Financial Statements.
- (2) The Group changed the presentation of certain line items in 2018 by combining certain contributions and tax items under "Taxation". The sum of "Contribution to Kuwait Foundation for the Advancement of Sciences", "National Labour Support Tax" and "Zakat" as specified in the 2017 Financial Statements is the amount specified as "Taxation" (as presented in the Interim Financial Statements and the 2018 Financial Statements).
- (3) In the 2017 Financial Statements, basic and diluted earnings per share attributable to the equity holders of the Bank was 18.71 fils. However, following an issue of bonus shares in 2018, this was retroactively adjusted to be 17.81 fils (as presented in the 2018 Financial Statements, see further Note 10 (*Basic and diluted earnings per share*)).
- (4) The Group combined the share of results of associates with net investment income for the nine month period ended 30 September 2019 and the nine month period ended 30 September 2018.

## Statement of Other Comprehensive Income

The table below shows the Group's statement of other comprehensive income for the periods indicated.

	Nine months ended 30 September		Year ended 31 December		
	2019	2018	2018	2017	2016
	(Unaudited)				
			(KD '000)		
<b>Net profit for the period/year.....</b>	45,252	40,413	56,210	47,672	41,301
<b>Other comprehensive income/(loss)</b>					
<i>Items that are or may be reclassified to consolidated statement of profit or loss in subsequent periods</i>					
Change in fair value of debt investments at fair value through other comprehensive income .....	3,109	(874)	(454)	(138)	483 <sup>(1)</sup>
Change in fair value of available for sale investments .....	—	—	—	298	(943)
Foreign currency translation adjustments .....	428	452	(641)	(177)	163
<i>Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods</i>					
Change in fair value of equity investments at fair value through other comprehensive income .....	231	(342)	(660)	—	—
<b>Other comprehensive income/(loss) for the period/year .....</b>	<b>3,768</b>	<b>(764)</b>	<b>(1,755)</b>	<b>(17)</b>	<b>(297)</b>
<b>Total comprehensive income for the period/year .....</b>	<b>49,020</b>	<b>39,649</b>	<b>54,455</b>	<b>47,655</b>	<b>41,004</b>
<i>Attributable to:</i>					
Equity holders of the Bank .....	48,997	39,547	54,353	47,588	40,774
Non-controlling interests .....	23	102	102	67	230
<b>Total comprehensive income for the period/year .....</b>	<b>49,020</b>	<b>39,649</b>	<b>54,455</b>	<b>47,655</b>	<b>41,004</b>

Note:

- (1) The Group changed the presentation of certain line items in 2018 by combining certain available for sale investments related line items under “Change in fair value of debt investments at fair value through other comprehensive income”. The sum of “Net gains on sale of available for sale investments transferred to consolidated statement of profit or loss” and “Impairment losses on available for sale investments transferred to consolidated statement of profit or loss” as specified in the 2017 Financial Statements is the amount specified as “Change in fair value of debt investments at fair value through other comprehensive income” (as presented in the Interim Financial Statements and the 2018 Financial Statements).

## Statement of Cash Flows

The table below summarises the Group's statement of cash flows for the periods indicated.

	Nine months ended 30		Year ended 31 December		
	September				
	2019	2018	2018	2017	2016
	(Unaudited)				
			(KD '000)		
Net cash generated from/(used in) operating activities.....	253,765	154,325	174,273	175,394	(390,909)
Net cash used in investing activities .....	(58,372)	(102,601)	(120,017)	(112,571)	(47,840)
Net cash generated from/(used in) financing activities.....	110,062	(18,204)	(20,867)	(18,825)	60,870
<b>Net increase/(decrease) in cash and cash equivalents.....</b>	<b>305,455</b>	<b>33,520</b>	<b>33,389</b>	<b>43,998</b>	<b>(377,879)</b>
Cash and cash equivalents at the beginning of the period/year .....	164,767	131,378	131,378	87,380	465,259
<b>Cash and cash equivalents at the end of the period/year .....</b>	<b>470,222</b>	<b>164,898</b>	<b>164,767</b>	<b>131,378</b>	<b>87,380</b>

## Maturity Profile Data

The table below summarises the maturity profile of the Group's assets, liabilities and equity based on contractual cash flows, maturity dates or on management's estimates of liquidation, in each case, as at the dates indicated. This does not necessarily take account of the effective maturities.

	As at 30 September 2019				
	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
	(KD '000)				
<b>Assets</b>					
Cash and balances with banks.....	211,576	—	—	—	211,576
Deposits with Central Bank of Kuwait .....	232,686	36,278	16,073	—	285,037
Deposits with other banks.....	300,809	—	15,263	—	316,072
Islamic financing to customers .....	1,031,802	762,159	214,221	1,629,030	3,637,212
Investment in sukuk.....	295,067	—	—	48,715	343,782
Other investment securities.....	—	—	—	80,349	80,349
Investments in associates .....	—	—	—	30,894	30,894
Investment properties.....	—	—	—	24,663	24,663
Other assets.....	15,495	—	6,864	—	22,359
Property and equipment .....	—	—	—	81,010	81,010
<b>Total assets .....</b>	<b>2,087,435</b>	<b>798,437</b>	<b>252,421</b>	<b>1,894,661</b>	<b>5,032,954</b>
<b>Liabilities and equity</b>					

**As at 30 September 2019**

	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
			(KD '000)		
Due to banks .....	215,600	—	—	—	215,600
Depositors' accounts.....	2,874,577	743,276	317,372	166,952	4,102,177
Other liabilities .....	34,339	—	14,618	21,178	70,135
Equity .....	—	—	—	645,042	645,042
<b>Total liabilities and equity.....</b>	<b>3,124,516</b>	<b>743,276</b>	<b>331,990</b>	<b>833,172</b>	<b>5,032,954</b>

**As at 31 December 2018**

	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
			(KD '000)		
<b>Assets</b>					
Cash and balances with banks.....	83,805	—	—	—	83,805
Deposits with Central Bank of Kuwait .....	106,871	95,501	42,313	—	244,685
Deposits with other banks.....	237,088	—	—	—	237,088
Islamic financing to customers .....	1,217,734	291,434	217,168	1,535,949	3,262,285
Investment in sukuk.....	264,962	—	—	44,377	309,339
Other investment securities.....	—	—	—	73,500	73,500
Investments in associates .....	—	—	—	28,916	28,916
Investment properties.....	—	—	—	24,036	24,036
Other assets.....	14,613	—	9,475	—	24,088
Property and equipment.....	—	—	—	57,036	57,036
<b>Total assets .....</b>	<b>1,925,073</b>	<b>386,935</b>	<b>268,956</b>	<b>1,763,814</b>	<b>4,344,778</b>
<b>Liabilities and equity</b>					
Due to banks .....	97,216	—	—	—	97,216
Depositors' accounts.....	2,211,054	418,497	811,616	279,768	3,720,935
Other liabilities .....	10,342	—	11,568	18,757	40,667
Equity .....	—	—	—	485,960	485,960
<b>Total liabilities and equity.....</b>	<b>2,318,612</b>	<b>418,497</b>	<b>823,184</b>	<b>784,485</b>	<b>4,344,778</b>

**As at 31 December 2017**

	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
			(KD '000)		
<b>Assets</b>					
Cash and balances with banks.....	48,544	—	—	—	48,544

As at 31 December 2017

	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
			(KD '000)		
Deposits with Central Bank of Kuwait .....	138,385	105,474	21,142	45,419	310,420
Deposits with other banks.....	323,860	—	—	—	323,860
Islamic financing to customers .....	1,104,893	250,790	138,871	1,382,224	2,876,778
Investment in sukuk.....	152,902	—	—	28,026	180,928
Other investment securities.....	—	—	—	52,383	52,383
Investments in associates .....	—	—	—	52,975	52,975
Investment properties.....	—	—	—	53,572	53,572
Other assets.....	9,176	—	7,403	—	16,579
Property and equipment.....	—	—	—	54,357	54,357
<b>Total assets</b> .....	<b>1,777,760</b>	<b>356,264</b>	<b>167,416</b>	<b>1,668,956</b>	<b>3,970,396</b>
<b>Liabilities and equity</b>					
Due to banks .....	67,474	—	—	—	67,474
Depositors' accounts.....	2,235,047	349,973	578,085	247,018	3,410,123
Other liabilities .....	12,068	—	12,901	15,473	40,442
Equity .....	—	—	—	452,357	452,357
<b>Total liabilities and equity</b> .....	<b>2,314,589</b>	<b>349,973</b>	<b>590,986</b>	<b>714,848</b>	<b>3,970,396</b>

As at 31 December 2016

	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
			(KD '000)		
<b>Assets</b>					
Cash and balances with banks.....	36,911	—	—	—	36,911
Deposits with Central Bank of Kuwait .....	55,318	119,153	70,803	47,468	292,742
Deposits with other banks.....	328,952	—	—	—	328,952
Islamic financing to customers .....	994,119	140,788	123,602	1,258,251	2,516,760
Financial assets at fair value through profit or loss.....	—	—	—	19,495	19,495
Available for sale investments .....	116,425	—	—	43,880	160,305
Investments in associates .....	—	—	—	62,204	62,204
Investment properties.....	—	—	—	24,680	24,680
Other assets.....	7,355	—	6,588	—	13,943
Property and equipment .....	—	—	—	25,815	25,815
<b>Total assets</b> .....	<b>1,539,080</b>	<b>259,941</b>	<b>200,993</b>	<b>1,481,793</b>	<b>3,481,807</b>
<b>Liabilities and equity</b>					
Due to banks .....	61,076	15,202	—	—	76,278

**As at 31 December 2016**

	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
			(KD '000)		
Depositors' accounts.....	1,769,894	281,477	638,353	255,352	2,945,076
Other liabilities .....	7,655	—	17,372	12,273	37,300
Equity .....	—	—	—	423,153	423,153
<b>Total liabilities and equity .....</b>	<b>1,838,625</b>	<b>296,679</b>	<b>655,725</b>	<b>690,778</b>	<b>3,481,807</b>

## Selected Ratios

The table below shows selected ratios of the Group as at the dates indicated. For a further description of these ratios (including calculation methodology), see “*Presentation of Certain Financial and Other Information – Presentation of Financial Information – Presentation of Alternative Performance Measures*”.

	Nine months ended 30 September	Year ended 31 December		
	2019	2018	2017	2016
			(Unaudited)	
			(%)	
Performance measures				
Return on average assets.....	1.3	1.3	1.3	1.2
Return on average equity .....	11.7	12.7	11.9	11.7
Cost to income ratio.....	40.4	40.6	42.1	42.0
Profitability measures				
Net profit rate margin .....	2.7	3.1	3.1	2.9
Net profit margin .....	41.3	40.2	37.9	39.8
Asset quality measures				
Impaired Islamic financing ratio.....	0.9	0.8	0.8	0.8
Provision for impairment ratio.....	218.6	251.6	256.0	271.5
Liquid assets ratio.....	24.6	21.8	23.1	24.1
Liquidity coverage ratio.....	121.3	185.7	345.0	333.7
Islamic financing to customers to depositors’ account and due to banks ratio ..	84.2	85.4	83.0	83.3
Islamic financing to customers to depositors’ account ratio.....	88.7	87.7	84.6	85.5
Capitalisation measures				
CET1 capital adequacy ratio.....	16.8	14.3	15.0	16.2
Tier 1 capital adequacy ratio.....	19.3	17.1	18.3	20.2
Total capital adequacy ratio.....	20.4	18.2	19.4	21.4
Leverage ratio .....	11.3	10.0	10.0	10.3

## 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 – Presentation of Financial Information – Presentation of Alternative Performance Measures”, “Selected Financial Information”, the Interim Financial Statements and the Audited Financial Statements.*

### Overview

The Group is one of Kuwait’s largest Islamic banks in terms of total assets and total deposits based on annual reports published by Kuwaiti banks (see further “*Description of the Group – Competition in Kuwait*”). The Group is primarily a local bank extending financing principally to companies and individuals in Kuwait. The Group’s core businesses are Islamic consumer and corporate banking, although it also offers investment management and insurance services.

The Group’s principal focus is on growing its market share in Kuwait whilst also expanding its products and services offerings, including through product and channel innovation (see further “*Description of the Group – Strategy*”).

As at 30 September 2019, the Group’s Islamic financing to customers was KD 3.6 billion (compared to KD 3.3 billion as at 31 December 2018) while the Group’s depositors’ accounts were KD 4.1 billion (compared to KD 3.7 billion as at 31 December 2018). For the nine months ended 30 September 2019, the Group’s operating income was KD 109.4 million (compared to KD 104.9 million for the nine months ended 30 September 2018) while its net profit for the period was KD 45.3 million (compared to KD 40.4 million for the nine months ended 30 September 2018).

### 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 local bank focused on extending financing to, and accepting deposits from, institutions, companies and residents in Kuwait. As a result, its revenues and results of operations are affected by economic and market conditions in Kuwait and, to a lesser extent, in certain other MENA region countries.

According to the CBK and the KSB, Kuwait’s real GDP decreased by 2.9 per cent. in 2017 compared to 2016, due to the underperformance of oil sectors. Based on the IMF’s April 2019 World Economic Database, Kuwait’s real GDP is projected to have increased by 1.7 per cent. in 2018 and to grow by 2.5 per cent. in 2019. According to the IMF’s April 2019 Staff Report on its Article IV Consultation with Kuwait, growth has resumed and Kuwait’s current account ‘rebounded’ due to higher oil prices.

The Group also remains exposed to the risk of external changes, such as an increase in global financial market volatility, which could pose funding, market and credit risks for investment companies and banks.

#### Factors affecting net income from Islamic financing to customers

The Group’s net financing income is a major contributor to its total operating income, comprising 80.4 per cent. of its operating income for the nine months ended 30 September 2019 (compared to 86.4 per cent. for the nine months ended 30 September 2018, 86.1 per cent. for the year ended 31 December 2018, 85.5 per cent. for the year ended 31 December 2017 and 85.7 per cent. for the year ended 31 December 2016).



The Group's net financing income is affected by a number of factors. It is primarily determined by the volume of Islamic financing to customers relative to distribution to depositors costs, as well as murabaha costs. The Group's Islamic financing to customers principally consists of murabaha and ijara products provided to corporate and individual customers. The Group's distribution to depositors and murabaha costs is determined by the Group's results at the end of the month in relation to all products.

The changes in the Group's net financing income for the nine months ended 30 September 2019 compared to the nine months ended 30 September 2018 were primarily attributable to an increase in the finance cost and distribution to depositors in 2019 due to the lagging effect generated by the U.S. Federal Reserve increase of 100 bps in the repo rate and the smaller increase of 25 bps in the discount rate in 2018.

As at 30 September 2019, the Group's average Islamic financing to customers (based on balances as at the start and end of each period) was KD 3.4 billion, compared to KD 3.0 billion as at 30 September 2018, representing an increase of KD 0.4 billion or 13.7 per cent.

The year-on-year growth in the Group's net financing income between 2016 and 2018 was primarily attributable to the growth in the volume of the Group's Islamic financing to customers and Sukuk.

As at 31 December 2018, the Group's average customer financing portfolio (based on balances as at the start and end of each year) was KD 3.1 billion, compared to KD 2.7 billion as at 31 December 2017 and KD 2.3 billion as at 31 December 2016, representing an increase of KD 0.4 billion or 14 per cent. between 2017 and 2018 and an increase of KD 0.4 billion or 15 per cent. between 2016 and 2017.

### **Movements in provision charge for impairments**

For financial reporting periods from 1 January 2018, IFRS 9 replaces the "incurred loss" model in IAS 39 with an ECL model. IFRS 9 contains three principal classification categories for financial assets: (i) measured at amortised cost; (ii) fair value through comprehensive income ("FVOCI"); and (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. In accordance with the CBK regulations, ECL is to be measured at the higher of the ECL on financing facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions. For further information, see Note 2.4 (*Changes in accounting policies and disclosures*) to the 2018 Financial Statements.

For the nine months ended 30 September 2019, the Group's provision charge for impairment was KD 17.9 million, compared to KD 21.2 million for the nine months ended 30 September 2018, representing a decrease of KD 3.3 million or 15.6 per cent. This decrease was primarily attributable to higher impairment loss taken on associates for the nine months ended 30 September 2018.

For the year ended 31 December 2018, the Group's provision charge for impairment was KD 23.8 million, compared to KD 22.4 million for the year ended 31 December 2017, representing an increase of KD 1.4 million or 6.3 per cent. This increase was primarily attributable to an increase in the specific provision for corporate facilities.

For the year ended 31 December 2017, the Group's provision charge for impairment was KD 22.4 million, compared to KD 16.4 million for the year ended 31 December 2016, representing an increase of KD 6.1 million or 37.1 per cent. This increase was primarily attributable to an impairment loss taken on associates and an increase in general provisions.

### **Significant Accounting Policies**

The Financial Statements have been prepared in accordance with IFRS as adopted for use by Kuwait. For a discussion of the accounting policies applied by the Group generally, see Note 2 (*Significant accounting*

*policies*) to the Interim Financial Statements and Note 3 (*Significant accounting policies*) to the 2018 Financial Statements.

### **Significant Accounting Judgements and Key Sources of Estimation Uncertainty**

In preparing the Group's financial statements, management is required to make certain estimates, judgements and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, as at the date of the 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 judgement. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements.

Management has identified the most significant judgements and estimates made by it in Note 4 (*Critical accounting judgments and key sources of estimation uncertainty*) to the 2018 Financial Statements. These judgements and estimates include, for example, the determination of fair value measurements, the estimation of recoverable amount in connection with the calculation of impairment of investment in associates, the classification of financial assets, estimations required in connection with the calculation of ECL on financial assets, the determination of whether a provision for impairment should be recorded in connection with any Islamic financing to customers and estimations required in connection with the valuation of unquoted equity investments.

### **Results of Operations for the years ended 31 December 2018, 2017 and 2016**

#### **Net income from murabaha and other Islamic financing**

The Group earns income from murabaha and other Islamic financing on the Islamic financing to customers. The Group incurs Islamic financing costs through the distributions it makes to its Islamic depositors and costs related to its murabaha financing. Islamic financing income is recognised in the income statement on a basis which reflects a constant periodic return on the outstanding net investment relating to that financing. Islamic financing costs are recognised in the income statement on the basis of the type of depositor account. Islamic financing costs on murabaha and wakala products are recognised on an effective yield basis, which is established on initial recognition of the liability, and on other products, are recognised based on rates determined by reference to the Group's results at the end of every month.

For the year ended 31 December 2018, the Group's murabaha and other Islamic financing income was KD 182.9 million, compared to KD 153.3 million for the year ended 31 December 2017, representing an increase of KD 29.6 million or 19.3 per cent. This increase was primarily attributable to growth in the volume of Islamic financing to customers and Sukuk and an increase in yield of assets.

For the year ended 31 December 2018, the Group's finance cost and distribution to depositors was KD 62.6 million, compared to KD 46.0 million for the year ended 31 December 2017, representing an increase of KD 16.7 million or 36.3 per cent. This increase was primarily attributable to growth in depositors' accounts to support volume growth and higher cost of funds due to an increase in repo rates.

For the year ended 31 December 2017, the Group's murabaha and other Islamic financing income was KD 153.3 million, compared to KD 125.1 million for the year ended 31 December 2016, representing an increase of KD 28.2 million or 22.5 per cent. This increase was primarily attributable to growth in the volume of Islamic financing to customers and Sukuk and an increase in yield of assets.

For the year ended 31 December 2017, the Group's finance cost and distribution to depositors was KD 46.0 million, compared to KD 34.2 million for the year ended 31 December 2016, representing an increase of KD 11.8 million or 34.6 per cent. This increase was primarily attributable to growth in depositors' accounts to support volume growth and higher cost of funds due to market conditions.

Reflecting the above factors, the Group's net financing income for the year ended 31 December 2018 was KD 120.3 million, compared to KD 107.4 million for the year ended 31 December 2017 and KD 90.9 million for the year ended 31 December 2016, representing an increase of KD 12.9 million or 12.1 per cent. between 2017 and 2018 and an increase of KD 16.5 million or 18.2 per cent. between 2016 and 2017.

### **Net fees and commission**

The Group earns fees and commissions on non-cash business (such as letters of credit and guarantees issued by the Bank), and on other bank services provided by it, including asset management, account servicing and syndication fees and card-related fees. The Group pays fees and commissions principally in respect of cards.

For the year ended 31 December 2018, the Group's gross fees and commission income was KD 20.0 million, compared to KD 16.1 million for the year ended 31 December 2017, representing an increase of KD 3.9 million or 23.9 per cent. This increase was primarily attributable to an increase in the number of customers and credit card utilisation, and growth in the asset management and non-cash business.

For the year 31 December 2018, the Group's fees and commission expenses were KD 6.5 million, compared to KD 5.0 million for the year ended 31 December 2017, representing an increase of KD 1.5 million or 31.1 per cent. This increase was primarily attributable to growth in the retail business and the credit card business.

For the year ended 31 December 2017, the Group's gross fees and commission income was KD 16.1 million, compared to KD 14.1 million for the year ended 31 December 2016, representing an increase of KD 2.0 million or 14.3 per cent. This increase was primarily attributable to growth in the non-cash business and the retail business.

For the year 31 December 2017, the Group's fees and commission expenses were KD 5.0 million, compared to KD 4.3 million for the year ended 31 December 2016, representing an increase of KD 0.7 million or 16.3 per cent. This increase was primarily attributable to growth in retail business and credit card business.

Reflecting the above factors, the Group's net fees and commission for the year ended 31 December 2018 was KD 13.4 million, compared to KD 11.1 million for the year ended 31 December 2017 and KD 9.8 million for the year ended 31 December 2016, representing an increase of KD 2.3 million or 20.7 per cent. between 2017 and 2018 and an increase of KD 1.3 million or 13.4 per cent. between 2016 and 2017.

### **Other sources of operating income**

The Group's other sources of operating income principally include net investment income, its share of the results of its associates and net gains from dealing in foreign currencies.

The table below shows the Group's operating income from other sources for the years indicated.

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
		(KD '000)	
Net investment income.....	1,051	4,032 <sup>(1)</sup>	4,442
Share of results of associates .....	1,917	559	(1,691)
Net foreign exchange gain .....	3,011	2,478	2,201

	Year ended 31 December		
	2018	2017	2016
	(KD '000)		
<b>Operating income from other sources .....</b>	<b>5,979</b>	<b>7,069</b>	<b>4,952</b>

Note:

- (1) The Group reclassified sukuk income to financing income in 2018. Accordingly, "Net investment income" is specified as KD 7.9 million in the 2017 Financial Statements and the amount presented in the above table is as presented in the 2018 Financial Statements.

For the year ended 31 December 2018, the Group's operating income from other sources was KD 6.0 million, compared to KD 7.1 million for the year ended 31 December 2017, representing a decrease of KD 1.1 million or 15.4 per cent. This decrease was primarily attributable to unrealised losses on investment properties and lower rental income from investment properties in 2018.

For the year ended 31 December 2017, the Group's operating income from other sources was KD 7.1 million, compared to KD 5.0 million for the year ended 31 December 2016, representing an increase of KD 2.1 million or 42.8 per cent. This increase was primarily attributable to higher rental income in 2017 offset by a share of losses from associates booked in 2016.

### Operating expenses

The Group's operating expenses comprise staff costs, general and administrative expenses and depreciation.

The table below shows the Group's operating expenses for the years indicated.

	Year ended 31 December					
	2018		2017		2016	
	(KD '000)	(% of total)	(KD '000)	(% of total)	(KD '000)	(% of total)
Staff costs .....	(33,633)	59.3	(31,020)	58.7	(25,428)	58.6
General and administrative expenses....	(18,834)	33.2	(17,918)	33.9	(14,724)	33.9
Depreciation .....	(4,288)	7.5	(3,939)	7.4	(3,250)	7.5
<b>Operating expenses.....</b>	<b>(56,755)</b>	<b>100.0</b>	<b>(52,877)</b>	<b>100.0</b>	<b>(43,402)</b>	<b>100.0</b>

For the year ended 31 December 2018, the Group's operating expenses were KD 56.8 million, compared to KD 52.9 million for the year ended 31 December 2017, representing an increase of KD 3.9 million or 7.3 per cent. This increase was primarily attributable to provision for business expansion, inflation and investment in the digital sector.

For the year ended 31 December 2017, the Group's operating expenses were KD 52.9 million, compared to KD 43.4 million for the year ended 31 December 2016, representing an increase of KD 9.5 million or 21.8 per cent. This increase was primarily attributable to provision for business expansion, inflation and investment in the digital sector.

### **Provision for impairment**

For information on provisions for impairment, please see “*Financial Review – Principal Factors Affecting Results of Operations – Movements in provision charge for impairments*”.

### **Operating profit before deductions**

Reflecting the above factors, the Group’s operating profit before deductions for the year ended 31 December 2018 was KD 59.1 million, compared to KD 50.3 million for the year ended 31 December 2017 and KD 43.5 million for the year ended 31 December 2016, representing an increase of KD 8.9 million or 17.6 per cent. between 2017 and 2018 and an increase of KD 6.7 million or 15.4 per cent. between 2016 and 2017.

### **Taxation**

The Group’s taxation charge comprises the national labour support tax charged in Kuwait, its contribution to the Kuwait Foundation for the Advancement of Sciences and its zakat charge. Together, these amounted to KD 2.6 million for the year ended 31 December 2018, compared to KD 2.2 million for the year ended 31 December 2017 and KD 1.9 million for the year ended 31 December 2016, representing an increase of KD 0.3 million or 14.6 per cent. between 2017 and 2018 and an increase of KD 0.3 million or 18.5 per cent. between 2016 and 2017.

### **Net profit for the year**

Reflecting the above factors, the Group’s net profit for the year ended 31 December 2018 was KD 56.2 million, compared to KD 47.7 million for the year ended 31 December 2017 and KD 41.3 million for the year ended 31 December 2016, representing an increase of KD 8.5 million or 17.9 per cent. between 2017 and 2018 and an increase of KD 6.4 million or 15.4 per cent. between 2016 and 2017.

### **Other comprehensive income/(loss)**

The Group’s other comprehensive income/(loss) principally comprises changes in the fair value of its debt instruments at fair value through other comprehensive income, changes in the fair value of its equity investments at fair value through other comprehensive income, changes in the fair value of available for sale investments and foreign currency translation adjustments.

For the year ended 31 December 2018, the Group’s other comprehensive loss for the year was KD 1.8 million, compared to nil for the year ended 31 December 2017. This change was primarily attributable to decline in fair value of sukuk and equity instruments classified as FVOCI.

For the year ended 31 December 2017, the Group’s other comprehensive loss for the year was nil, compared to KD 0.3 million for the year ended 31 December 2016.

### **Total comprehensive income for the year**

Reflecting the Group’s net profit for the year and the Group’s other comprehensive loss for the year, the Group’s total comprehensive income for the year ended 31 December 2018 was KD 54.5 million, compared to KD 47.7 million for the year ended 31 December 2017 and KD 41.0 million for the year ended 31 December 2016, representing an increase of KD 6.8 million or 14.3 per cent. between 2017 and 2018 and an increase of KD 6.7 million or 16.2 per cent. between 2016 and 2017.

### **Segmental analysis**

The Group’s operating segments are classified on the basis of business segments and geographic segments. For further information on the Group’s segment reporting, please see Note 29 (*Segment reporting*) to the 2018 Financial Statements and Note 30 (*Segment reporting*) to the 2017 Financial Statements.

## Business segments

The Group's business segments comprise:

- consumer banking, which provides a diversified range of products and services to individuals and institutional customers, including consumer finance, credit cards, deposits and other branch-related services;
- corporate banking, which provides murabaha, ijara, trade service and other related services to business and corporate customers;
- investment banking, which handles the Group's direct investments, investments in associates, local and international real estate investment and asset management;
- treasury, which handles the Group's local and international murabaha and other Islamic financing, primarily with other banks, and manages the Bank's funding operations; and
- Group centre, which includes other Group-related and residual activities in respect of transfer pricing and inter-segment allocation.

The tables below show certain segment income information for the years indicated and certain asset information as at the dates indicated.

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
			(KD '000)			
<b>Year ended 31 December 2018</b>						
Net financing income/(loss).....	64,924	36,858	(2,896)	11,350	10,070	120,306
Operating income .....	71,525	44,503	4,248	14,361	5,084	139,721
Net profit/(loss) for the year .....	38,078	31,827	(8,044)	13,803	(19,454)	56,210
<b>Year ended 31 December 2017</b>						
Net financing income .....	58,035	32,359	1,007	12,088	3,875	107,364
Operating income/(loss) .....	62,538	41,967	8,161	14,565	(1,664)	125,567
Net profit/(loss) for the year .....	34,540	36,706	(6,906)	14,110	(30,778)	47,672
<b>Year ended 31 December 2016</b>						
Net financing income/(loss).....	52,101	28,970	(2,025)	4,254	5,231	88,531
Operating income .....	55,287	36,239	3,884	6,457	1,436	103,303
Net profit/(loss) for the year .....	30,076	31,376	(10,044)	6,057	(16,164)	41,301
	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
			(KD '000)			
<b>As at 31 December 2018</b>						
Total assets .....	1,489,285	2,216,460	152,848	460,078	26,107	4,344,778
Total liabilities.....	1,991,298	219,032	16,040	1,616,832	15,616	3,858,818
<b>As at 31 December 2017</b>						
Total assets .....	1,323,618	1,848,673	195,633	618,771	(16,299)	3,970,396
Total liabilities.....	1,540,167	250,435	54,598	1,674,822	(1,983)	3,518,039
<b>As at 31 December 2016</b>						

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
			(KD '000)			
Total assets .....	1,173,513	1,565,260	172,836	592,655	(22,457)	3,481,807
Total liabilities.....	1,192,754	276,269	24,474	1,560,582	4,575	3,058,654

### Consumer banking segment

For the year ended 31 December 2018, the consumer banking segment had an operating income of KD 71.5 million, compared to KD 62.5 million for the year ended 31 December 2017, representing an increase of KD 9.2 million or 14.7 per cent. This increase was primarily attributable to growth in business activities including Islamic financing to customers, depositors' accounts and fee income.

For the year ended 31 December 2017, the consumer banking segment had an operating income of KD 62.5 million, compared to KD 55.3 million for the year ended 31 December 2016, representing an increase of KD 7.1 million or 12.8 per cent. This increase was primarily attributable to growth in business activities including Islamic financing to customers, depositors' accounts and fee income.

*Corporate banking segment*

For the year ended 31 December 2018, the corporate banking segment had an operating income of KD 44.5 million, compared to KD 42.0 million for the year ended 31 December 2017, representing an increase of KD 2.5 million or 6.0 per cent. This increase was primarily attributable to growth in business volume and fee and commission income offset by an increase in cost of funds.

For the year ended 31 December 2017, the corporate banking segment had an operating income of KD 42.0 million, compared to KD 36.2 million for the year ended 31 December 2016, representing an increase of KD 5.7 million or 15.8 per cent. This increase was primarily attributable to growth in business volume and fee and commission income.

## Investment banking segment

For the year ended 31 December 2018, the investment banking segment had an operating income of KD 4.2 million, compared to KD 8.1 million for the year ended 31 December 2017, representing a decrease of KD 3.9 million or 47.9 per cent. This decrease was primarily attributable to unrealised losses on investment properties and lower rental income from investment properties in 2018.

For the year ended 31 December 2017, the investment banking segment had an operating income of KD 8.1 million, compared to KD 3.9 million for the year ended 31 December 2016, representing an increase of KD 4.3 million or 110.1 per cent. This increase was primarily attributable to higher rental income in 2017 and a share of losses from associates in 2016.

*Treasury segment*

For the year ended 31 December 2018, the treasury segment had an operating income of KD 14.4 million, which was relatively unchanged compared to KD 14.6 million for the year ended 31 December 2017.

For the year ended 31 December 2017, the treasury segment had an operating income of KD 14.6 million, compared to KD 6.5 million for the year ended 31 December 2016, representing an increase of KD 8.1 million or 125.6 per cent. This increase was primarily attributable to increase in net financing income arising from managing the cost of funds for the Group.

### *Group centre segment*

For the year ended 31 December 2018, the Group centre segment had an operating income of KD 5.1 million, compared to an operating loss of KD 1.7 million for the year ended 31 December 2017. This change was primarily attributable to movements in pricing of funds transfer.

For the year ended 31 December 2017, the Group centre segment had an operating loss of KD 1.7 million, compared to an operating income of KD 1.4 million for the year ended 31 December 2016. This change was primarily attributable to movements in pricing of funds transfer.

### *Geographic segments*

The Group's geographic segments comprise Middle East and North Africa, North America, Europe and Asia.

For the year ended 31 December 2018, 96.4 per cent. of the Group's income was attributable to Middle East and North Africa (compared to 98.2 per cent. for the year ended 31 December 2017 and 99.8 per cent. for the year ended 31 December 2016, although the Europe segment had a negative contribution to the Group's total income in 2016).

## **Liquidity and Funding**

### **Overview**

The Group's liquidity needs arise primarily from making Islamic financing available 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 profit received on its customer financing portfolio and its portfolio of investment securities.

### **Liquidity**

The table below summarises the Group's statement of cash flows for the years indicated.

	Year ended 31 December		
	2018	2017	2016
		(KD '000)	
Net cash generated from/(used in) operating activities ....	174,273	175,394	(390,909)
Net cash used in investing activities .....	(120,017)	(112,571)	(47,840)
Net cash generated from/(used in) financing activities ....	(20,867)	(18,825)	60,870
<b>Net increase/(decrease) in cash and cash equivalents..</b>	<b>33,389</b>	<b>43,998</b>	<b>(377,879)</b>
Cash and cash equivalents at the beginning of the year ...	131,378	87,380	465,259
<b>Cash and cash equivalents at the end of the year .....</b>	<b>164,767</b>	<b>131,378</b>	<b>87,380</b>

The Group's net cash generated from operating activities for the year ended 31 December 2018 was KD 174.3 million, compared to KD 175.4 million for the year ended 31 December 2017, representing a slight decrease of KD 1.1 million or 0.6 per cent. In 2018 and 2017, the Group's net cash generated from operating activities principally reflected its profit for the year adjusted for, amongst other things, provision for impairment, depreciation and foreign currency translation adjustments. The Group's net cash used in operating activities for the year ended 31 December 2016 was KD 390.9 million which principally reflected the changes in operating assets and liabilities including, amongst other things, deposits with the CBK, higher deposits with other banks and due to banks.



The Group's net cash used in investing activities for the year ended 31 December 2018 was KD 120.0 million, compared to KD 112.6 million for the year ended 31 December 2017 and KD 47.8 million for the year ended 31 December 2016, representing an increase of KD 7.4 million or 6.6 per cent. between 2017 and 2018 and an increase of KD 64.7 million or 135.3 per cent. between 2016 and 2017. In each year, the Group's principal investment activities were purchase and sale of available for sale investments, principally Sukuk, as well as purchase of investment properties and property and equipment.

The Group's net cash used in financing activities for the year ended 31 December 2018 was KD 20.9 million, compared to KD 18.8 million for the year ended 31 December 2017, representing an increase of KD 2.0 million or 10.8 per cent. The Group's net cash generated from financing activities for the year ended 31 December 2016 was KD 60.9 million. In each year, the Group's principal financing activity comprised payment of dividends and profit distribution on the Perpetual Tier 1 Sukuk (as defined below). In 2016, the Group's net cash generated from financing activities also included the net proceeds from the Perpetual Tier 1 Sukuk.

## Funding

The Group's principal sources of funding are its depositors' accounts and, to a lesser extent, interbank deposits. The Group also has access to a pool of unencumbered and liquid securities in the form of quoted available for sale investments and equity securities that it can access to meet liquidity needs, in addition to its cash balances and placements with the CBK and other banks.

The Group's depositors' accounts constituted KD 3.7 billion, or 96.4 per cent. of total liabilities, as at 31 December 2018, compared to KD 3.4 billion, or 96.9 per cent. of total liabilities, as at 31 December 2017 and KD 2.9 billion, or 96.3 per cent. of total liabilities, as at 31 December 2016. In the three years ending 31 December 2018, between 28 to 34 per cent. of the Group's depositors' accounts comprised deposits from the Kuwaiti government and its related agencies (see also "*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – The Group's Islamic financing portfolio, investment securities portfolio and deposit base are concentrated in Kuwait and the MENA region*" and "*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – The Group has significant customer and sector concentrations*").

In addition, in 2016, the Bank issued tier 1 sukuk in an aggregate face amount of U.S.\$250.0 million (the "**Perpetual Tier 1 Sukuk**"). The Perpetual Tier 1 Sukuk was issued on the basis of no fixed maturity date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank. Subject to certain redemption conditions, the Perpetual Tier 1 Sukuk is callable by the Bank after a five-year period ending in May 2021 (the "**First Call Date**") or on any profit payment date thereafter. The Perpetual Tier 1 Sukuk bears an expected profit rate of 6.75 per cent. per annum to be paid semi-annually in arrears until the First Call Date. After that, the expected profit rate will be reset based on then prevailing five-year U.S Mid Swap Rate plus an initial margin of 5.588 per cent. per annum.

The table below shows the Group's funding in the form of due to banks, depositors' accounts and other liabilities as at the dates indicated.

	As at 31 December					
	2018		2017		2016	
	(KD '000)	(% of total)	(KD '000)	(% of total)	(KD '000)	(% of total)
Due to banks .....	97,216	2.5	67,474	1.9	76,278	2.5
Depositors' accounts.....	3,720,935	96.4	3,410,123	96.9	2,945,076	96.3
Other liabilities .....	40,667	1.1	40,442	1.2	37,300	1.2
<b>Total liabilities</b> .....	<b>3,858,818</b>	<b>100.0</b>	<b>3,518,039</b>	<b>100.0</b>	<b>3,058,654</b>	<b>100.0</b>

The Group's depositors' accounts comprise current and demand accounts, savings accounts and time deposits.

The Group's current and demand accounts are mostly non-profit bearing and amounts may be withdrawn from these accounts at any time without notice. The Group's savings accounts are *Shari'a*-compliant accounts subject to the principles of *mudaraba* and amounts may also be withdrawn from these accounts at any time without notice.

The Group believes that its current and demand accounts and savings accounts are diversified and stable in nature, and constitute a stable and secure source of low cost funding. The Group's current and demand accounts and savings accounts form a significant proportion of its total depositors' accounts.

The Group accepts time deposits for a range of periods up to five years.

### ***Maturity profile***

The table below shows the maturity profile of the Group's total liabilities and equity as at the dates indicated. This analysis is based on contractual cash flows, maturity dates or on management's estimate of liquidation.

	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
			(KD '000)		
<b>As at 31 December 2018</b>					
Due to banks .....	97,216	—	—	—	97,216
Depositors' accounts.....	2,211,054	418,497	811,616	279,768	3,720,935
Other liabilities .....	10,342	—	11,568	18,757	40,667
Equity .....	—	—	—	485,960	485,960
<b>Total liabilities and equity.....</b>	<b>2,318,612</b>	<b>418,497</b>	<b>823,184</b>	<b>784,485</b>	<b>4,344,778</b>
<b>As at 31 December 2017</b>					
Due to banks .....	67,474	—	—	—	67,474
Depositors' accounts.....	2,235,047	349,973	578,085	247,018	3,410,123
Other liabilities .....	12,068	—	12,901	15,473	40,442
Equity .....	—	—	—	452,357	452,357
<b>Total liabilities and equity.....</b>	<b>2,314,589</b>	<b>349,973</b>	<b>590,986</b>	<b>714,848</b>	<b>3,970,396</b>
<b>As at 31 December 2016</b>					
Due to banks .....	61,076	15,202	—	—	76,278
Depositors' accounts.....	1,769,894	281,477	638,353	255,352	2,945,076
Other liabilities .....	7,655	—	17,372	12,273	37,300
Equity .....	—	—	—	423,153	423,153
<b>Total liabilities and equity.....</b>	<b>1,838,625</b>	<b>296,679</b>	<b>655,725</b>	<b>690,778</b>	<b>3,481,807</b>

A significant proportion of the Group's liabilities and equity disclosed in the tables above is short term in nature. As at 31 December 2018, 53.4 per cent. of the Group's liabilities and equity matured within three months while 81.9 per cent. of the Group's liabilities and equity matured within a year. The issue of Certificates under the Programme 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 Kuwaiti government and 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 risks associated with single party deposit concentration.

### **Equity funding**

For a discussion of the Group's share capital and reserves as at 31 December in each of 2018, 2017 and 2016, see Note 20 (*Share capital*) to Note 25 (*Other reserves*) (inclusive) to the 2018 Financial Statements and Note 20 (*Share capital*) to Note 26 (*Share based payment reserve*) (inclusive) to the 2017 Financial Statements.

### **Financing**

As at 31 December 2018, the Group's total Islamic financing portfolio (net of provisions) was KD 3.3 billion, compared to KD 2.9 billion as at 31 December 2017 and KD 2.5 billion as at 31 December 2016.

The table below shows the Group's Islamic financing portfolio, provisions and financing to deposit ratios as at the dates indicated.

	<b>As at 31 December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(KD '000, unless ratio)</i>		
Total Islamic financing to customers <sup>(1)</sup> .....	3,330,772	2,935,079	2,572,354
Less: provision for impairment .....	(68,487)	(58,301)	(55,594)
<b>Islamic financing to customers</b> .....	<b>3,262,285</b>	<b>2,876,778</b>	<b>2,516,760</b>
Islamic financing to customers to depositors' account and due to banks ratio <sup>(2)</sup> .....	85%	83%	83%
Islamic financing to customers to depositors' account ratio <sup>(2)</sup> .....	88%	85%	86%

Notes:

- (2) Comprises total Islamic financing to customers without adjusting for provision for impairment.
- (3) For a further description of these ratios (including calculation methodology), see "*Presentation of Certain Financial and Other Information – Presentation of Financial Information – Presentation of Alternative Performance Measures*".

The Group's Islamic financing portfolio is principally denominated in Kuwaiti dinar, although Islamic financing to customers is also provided in U.S. dollars, pounds sterling and euro, among other currencies. The Group believes that there is only limited structural cross-currency exposure as the majority of its assets and liabilities are match-funded in currency terms.

### **Distribution of Islamic financing to customers by maturity**

The table below shows the maturity profile of the Group's Islamic financing to customers as at the dates indicated. This analysis is based on contractual cash flows, maturity dates or on management's estimate of liquidation.

	As at 31 December				
	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
	(KD '000)				
2018.....	1,217,734	291,434	217,168	1,535,949	3,262,285
2017.....	1,104,893	250,790	138,871	1,382,224	2,876,778
2016.....	994,119	140,788	123,602	1,258,251	2,516,760

#### Distribution of Islamic financing to customers by geographical region and customer segment

The table below shows the geographic region and customer segment distribution of the Group's Islamic financing to customers as at the dates indicated.

	As at 31 December 2018			
	Kuwait and Middle East	Europe	Asia	Total
	(KD '000)			
<b>As at 31 December 2018</b>				
Corporate banking .....	1,838,474	—	728	1,839,202
Consumer banking.....	1,491,570	—	—	1,491,570
<b>Total Islamic financing to customers .....</b>	<b>3,330,044</b>	<b>—</b>	<b>728</b>	<b>3,330,772</b>
Less: provision for impairment.....	(67,972)	—	(515)	(68,487)
<b>Islamic financing to customers .....</b>	<b>3,262,072</b>	<b>—</b>	<b>213</b>	<b>3,262,285</b>
<b>As at 31 December 2017</b>				
Corporate banking .....	1,605,433	1,791	724	1,607,948
Consumer banking.....	1,327,131	—	—	1,327,131
<b>Total Islamic financing to customers .....</b>	<b>2,932,564</b>	<b>1,791</b>	<b>724</b>	<b>2,935,079</b>
Less: provision for impairment.....	(58,241)	(18)	(42)	(58,301)
<b>Islamic financing to customers .....</b>	<b>2,874,323</b>	<b>1,773</b>	<b>682</b>	<b>2,876,778</b>
<b>As at 31 December 2016</b>				
Corporate banking .....	1,393,476	2,645	3,325	1,399,446
Consumer banking.....	1,172,908	—	—	1,172,908
<b>Total Islamic financing to customers .....</b>	<b>2,566,384</b>	<b>2,645</b>	<b>3,325</b>	<b>2,572,354</b>
Less: provision for impairment.....	(52,763)	(26)	(2,805)	(55,594)
<b>Islamic financing to customers .....</b>	<b>2,513,621</b>	<b>2,619</b>	<b>520</b>	<b>2,516,760</b>

#### Distribution of the Group's maximum exposure to credit risk by industry sector

The Group does not disclose the sectoral split of its Islamic financing to customers in the Audited Financial Statements, although it does disclose the sectoral split of its financial assets before taking into account any collateral held or credit enhancements. The table below shows the industry sector distribution of the Group's financial assets before taking into account any collateral held or credit enhancements as at the dates indicated.

	As at 31 December		
	2018	2017	2016
	(KD '000)		
Trading .....	115,257	117,283	129,368
Manufacturing .....	166,755	135,741	100,194
Banking and other financial institutions .....	519,717	570,269	548,352
Construction .....	62,856	56,599	46,013
Real estate .....	899,883	769,852	697,203
Retail .....	1,423,554	1,265,383	1,116,265
Government .....	397,644	366,938	328,465
Others .....	532,610	438,118	310,951
<b>Total</b> .....	<b>4,118,276</b>	<b>3,720,183</b>	<b>3,276,811</b>

As at 31 December 2018, the retail sector accounted for 34.6 per cent. of the Group's financial assets before taking into account any collateral held or credit enhancements (compared to 34.0 per cent. as at 31 December 2017 and 34.1 per cent. as at 31 December 2016) while the construction and real estate sectors together accounted for 23.4 per cent. of the Group's financial assets before taking into account any collateral held or credit enhancements (compared to 22.2 per cent. as at 31 December 2017 and 22.7 per cent. as at 31 December 2016).

### Investment Securities Portfolio

The Group's investment securities portfolio comprises a portfolio of Sukuk, investment in equity securities and funds as well as certain available for sale investments. The Group invests in such securities to generate returns and to provide an additional source of liquidity when required.

The table below summarises the Group's investment securities portfolio as at the dates indicated.

	As at 31 December		
	2018	2017	2016
	(KD '000)		
Investment in sukuk – FVOCI .....	309,339	180,928	121,304
Financial assets at fair value through profit or loss .....	42,760	13,123	19,495
<i>Investment in unquoted equity securities</i> .....	—	3,477	2,987
<i>Investment in unquoted equity funds</i> .....	42,760	9,646	16,508
Available for sale investments .....	—	39,260	39,001 <sup>(1)</sup>
Financial assets at fair value through other comprehensive income .....	30,740	—	—
<i>Investment in unquoted equity securities</i> .....	30,574	—	—
<i>Investment in quoted equity securities</i> .....	166	—	—

As at 31 December			
	2018	2017	2016
		(KD '000)	
<b>Total</b> .....	382,839	233,311	179,800

Note:

- (1) Comprises the aggregate of “Available for sale investments” excluding “Investment in sukuk” as specified in Note 14 (*Available for sale investments*) to the 2017 Financial Statements.

The Group’s investment policy requires all investments in securities to have an investment grade rating as determined by rating agencies, except for sovereign securities.

### 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.

In June 2014, the CBK issued directives on the adoption of capital adequacy standards under the Basel III framework applicable to licensed banks in Kuwait, effectively replacing and superseding the earlier Basel II requirements. The Basel III reforms strengthen the quality of capital and introduce several buffer requirements in line with proposals made by the Basel Committee. 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 framework raises both the quality and quantity of the capital base and increases capital requirements for certain positions. The 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 countercyclical capital buffer and an additional surcharge for banks designated as domestic systemically important.

The primary objectives of the Group in respect of capital management are to ensure that the Group complies with externally imposed capital requirements and that it maintains strong and healthy capital ratios in order to support its business and to maximise shareholders’ value. 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 proactive action is taken where necessary and a strategy that ensures that a sufficient capital buffer above minimum required levels is maintained at all times. This process is supported by the use of proprietary capital-planning methodology which takes into consideration regulatory capital requirements, rating agency views, stress testing and bottom-up views of business plans.

The table below shows the composition of the Group's regulatory capital and its capital ratios as at the dates indicated.

	As at 31 December		
	2018	2017	2016
	(KD '000, unless %)		
Risk weighted assets .....	2,704,257	2,290,189	1,875,775
<b>Capital required</b> .....	<b>365,075</b>	<b>309,175</b>	<b>253,230</b>
<b>Capital available</b>			
Common Equity Tier 1 Capital .....	385,348	343,410	304,023
Additional Tier 1 Capital.....	75,658	75,531	75,725
Tier 1 Capital.....	461,006	418,941	379,748
Tier 2 Capital.....	30,871	25,520	20,750
<b>Total Capital</b> .....	<b>491,877</b>	<b>444,461</b>	<b>400,498</b>
<b>Common Equity Tier 1 Capital Adequacy Ratio</b> .....	<b>14.25%</b>	<b>14.99%</b>	<b>16.21%</b>
<b>Tier 1 Capital Adequacy Ratio</b> .....	<b>17.05%</b>	<b>18.29%</b>	<b>20.24%</b>
<b>Total Capital Adequacy Ratio</b> .....	<b>18.19%</b>	<b>19.41%</b>	<b>21.35%</b>

The Group is also subject to a CBK Basel III leverage ratio requirement of 3.0 per cent. The Group's leverage ratio was 10.01 per cent. as at each of 31 December 2018 and 31 December 2017 and 10.33 per cent. as at 31 December 2016.

### Capital Expenditure and other Commitments

The Group does not have any material ongoing capital expenditure or, save as disclosed under “*Financial Review – Contingent Liabilities*”, other commitments.

### Contingent Liabilities

The Group has contingent liabilities in respect of funding commitments it has made as well as in relation to acceptances, letters of credit and guarantees issued by it. The table below shows these contingent liabilities as at the dates indicated.

	As at 31 December		
	2018	2017	2016
	(KD '000)		
Guarantees.....	264,940	239,409	200,246
Acceptances and letters of credit.....	91,632	84,330	58,604
Other commitments .....	9,278	1,278	27,969
<b>Total</b> .....	<b>365,850</b>	<b>325,017</b>	<b>286,819</b>

In addition to these contingent liabilities, the Group also has certain operating lease commitments relating to future minimum lease payments. As at 31 December 2018, the Group's total operating lease expenditure contracted for as at the reporting date was KD 5.8 million, compared to KD 5.6 million as at 31 December 2017 and KD 6.2 million as at 31 December 2016.

## **Related Party Transactions**

The Group's principal related party transactions are with the Bank's major shareholders, the members of the Board, entities controlled by such shareholders or members of the Board or under their joint control, key management personnel and their close family members as well as with the NBK Group and its board members, key management personnel, branches, associates and subsidiaries. IFRS requires the disclosure of shareholder related parties only in cases where those related parties exercise significant influence. Certain related parties are customers of the Group in the ordinary course of business. Transactions with related parties are made on substantially the same terms, including collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve an amount of risk that is higher than the amount of risk taken in comparable transactions with unrelated parties. Financings to directors and their related parties are secured by tangible collateral in accordance with CBK regulations.

The Group adheres to CBK guidelines on extending financing to related parties. Credit facilities to members of the Board can only be approved under conditions specified by the CBK which include the following:

- all facilities to members of the Board must be approved, renewed or modified only at the Board level and this authority cannot be delegated to a committee or other body;
- the approval, renewal or modification of Board members' facilities can only be considered approved when at least three-quarters of the Board members have approved the same; and
- the Bank must acquire adequate collateral.

Credit extensions to related parties are also subject to adherence to the overall CBK limits which include that the total related party exposures should not exceed 50 per cent. of a bank's capital.

Further information on the Group's related party transactions is set out in Note 10 (*Related party transactions*) to the Interim Financial Statements and Note 27 (*Related party transactions*) to the 2018 Financial Statements.

## **Recent Developments**

### **Income data for the nine months ended 30 September 2019**

For the nine months ended 30 September 2019, the Group's murabaha and other Islamic financing income was KD 152.8 million, compared to KD 134.4 million for the nine months ended 30 September 2018, representing an increase of KD 18.4 million or 13.7 per cent. This increase was primarily attributable to growth in business volume and an increase in asset yield.

For the nine months ended 30 September 2019, the Group's finance cost and distribution to depositors was KD 64.8 million, compared to KD 43.8 million for the nine months ended 30 September 2018, representing an increase of KD 21.0 million or 50.0 per cent. This increase was primarily attributable to growth in depositors' accounts to support growth in Islamic financing to customers and an increase in the cost of funds due to a lag effect of four repo rate increases in 2018.

For the nine months ended 30 September 2019, the Group's operating income was KD 109.4 million, which was relatively unchanged compared to KD 104.9 million for the nine months ended 30 September 2018.



For the nine months ended 30 September 2019, the Group's operating expenses were KD 44.2 million, which were relatively unchanged compared to KD 41.5 million for the nine months ended 30 September 2018.

For the nine months ended 30 September 2019, the Group's provision for impairment was KD 17.9 million, compared to KD 21.2 million for the nine months ended 30 September 2018.

This decrease was primarily attributable to higher impairment loss taken on associates for the nine months ended 30 September 2018.

For the nine months ended 30 September 2019, the Group's taxation charges were KD 2.1 million, compared to KD 1.8 million for the nine months ended 30 September 2018, representing an increase of KD 0.3 million or 16.7 per cent.

Reflecting the above factors, the Group's net profit for the nine months ended 30 September 2019 was KD 45.3 million, compared to KD 40.4 million for the nine months ended 30 September 2018, representing an increase of KD 4.9 million or 12.1 per cent.

For the nine months ended 30 September 2019, the Group's other comprehensive income for the period was KD 3.8 million, compared to other comprehensive loss of KD 0.8 million for the nine months ended 30 September 2018. This change was primarily attributable to unrealised gains on Sukuk and other investment securities classified as FVOCI for the nine months ended 30 September 2019 compared to unrealised losses for the nine months ended 30 September 2018.

Reflecting the Group's net profit for the period and the Group's other comprehensive income for the period, the Group's total comprehensive income for the nine months ended 30 September 2019 was KD 49.0 million, compared to KD 39.5 million for the nine months ended 30 September 2018, representing an increase of KD 9.5 million or 23.9 per cent.

#### **Cash flows data for the nine months ended 30 September 2019**

The table below summarises the Group's statement of cash flows for the periods indicated.

	<b>Nine months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
	<i>(KD '000)</i>	
Net cash generated from operating activities .....	253,765	154,325
Net cash used in investing activities .....	(58,372)	(102,601)
Net cash generated from/(used in) financing activities .....	110,062	(18,204)
<b>Net increase in cash and cash equivalents</b> .....	<b>305,455</b>	<b>33,520</b>
Cash and cash equivalents at the beginning of the period .....	164,767	131,378
<b>Cash and cash equivalents at the end of the period</b> .....	<b>470,222</b>	<b>164,898</b>

The Group's net cash generated from operating activities for the nine months ended 30 September 2019 was KD 253.8 million, compared to KD 154.3 million for the nine months ended 30 September 2018, representing an increase of KD 99.5 million or 64.5 per cent. This increase was primarily attributable to an increase in depositors' accounts and due to banks.

The Group's net cash used in investing activities for the nine months ended 30 September 2019 was KD 58.4 million, compared to KD 102.6 million for the nine months ended 30 September 2018, representing a decrease of KD 44.2 million or 43.1 per cent. This decrease was primarily attributable to fewer Sukuk being purchased in 2019, compared to 2018.

The Group's net cash generated from financing activities for the nine months ended 30 September 2019 was KD 110.1 million, compared to net cash used in financing activities of KD 18.2 million for the nine months ended 30 September 2018. This change was primarily attributable to an increase in capital due to the 2019 Rights Issue.

### Financial position data as at 30 September 2019

As at 30 September 2019, the Group's total assets were KD 5.0 billion, compared to KD 4.3 billion as at 31 December 2018, representing an increase of KD 0.7 billion or 16.3 per cent. This increase was primarily attributable to growth in Islamic financing to customers and Sukuk.

As at 30 September 2019, the Group's total Islamic financing to customers was KD 3.6 billion, compared to KD 3.3 billion as at 31 December 2018, representing an increase of KD 0.3 billion or 9.1 per cent. This increase was primarily attributable to growth in the corporate and consumer portfolio.

The table below shows the Group's Islamic financing to customers, provisions and financing to deposit ratios as at the dates indicated.

	As at 30 September 2019	As at 31 December 2018
	(KD '000, unless ratio)	
Total Islamic financing to customers <sup>(1)</sup> .....	3,705,679	3,330,772
Less: provision for impairment .....	(68,467)	(68,487)
<b>Islamic financing to customers</b> .....	<b>3,637,212</b>	<b>3,262,285</b>
Islamic financing to customers to depositors' account and due to banks ratio <sup>(2)</sup> .....	84.2	85.4
Islamic financing to customers to depositors' account ratio <sup>(2)</sup> .....	88.7	87.7

#### Notes:

(1) Comprises total Islamic financing to customers without adjusting for provision for impairment.

(2) For a further description of these ratios (including calculation methodology), see "*Presentation of Certain Financial and Other Information – Presentation of Financial Information – Presentation of Alternative Performance Measures*".

As at 30 September 2019, the Group's total liabilities were KD 4.4 billion, compared to KD 3.9 billion as at 31 December 2018, representing an increase of KD 0.5 billion or 11.4 per cent. This increase was primarily attributable to an increase in depositors' accounts to support growth in Islamic financing to customers.

The Group's depositors' accounts constituted KD 4.1 billion, or 93.5 per cent. of total liabilities, as at 30 September 2019, compared to KD 3.7 billion, or 96.4 per cent. of total liabilities, as at 31 December 2018.

The table below shows the Group's funding in the form of due to banks, depositors accounts and other liabilities as at the dates indicated.

	<b>As at 30 September 2019</b>		<b>As at 31 December 2018</b>	
	<i>(KD '000)</i>	<i>(% of total)</i>	<i>(KD '000)</i>	<i>(% of total)</i>
Due to banks .....	215,600	4.9	97,216	2.5
Depositors' accounts.....	4,102,177	93.5	3,720,935	96.4
Other liabilities .....	70,135	1.6	40,667	1.1
<b>Total liabilities</b> .....	<b>4,387,912</b>	<b>100.0</b>	<b>3,858,818</b>	<b>100.0</b>

As at 30 September 2019, the Group's total equity was KD 645.0 million, compared to KD 486.0 million as at 31 December 2018, representing an increase of KD 159.0 billion or 32.7 per cent. This increase was primarily attributable to increase in share capital of KD 37.6 million and share premium of KD 94.0 million due to the 2019 Rights Issue.

#### **Capital adequacy as at 30 September 2019**

The table below shows the composition of the Group's regulatory capital and its capital ratios as at the dates indicated.

	<b>As at 30 September 2019</b>	<b>As at 31 December 2018</b>
	<i>(KD '000, unless %)</i>	
Risk weighted assets .....	3,093,500	2,704,257
<b>Capital required</b> .....	<b>417,623</b>	<b>365,075</b>
<b>Capital available</b>		
Common Equity Tier 1 Capital .....	520,025	385,348
Additional Tier 1 Capital.....	75,659	75,658
Tier 1 Capital.....	594,648	461,006
Tier 2 Capital.....	35,718	30,871
<b>Total Capital</b> .....	<b>631,402</b>	<b>491,877</b>
<b>Common Equity Tier 1 Capital Adequacy Ratio</b> .....	<b>16.81%</b>	<b>14.25%</b>
<b>Tier 1 Capital Adequacy Ratio</b> .....	<b>19.26%</b>	<b>17.05%</b>
<b>Total Capital Adequacy Ratio</b> .....	<b>20.41%</b>	<b>18.19%</b>

The Group's leverage ratio was 11.3 per cent. as at 30 September 2019, compared to 10.01 per cent. as at 31 December 2018.

## DESCRIPTION OF THE GROUP

### Overview

The Bank, which along with its subsidiaries is referred to as the “**Group**” and which is the ultimate holding company within the Group, was established by the Kuwait Investment Authority (“**KIA**”) in 2004 as an Islamic bank to operate in accordance with Islamic *Shari’a* law and to apply Islamic principles in relation to client and investor transactions in Kuwait and was the first Islamic bank in Kuwait to be established under Law No. 30/2003 (concerning Islamic Banks). As at 31 December 2018, the Group was the second largest Islamic banking group in Kuwait in terms of total assets, customer deposits and customer financings and advances and has substantial market shares in the consumer and corporate segments across various products and services including murabaha and ijara financing and credit card usage among other services.

The Group’s core businesses are consumer banking, corporate banking and investment management. The Group is primarily focused on offering its products and services in Kuwait and has a presence outside Kuwait through its ownership of shareholdings in entities in the United Kingdom and the Republic of Sudan.

The Group offers its clients a wide range of banking and financial services through one of the fastest growing branch networks in Kuwait, as at 30 September 2019, comprising 43 branches, 260 automated teller machines (“**ATMs**”), a network of point of sale (“**POS**”) terminals as well as telebanking, internet banking and mobile banking services.

As at 30 September 2019, the Group’s total assets were KD 5.0 billion, compared to KD 4.3 billion as at 31 December 2018 and its equity attributable to shareholders of the Group was KD 567.3 million as at 30 September 2019, compared to KD 408.3 million as at 31 December 2018. As at 30 September 2019, the Group’s Islamic financing to customers was KD 3.6 billion, compared to KD 3.3 billion as at 31 December 2018 and its aggregate depositors’ accounts and deposits from financial institutions were KD 4.3 billion, compared to KD 3.8 billion as at 31 December 2018. In the nine months ended 30 September 2019, the Group’s net profit was KD 45.3 million, compared to KD 40.4 million for the nine months ended 30 September 2018. The Group’s profit attributable to shareholders for the nine months ended 30 September 2019 was KD 45.2 million, compared to KD 40.3 million for the nine months ended 30 September 2018. In 2018, the Group’s net profit for the year was KD 56.2 million, compared to KD 47.7 million in 2017 and the Group’s profit attributable to shareholders of the Group for 2018 was KD 56.1 million, compared to KD 47.6 million for 2017.

As at 30 September 2019, the Group’s total and tier 1 capital adequacy ratios, calculated in accordance with the Basel III methodology adopted by the CBK, were 20.4 per cent. and 19.3 per cent., respectively, and its leverage ratio, calculated in accordance with CBK requirements, was 11.3 per cent.

The Bank has been listed on the Boursa Kuwait, formerly the Kuwait Stock Exchange, since 15 May 2006. Its total market capitalisation as at 30 September 2019 was KD 1.6 billion.

The Bank’s registered office is at Al-Hamad Towers, P.O. Box 25507, Safat 13116, Kuwait and its telephone number is +965 2232 5000. Its commercial registration number with the Kuwaiti Ministry of Commerce is 104042.

### History

The Bank was incorporated in Kuwait with a share capital of KD 100.0 million by an Amiri decree on 21 September 2004 (Amiri Decree No. 88 of 2004 permitting the foundation of Boubayan Bank) by the KIA and the Public Institution for Social Security (“**PIFSS**”), which owned 20 per cent. and 4 per cent. of the Bank,

respectively. The Bank is regulated by the CBK, which issued its licence on 28 November 2004. The KIA subsequently sold its stake in the Bank via an auction in the year 2009.

Having first acquired a minority shareholding in the Bank in 2009 as a bidder for the KIA shares, the National Bank of Kuwait group (the “**NBK Group**”) held 47.3 per cent. of the Bank’s shares at the end of 2010. In 2012, the NBK Group increased its shareholding in the Bank to a majority stake of 58.3 per cent. As a result, the Bank has been consolidated as a subsidiary of the NBK Group for accounting purposes since 31 July 2012. As at the date of this Base Prospectus, the NBK Group holds 59.9 per cent. of the Bank’s shares. The NBK Group acquired its shareholding in the Bank in order to enter into the Islamic banking sector. Consequently, the NBK Group was able to enhance the Bank’s position in the local market and develop its various Islamic banking services, as well as implement major strategic initiatives, providing the NBK Group with a gateway into the Islamic banking market. To ensure the continued stability of the Bank, in 2009 the Bank appointed a leading international consulting firm to implement a new strategy. The strategy was completed through successful, focused initiatives, including the development of a strong retail banking offering and the improvement of sales effectiveness (see “*Strategy*” below). The Group is an Islamic banking group, with estimated market shares of total banking sector assets and depositors’ accounts in Kuwait of 5.7 per cent. and 8.3 per cent., respectively, as at 31 December 2018.

Having first acquired approximately 20 per cent. of the Bank in 2006, the Investment Dar (“**TID**”) sold its stake in the Bank to the Commercial Bank of Kuwait (“**CBOK**”) (see “*Capital Structure and Shareholders*” below).

In 2010, the Bank completed a rights issue of 583,000 ordinary shares, in which it raised KD 145.0 million (“**2010 Rights Issue**”), and which was approved by an extraordinary general meeting of the Bank held on 1 October 2009. Shareholders were offered one share for every two shares held at an offer price of KD 0.250 per share comprising a nominal value of KD 0.100 per share and a premium of KD 0.150 per share. The 2010 Rights Issue was fully subscribed resulting in an increase in share capital of KD 58.0 million and a share premium of KD 87.0 million. The purpose of the 2010 Rights Issue was to increase the equity base of the Bank in order to support the continued growth of the Bank’s assets.

Further in 2019, the Bank completed another rights issue of 376,184,277 ordinary shares, in which it raised KD 131.6 million (“**2019 Rights Issue**”), and which was approved by an extraordinary general meeting of the Bank held on 17 March 2019. Shareholders were offered 15 per cent. shares of the total issued share capital at an offer price of KD 0.350 per share, comprising a nominal value of KD 0.100 per share and a premium of KD 0.250 per share. The 2019 Rights Issue was fully subscribed resulting in an increase in share capital of KD 37.6 million and a share premium of KD 94.0 million. The 2019 Rights Issue concluded on 5 May 2019 and the market price of the Bank’s shares at the time of the 2019 Rights Issue was KD 0.630 per share. The purpose of the 2019 Rights Issue was to increase the equity base of the Bank in order to support the continued growth of the Bank’s assets.

The Bank’s shares were first listed on Boursa Kuwait, formerly the Kuwait Stock Exchange, on 15 May 2006 and, as at 30 September 2019, two shareholders had holdings in excess of 5 per cent. of the Bank’s share capital (see “*Capital Structure and Shareholders*” below).

## **Strategy**

Following the increase in the NBK Group’s stake in the Bank in 2012, the Group underwent three phases of strategic planning to positively transform its business operations. The Group was successful in delivering the first phase of the strategy during the period from 2009 to 2014 (“**Phase 1**”), which developed the strategic direction and initiatives for the Group to build foundations for sustainable growth that would allow it to capture “quick-win” opportunities and address potential high risk areas. From 2014 to 2017, the Group implemented the second phase of the strategy (“**Phase 2**”) in which it introduced retail and corporate offerings, expanded its

branch footprint and enlarged its business and target focus segments whilst also developing and complementing product and channel innovation.

The Group's third and current phase of the strategy ("**Phase 3**") began in 2017 with an outlook to 2020 and builds on the Group's robust domestic foundations while strengthening its international presence. The objective of Phase 3 is to sustain growth by moving into "steady-state" growth building on the business platform established in Phase 1 and Phase 2 by (i) providing superior service in respect of both speed and quality, (ii) exploring new growth opportunities (mainly in the wealth management and digital businesses), and (iii) re-visiting international expansion plans and strengthening global presence.

The Group will continue to focus on increasing its market share by, for instance, the retail business intending to increase the Group's youth and affluent banking customers and the corporate business intending to focus on medium and large corporates.

### **Building a leading Islamic finance franchise**

The Group's long-term aspiration is to become one of the top Islamic banks in the world and to be a modern Islamic bank that offers innovative digital products and services to its customers as an alternative to conventional banking. As part of that aspiration, the Group has differentiated itself successfully from its competitors and will continue to do so by offering excellent customer service with a clear focus on youth, affluent and high net worth clients and medium and large corporate customers. During the period from 2020 to 2023, the Group expects to maintain its position in key targeted businesses by creating organic growth through enhanced value propositions, introducing innovative channels and developing new digital banking platforms. The Group will continue to focus its efforts primarily on its domestic business. The Group aims to solidify its existing international presence, although further international expansion is currently under review due to current global macroeconomic conditions.

The Group's short-term strategy is to: (i) continue innovating its product service offering to enhance customer experience; (ii) maximise operational efficiency; and (iii) become an emerging Islamic banking leader in Kuwait.

Based on the financial statements published by Kuwaiti banks:

- as at 31 December 2018, Islamic banks accounted for 40.8 per cent. of total Kuwaiti bank assets and 37.3 per cent. of total Kuwaiti bank deposits in Kuwait; and
- for the five years ended 31 December 2018, asset growth among Kuwaiti Islamic banks has averaged 27.8 per cent. compared to a decline in assets for Kuwaiti conventional banks of an average of 11.1 per cent.

The Group aims to expand its core domestic business by growing its market share across various segments and products within that business. The growth across products and segments is intended to occur simultaneously with a disciplined approach in managing both risk and costs. Within its core domestic product groups of corporate, consumer and investment management, the Group intends to implement the strategy as follows:

### **Consumer banking**

Within the consumer banking sector in Kuwait, the Group's objectives include:

- maintaining the Group's position as a leader in customer service and enhancing the customer experience;
- continuing to grow its market share as the bank of choice for affluent and private banking customers through improved digital initiatives;

- growing market shares across various products and customer age groups with targeted product offerings to focus segments;
- continuing to expand the Group's branch footprint to facilitate the acquisition of target customers; and
- innovating in respect of the Group's products and sales and delivery channels.

In relation to its consumer banking operations, the Group aims to further expand its market share through focusing on affluent and private banking customers and continues to work on positioning itself as the bank of choice for affluent customers and Kuwaiti nationals in particular. The Group will achieve this by enhancing the customer experience, focusing on innovation in product and services offerings and promoting its products through the use of campaigns. The Group is complementing its product and services offering through the introduction of market leading reward and loyalty programmes, developing segment specific products (such as private banking affluent accounts described below), differentiating affluent value proposition across products, services and customer experience, and introducing liability products with attractive features (such as drawdown flexibility). The Group aims to grow personal finance volumes and deposit volumes by acquiring salary transfers and increasing its volume of business with affluent and private banking customers. The Group is also building a comprehensive consumer banking platform in terms of distribution channels to achieve its consumer banking ambitions. Between the end of 2015 and 30 September 2019 the Group grew its branch network from 32 to 43 branches and added 123 new ATMs. Along with expanding its footprint and distribution network the Group's customer satisfaction ratings continue to be higher than the average for both Islamic and conventional Kuwaiti banks, all of which have contributed to its recent growth in profitability and its increased market share.

### **Corporate banking**

Within the corporate banking sector in Kuwait, the Group's objectives include:

- defending, and strategically expanding, its position and market share in large and mid-size corporate clients;
- offering innovative products and services to its clients; and
- delivering faster solutions and superior service through the improvement of its credit processes and systems.

In relation to its corporate operations, the Group aims to become the bank of choice for medium to large corporate clients while continuing to increase its market share in the large companies segment. The Group increased its corporate client base by 9 per cent. over the past three years reaching a total of over 489 clients in diversified sectors with a sectorial focus on trade services, real estate, contracting and structured finance. For example, the Group increased the number of customers which are in the trade service sector by 17 per cent. in the period from 2015 to 2018.

In relation to large corporates, the Group's focus is to encourage proactive client acquisition, increase its volume of business from existing clients by focusing on ancillary business, offering tailored products and terms to its customers and improving the delivery of services to its clients by providing them with accessible and competent corporate finance bankers.

In relation to medium companies, the Group intends to increase the generation of leads to increase its client database through a targeted pipeline of potential customers, simplify credit processes in order to enhance the speed of delivery of services and products to its customers and customise its coverage model, involving the use of relationship managers to provide quick and innovative financial solutions, while continuing to manage credit risk in a focused manner. The Group aims to improve its offering in the corporate segment through innovation in products and services, which would enable it to provide its clients with a wider variety of financing solutions.

In particular, it has introduced new products such as a *Shari'a*-compliant overdraft structure and *istisna*, and additional products are being developed. Furthermore, the Group continues to work on strengthening and improving its processes. For example, the Group has considered introducing automated credit approvals to reduce approval times and introduced new staff training and development programmes, new leadership programmes and a comprehensive performance management framework.

### **Solidifying existing international presence**

The Group's strategy of strengthening its existing international presence includes boosting the performance of Bank of London and the Middle East ("**BLME**"). The Group aims to assist BLME in becoming the UK's leading provider of *Shari'a* compliant wealth management solutions for GCC nationals who have interests in the UK.

### ***Monitoring selected growth opportunities***

The Group's long-term geographic diversification strategy involves expanding its regional presence in the GCC, and strengthening its Islamic banking franchise in the MENA region and elsewhere. The Group's international expansion strategy is currently under review due to the current global macroeconomic conditions. In the short- to medium-term, the Group's strategy is to focus on increasing and improving its position in its domestic market while strengthening its international presence.

### ***Private Banking and Wealth Management***

Within the private banking and wealth management sectors in Kuwait, the Group's objectives include:

- scaling up the Group's private banking and wealth management operating model;
- expanding the products offered to customers in conjunction with Boubyan Capital;
- continuing to develop acquisition, marketing and relationship capabilities;
- growing the Group's market share in these sectors; and
- creating distinctive Islamic wealth management opportunities for customers.

### **Strengths**

The Group benefits from a number of business strengths. In particular:

#### **Leading Islamic banking group in Kuwait with a growing market position and strong growth record**

Since 2015, the Group has increased its domestic market share of Islamic banking business in Kuwait across several segments. As at 30 September 2019, the Group had total assets of KD 5.0 billion, total Islamic financing to customers of KD 3.6 billion and total depositors' accounts of KD 4.1 billion, compared to total assets of KD 4.3 billion, total Islamic financing to customers of KD 3.3 billion and total depositors' accounts of KD 3.7 billion as at 31 December 2018, making it the second largest Islamic banking group in Kuwait on all three metrics. Over the period from 2013 to 2018, the Group increased its financing portfolio at three times the rate of the market and increased its deposits at four times the rate of the market. It also has one of the fastest growing and one of the most diversified distribution networks within Kuwait. The Group's distribution network is described under "*Reporting segments — Consumer banking — Distribution channels*". The Group increased its market share in personal finance from 7.0 per cent. in 2013 to 11.2 per cent. in 2018 and increased its market share in credit card spends from 6.0 per cent. in 2013 to 19.0 per cent. in 2018. Furthermore, the Group maintains a 8.6 per cent. and 8.1 per cent. market share in financings and deposits, respectively, as at 31 December 2018.



### **Sound and consistent financial performance**

The Group has a history of profitability and remained profitable, growing its total assets at 2.7 times the rate of the market between 2013 to 2018. Between 2013 to 2018, the Group's operating profit (being its operating profit before provisions for credit losses and impairment losses) grew at a compound annual growth rate ("CAGR") of 17.8 per cent., its total assets grew at a CAGR of 14.7 per cent. and equity attributable to shareholders of the Group grew at a CAGR of 9.1 per cent. In addition, the Group benefits from low cost funding due to its strong liquidity position, institutional relationships and branch network and believes that its asset quality is strong, as evidenced by its relatively low levels of non-performing financings, amounting to 0.9 per cent. as at 31 December 2018 compared to an average of 1.5 per cent. for Kuwaiti banks over the same period.

As at 30 September 2019, the Group's liquid assets ratio was 25 per cent. (compared to 22 per cent., 23 per cent. and 24 per cent. as at 31 December 2018, 31 December 2017 and 31 December 2016, respectively). Since the NBK Group's acquisition of a minority shareholding in 2009 and their subsequent further acquisition of a majority shareholding in 2012, the Group has maintained a conservative financial profile and had no outstanding borrowings for the nine months ended 30 September 2019 and the years ended 31 December 2018, 31 December 2017 and 31 December 2016, respectively), (see "*Selected Financial Information*"). This has enabled the Group to generate cash flow that it has utilised to maintain its strategy. The conservative approach has enabled the Group to maintain its domestic business and to take advantage of opportunities to grow its business; challenging global financial market and economic conditions have, however, previously led the Group to place further international expansion plans on hold. The Group will now focus on improving its position in its domestic market while strengthening its existing international presence.

The Group's net cash generated from operating activities was KD 253.8 million and KD 154.3 million for the nine months ended 30 September 2019 and 30 September 2018, respectively. The Group's net cash generated from operating activities was KD 174.3 million and KD 175.4 million for the years ended 31 December 2018 and 31 December 2017, respectively, compared with the Group's net cash used in operating activities for the year ended 31 December 2016 of KD 390.9 million. The Group had KD 470.2 million, KD 164.8 million, KD 131.4 million and KD 87.4 million in cash and cash equivalents as at 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016, respectively.

### **Increasingly diversified customer base**

Since 2009, the Group has had an increasingly diversified customer base. As at 30 September 2019, the Group's consumer banking customers represented 56 per cent. compared to 53 per cent. of its total depositors' accounts and 45 per cent. as at 31 December 2018 and 31 December 2017, respectively. As at 30 September 2019, the Group's corporate banking customers represented 9 per cent. of its total depositors' accounts compared to 6 per cent. and 7 per cent. of its total depositors' accounts as at 31 December 2018 and 31 December 2017, respectively. The Group's top 10 largest depositors constituted approximately 36 per cent. of the Group's total funding from deposits as at 30 September 2019. In addition, as discussed under "*Strategy — Building a leading Islamic finance franchise*", the Group is focusing on high net worth and affluent clients and large and medium to large corporate customers, thereby leveraging many of the Group's core strengths as well as focusing on high-quality growth. By focusing on high net worth and affluent clients and large and medium to large corporate customers, the Group's customer base has changed and diversified, resulting in a higher concentration of these clients and greater diversification within the Group's customer base. For the period from 2013 to 2018 the concentration of the Group's affluent customers (which included platinum customers (consisting of customers with salaries above KD 2,000 per month or a total balance of KD 30,000 or more) in any Group fixed deposit or investment fund) increased by 71 per cent.

### **A strong domestic network**

The Group has one of the fastest growing branch networks in Kuwait and has successfully adapted its branch network to cater for the specific needs of its various customer segments in an efficient and timely manner. Within the MENA region, the Group operates 43 branches in Kuwait, whilst, in support of its domestic network, the Bank has investments of between 21.67 and 27.91 per cent. in associated companies in the Republic of Sudan and the United Kingdom. (See also *“Reporting segments — Consumer banking — Distribution channels”* for a description of the Group’s distribution network.) The Group has also achieved one of the highest levels of retail customer satisfaction among Kuwaiti banks (see *“Reporting Segments — Consumer banking”*) and believes that its current, demand and savings accounts are diversified and stable in nature, and constitute a stable and secure source of low cost funding.

In Kuwait, the Bank’s subsidiaries are Boubyan Takaful Insurance Company K.S.C. (Closed) (**“Boubyan Takaful”**) and Boubyan Capital Investment Company K.S.C. (Closed) (**“Boubyan Capital”**) in which the Bank has a 79.49 per cent. and a 99.76 per cent. shareholding, respectively, as at 31 December 2018 (see *“Subsidiaries”*). Boubyan Takaful provides takaful insurance products for retail and institutional clients across various sub-sectors such as auto, healthcare and life insurance. Boubyan Capital is the investment management arm of the Bank and provides asset management and brokerage services to the Group’s clients in addition to managing the Group’s investments around the world.

### **Stable shareholder base and strong management team**

The Bank believes that it has a strong and stable Board of Directors and a long-serving executive team with a strong track record in Kuwait. Further details of the Bank’s management are set out under *“Management and employees — Management”*. The Bank also believes that it has a strong shareholder base, with the NBK Group owning approximately 59 per cent. of its shares, see *“Capital Structure and Shareholders”*.

### **High investment grade credit ratings and among the top brand values regionally**

The Bank has one of the highest credit ratings in the MENA region and internationally, with stable outlook long-term deposit ratings of “A3” from Moody’s, which was affirmed on 8 July 2019 and “A+” from Fitch, which was affirmed on 11 October 2019. In addition, the Boubyan brand is well recognised domestically. The Bank has been recognised by Global Finance and, in 2018, was named “Best Islamic Digital Bank — Global” for the fourth year in a row and was also recognised by The Banker in 2018 as “Islamic Bank of the Year” for Kuwait.

### **Capital Structure and Shareholders**

As at 30 September 2019, the Bank’s share capital comprised 2,388,471,603 authorised, issued and fully paid ordinary shares of 100 fils each, and 119,423,580 shares issued as bonus shares and 376,184,277 shares issued as rights shares, giving it a share capital of KD 288.4 million.

As at the date of this Base Prospectus, there is an ongoing dispute between the CBOK and TID over the ownership of a 9.7 per cent. holding in the Bank. However, management of the Bank does not believe that this dispute has any implications for the Bank’s business.

The Bank believes that it benefits from a strong shareholder base, with the NBK Group still controlling the majority of its share capital. As at 30 September 2019, the following shareholders had holdings in excess of 5 per cent. of the Bank’s share capital:

Shareholders	Percentage of shares <sup>(1)</sup>	Number of ordinary shares
		<i>(in million)</i>
National Bank of Kuwait S.A.K. and Group (NBK Banque Privée Suisse S.A. and NBK Kuwait Equity Fund)	59.9	1,727,021,800
The Commercial Bank of Kuwait S.A.K. ....	9.7	280,637,307

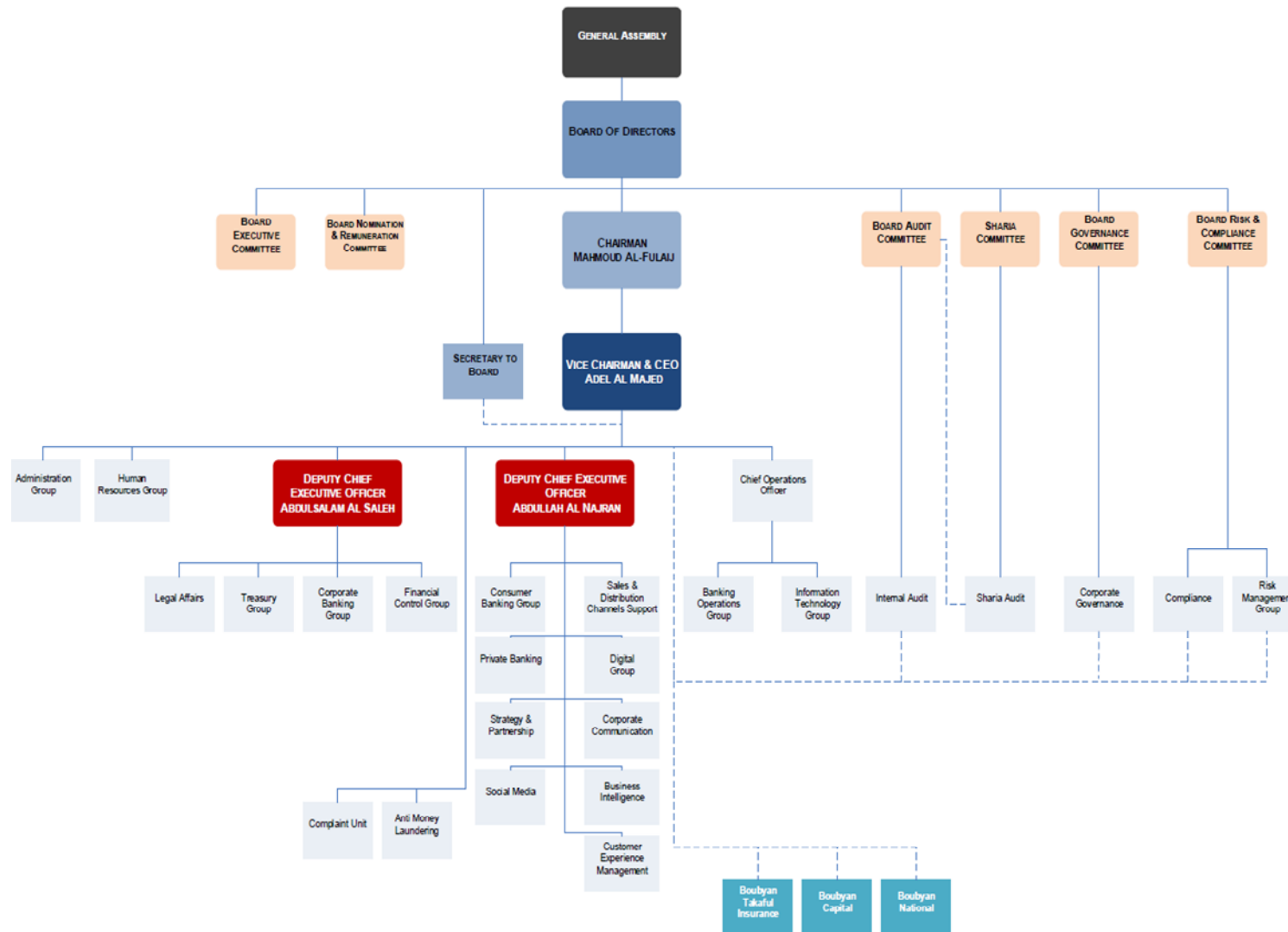
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Note:

(1) Calculated as number of shares held divided by the paid-up share capital.

### Organisational Structure of the Group

The chart below illustrates the current organisational structure of the Group which was approved by the Board in February 2019:



## Reporting Segments

The Group currently operates through five segments for financial reporting purposes:

- consumer banking, which provides a diversified range of products and services to individuals and institutional customers, including consumer finance, credit cards, deposits and other branch-related services;
- corporate banking, which provides a comprehensive product and service offering to business and corporate customers, including murabaha, ijarah, trade service and other related services;
- investment (referred to as “Investment banking” in the 2018 Financial Statements), which oversees direct investments, investments in associates, local and international real estate investment and asset management services;
- treasury, which provides local and international murabaha and other Islamic financing services to its clients, primarily banks, and is also responsible for the management of the Group’s funding operations; and
- group centre, which provides other defined group activities and residual activities in respect of transfer pricing and inter-segment allocations.

The table below is derived from Note 29 to the 2018 Financial Statements and shows certain financial information in relation to each reporting segment for each of 2018 and 2017.

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
			(KD '000)			
<b>2018</b>						
Net financing income/(loss).....	64,924	36,858	(2,896)	11,350	10,070	120,306
Share of results of associates .....	—	—	1,917	—	—	1,917
Operating income .....	71,525	44,503	4,248	14,361	5,084	139,721
Depreciation .....	(2,550)	(87)	(64)	(28)	(1,559)	(4,288)
Net Profit/(loss) for the year .....	38,078	31,827	(8,044)	13,803	(19,454)	56,210
<b>Total assets</b> .....	<u>1,489,285</u>	<u>2,216,460</u>	<u>152,848</u>	<u>460,078</u>	<u>26,107</u>	<u>4,344,778</u>
<b>Total liabilities</b> .....	<u>1,991,298</u>	<u>219,032</u>	<u>16,040</u>	<u>1,616,832</u>	<u>15,616</u>	<u>3,858,818</u>
<b>2017</b>						
Net financing income/(loss).....	58,035	32,359	1,007	12,088	3,875	107,364
Share of results of associates .....	—	—	559	—	—	559
Operating income/(loss) .....	62,538	41,967	8,161	14,565	(1,664)	125,567
Depreciation .....	(2,349)	15	(39)	(23)	(1,543)	(3,939)
Profit/(loss) for the year.....	34,540	36,706	(6,906)	14,110	(30,778)	47,672
<b>Total assets</b> .....	<u>1,323,618</u>	<u>1,848,673</u>	<u>195,633</u>	<u>618,771</u>	<u>(16,299)</u>	<u>3,970,396</u>
<b>Total liabilities</b> .....	<u>1,540,167</u>	<u>250,435</u>	<u>54,598</u>	<u>1,674,822</u>	<u>(1,983)</u>	<u>3,518,039</u>

## Consumer banking reporting segment

The Group's consumer banking reporting segment constitutes: (i) consumer banking; and (ii) private banking.

### ***Consumer banking***

The Group offers a wide range of consumer banking products and related services in Kuwait through its integrated distribution network, comprising branches, ATMs and other remote banking platforms. The Group has dedicated offices as well as relationship managers for platinum customers. In addition, the Group has a direct sales force which markets its consumer products and services to its customers. The Group's consumer banking products include a range of consumer financings (including auto finance, health finance, education finance, boat and marine equipment finance and construction finance), deposits, debit and credit cards and investment management services.

The Group intends to increase its customer base (by developing segment-specific products and introducing liability products with attractive features such as drawdown flexibility) including the younger generation and mass affluent, as well as professional business owners. The Group has also introduced various unique services that enable customers to withdraw cash from the Group's ATMs using their civil ID without the need to use an ATM card, and has launched "near field communication" enabled credit cards and a new iWatch App for Apple Watch, which makes it easier for customers to review and manage their bank accounts. As at 31 December 2018, more than 95.8 per cent. of the Group's customers in Kuwait were Kuwaiti nationals.

In addition, the Group intends to focus on customer service in its consumer banking business as a key differentiator and intends to improve its service levels through improving the quality of its sales force and launching a relationship manager activity dashboard. (See "*Strategy — Building a leading Islamic finance franchise*"). The Group semi-annually measures and monitors its overall customer satisfaction as well as customer satisfaction with specific products and services offered. The Group achieved one of the highest levels of customer satisfaction among Kuwaiti banks, amounting to 97 per cent. as at 31 December 2018, compared to an industry average of 89 per cent. as at 31 December 2018. The Group aims to maintain a 90+ customer satisfaction index score. The Group has implemented proactive customer reward and loyalty programmes and has increased its operational efficiency through the enhancement of its technology platform and by repositioning its alternative delivery channels as attractive, user-friendly and reliable alternatives to branch banking (see "*Distribution Channels*" below).

### ***Private banking***

The Group has offered tailored products and services to its private banking clients since 2004. These services are customised to fit each client's risk tolerance and financial needs. The Group's private banking services include fixed-income and money market products and investment funds designed to preserve customers capital without restricting capital growth.

The Group aims to establish strong relationships with its personal banking clients based on professional expertise, integrity, confidentiality and trustworthiness. Within the private banking business, the Group intends to continue to grow at a consistent pace by focusing on key objectives including:

- new client acquisition — over the five years to 31 December 2018, the number of the Group's private banking clients has grown at a CAGR of 16.54 per cent., or 462 customers; and
- increasing its volume of business with existing clients — over the five years to 31 December 2018, the Group's assets under management have grown at a CAGR of 39.08 per cent.

### ***Distribution channels***

The Group's principal distribution channels in Kuwait, for consumer banking and private banking, comprise:

- *Branch network:* The Group has one of the fastest growing branch networks in Kuwait, with 43 branches across the country (which include women-only sections), and a large ATM and customer deposit-machine network, with 260 ATMs. The Group has adapted its branch network based on customer

segments and operates a 24/7 self-service automated facility at its major branches where customers can conduct a range of banking services, such as cash deposits and withdrawals, balance enquiries and statement printing, ordering of cheque books and internet and telebanking access. In addition, the Group operates a 24-hour service branch at Kuwait Airport.

- *Telebanking:* The Group introduced automated banking by telephone to its customers and opened its call centre in 2006. This call centre, which has been operated on a 24/7 basis since it was introduced, can be used by customers to conduct a variety of transactions, including reporting lost or stolen cards, performing account transfers and bill payments and making enquiries and complaints. The Group has recently extended this distribution channel to also serve as a telemarketing tool through which the Group sells products to customers directly or refers them to their channel of choice. In 2018, the Group's call centre handled approximately 1.7 million inbound and outbound calls.
- *Mobile banking:* Since 2010, the Group has introduced market-leading functionalities for mobile banking and ATMs and the Group's customers have been able to use mobile banking services that provide regular account updates and also SMS alerts to registered mobile phone users and through which they can conduct a large range of banking services, such as balance enquiries, bill payments, funds transfers, and statement and cheque book requests. Several new features, such as cardless withdrawals, instant deposits, and a unique fingerprint log-in feature have been introduced. The Group had approximately 209,072 registered mobile banking subscribers as at 31 December 2018 with approximately 1,673.8 million transactions executed in 2018.
- *Direct sales force:* The Group has one of the largest direct sales forces in Kuwait including sales staff at car dealerships and sales staff located at key government ministries and strategic corporate clients. It has recently expanded its direct sales forces to focus on attracting persons entering employment by offering competitive products and focusing on customer service.
- *Bespoke private banking services at select branches:* The Group offers comprehensive financial solutions and customised private banking services at the Group's private banking branch in Sharq and at any of its other branches in Kuwait. The Group seeks to maintain a high level of service quality through extensive and diverse training programmes and careful recruitment of its private banking employees. The Group aims to establish long-term relationships with its private banking clients.

### ***Products and services***

The Group offers its consumer banking and private banking customers a wide range of banking services, including:

- *Deposits:* The Group has a complete range of deposit products, including current, savings and time deposit accounts. In addition, it offers specific deposit products to encourage savings among retail customers. The Group also offers flexible deposits allowing customers to increase or to partially drawdown from an existing deposit. The Group's flexible deposit products are popular with the Group's affluent customers.
- *Financings and credit cards:* The Group's financing products include consumer and instalment financings with payment terms extending up to five years and 15 years, respectively. The Group also provides one of the widest premium ranges of Visa and MasterCard credit and debit cards in Kuwait. The Group's cards are aimed at different customer segments based on income and offer a range of benefits that vary based on the card type. Applications for financings and credit cards can be made through the Group's branch network, direct sales, telebanking or through the internet. Consistent with its credit risk management strategy, the Group prioritises attracting financing and credit card customers with good credit standing and salary transfers. Financing and credit card applicants are screened and

credit limits are assessed according to the Group's credit policy based on demographic and financial factors and the past credit behaviour of the customer in question, while ensuring strict adherence to relevant CBK regulations.

The Group uses local and international merchant relationships, promotions, a credit card reward programme and other incentives in order to increase card usage and expenditure levels and to increase customer loyalty and retention. The Group's credit card provides customers with access to airport lounges.

- *Other services:* The Group's principal deposit and financing products are complemented by a range of more general consumer banking services, including bill payments, remittances, foreign exchange, safe deposit boxes and share custody, electronic funds transfer and online trading. In addition, the Group's consumer banking customers have access to a suite of investment products which are managed by Boubyan Capital. See "*Investment banking reporting segment— Investments*" below.

### **Corporate banking reporting segment**

The Group offers its corporate clients a range of commercial banking products and services, including ijarah finance, murabaha financings, *Shari'a*-compliant overdraft structures, trade finance products (letters of credit and guarantees), supply chain finance (factoring), online corporate cash management services, and a range of current and deposit accounts. Additionally, the corporate banking reporting segment works with other business units within the Group, such as the Bank's treasury department and Boubyan Capital, to offer other services including foreign exchange, hedging products and corporate finance and advisory services.

The Group's corporate internet banking tool is known as "Corporate Online Banking". As at 31 December 2018, the Group had 574 active corporate online banking customers who generated approximately 31,000 transactions in 2018 for a total volume of approximately KD 114 million. The Group offers its clients products across services, and customer experience. The Group also receives cross-referrals from the NBK Group when opportunities arise.

The Group's corporate banking reporting segment comprises:

#### ***The domestic corporate banking group***

The domestic corporate banking group caters to major Kuwaiti companies and operates on a sector focus basis. Accordingly the domestic corporate banking group is organised around units of principally:

- large contracting, manufacturing, (including in the food and drink, ship building, steel and metal fabrication, cement and clothing sectors), and oil and energy companies;
- large trading and services companies, including telecommunications, education, transport and logistics, healthcare and retail services;
- corporate real estate, development and construction (including building materials) companies;
- individual real estate investors; and
- structured financing companies, financial institutions and correspondent banking.

#### ***The Trade Finance Department***

The Trade Finance Department uses its extensive knowledge of international trade to help corporate clients enhance their global competitiveness and reduce risk. The Trade Finance Department offers the Group's customers a wide range of services, including:



- letters of credit, including both inward and outward back-to-back, transferable, deferred payment, standby and revolving letters of credit;
- letters of guarantee, including bid bonds, performance, advance payment, retention, suppliers credit and contract guarantees;
- collections settled;
- financing under letters of credit; and
- Islamic trade financing for import payables.

### **Investment banking reporting segment**

The Group's proprietary and fiduciary investment activities comprise the main activities of Boubyan Capital. Boubyan Capital offers high quality, tailored investment products and services to its clients, and focuses on three primary lines of business:

- principal investments, where it manages more than U.S.\$230.6 million in private and public equity funds, seeking mid-market growth and proactive value-creation across a variety of industry sectors;
- asset management, where it has U.S.\$796 million in assets under management in regional and international funds across various asset classes, including money market, Islamic leasing, global fixed-income and real estate; and
- real estate, where it has U.S.\$75.3 million in managed assets.

During the period from 2014 to 2018, the Group launched various investment products, including: the Boubyan KD Money Market Fund which invests in deposits, short- and medium-term money markets instruments and sukuk; the Boubyan Kuwait Real Estate Fund which invests in income generating properties in Kuwait; and the Boubyan USD Liquidity Fund which invests in USD denominated instruments. In 2016, the Group also launched the Boubyan Multi Asset Holding Fund that invests in other Islamic investments funds. The launch of these funds led to a significant increase in the Group's portfolio of managed assets during the period from 2015 to 2018.

Additionally, Boubyan Capital is actively involved in the distribution of the Islamic leasing and financing funds marketed by the investment arm of the NBK Group.

As at 31 December 2018, 29 professionals work within Boubyan Capital.

### **Treasury reporting segment**

The Group's treasury reporting segment manages the Group's assets and liabilities and liquidity requirements under the supervision of the Assets and Liabilities Management Committee ("ALCO"), which meets at least monthly to monitor and review all aspects of the Group's liquidity profile, asset and liability structure and internal and statutory ratio requirements. Cash flow requirements as well as foreign exchange activities are also under the supervision of Group's treasury reporting segment together with asset and liability management, including liquidity management, in coordination with the Risk Management function.

In addition, the Group's treasury reporting segment:

- manages the money market books and money market funding positions for the Group's own account to fund its domestic and international foreign-currency assets;
- undertakes a wide range of foreign exchange business, across both spot and forward markets, largely on behalf of the Group's customer base; and

- maintains a portfolio of high quality assets (being rated in accordance with CBK requirements) to meet relevant CBK requirements and to manage surplus liquidity.

### Group centre reporting segment

The Group centre reporting segment comprises the operating expenses of all other activities of the Group and the residual transfer pricing income and expenses in the central funding unit, as well as other allocations between segments.

### Subsidiaries and Associates

The following tables set out details of each subsidiary and associated company of the Bank as at 31 December 2018 and 31 December 2017:

#### Subsidiaries

Name of subsidiary	Country of incorporation	2018	2017
		Equity interest	Equity interest
		(%)	
Boubyan Takaful Insurance Company K.S.C. (Closed) .....	Kuwait	79.49	79.49
Boubyan Capital Investment Company K.S.C. (Closed).....	Kuwait	99.76	99.76

#### Associate companies

		2018	2017
	Country of incorporation	Equity interest	Equity interest
		(%)	
Name of Associate Company			
Bank Syariah Muamalat Indonesia Tbk.....	Indonesia	—	22.00
Bank of London and the Middle East .....	United Kingdom	26.44	26.40
United Capital Bank .....	Republic of Sudan	21.67	21.67
Saudi Projects Holding Group .....	Kuwait	25.02	25.02
Ijarah Indonesia Finance Company .....	Indonesia	—	33.33

#### Subsidiaries

The purchase method of accounting, which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date, is used to account for the acquisition of subsidiaries by the Bank.

#### *Boubyan Takaful Insurance Company K.S.C. (Closed)*

Boubyan Takaful was established on 29 May 2006 in Kuwait to provide takaful insurance services. The Bank acquired a 56.41 per cent. shareholding in 2006, which increased to 67.63 per cent. in 2012. As at 31 December 2018, the Bank had a 79.49 per cent. shareholding in Boubyan Takaful and Boubyan Takaful had paid up capital

of KD 10.0 million. For the year ended 31 December 2018, Boubyan Takaful's total revenue was KD 0.6 million and it made a profit of KD 0.5 million, which represent 0.4 per cent. and 0.9 per cent. of the Group's revenue and profit, respectively. For the year ended 31 December 2017, Boubyan Takaful's total revenue was KD 0.6 million and it made a profit of KD 0.5 million.

#### *Boubyan Capital Investment Company K.S.C. (Closed)*

Boubyan Capital was established in 2007 in Kuwait to provide investment management services. As at 31 December 2018, the Bank had a 99.76 per cent. shareholding in Boubyan Capital and Boubyan Capital had paid up capital of KD 15.7 million. For the year ended 31 December 2018, Boubyan Capital's total revenue was KD 2.5 million and it made a loss of KD 1.5 million, which represent 1.8 per cent. and -2.7 per cent. of the Group's revenue and profit, respectively. For the year ended 31 December 2017, Boubyan Capital's total revenue was KD 3.5 million and it made a profit of KD 1.5 million.

#### ***Associate Companies***

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting in the Group's financial statements.

#### *Bank of London and the Middle East*

BLME was established in 2006 in the United Kingdom to provide Islamic commercial banking services. The Bank acquired a 100.0 per cent. shareholding in 2006, which decreased to 25.62 per cent. in 2013. As at 31 December 2018, the Bank had a 26.44 per cent. shareholding in BLME and BLME had paid up capital of KD 19.0 million. For the year ended 31 December 2018, BLME's total revenue was KD 11.4 million and it generated a net profit of KD 4.1 million. For the year ended 31 December 2017, BLME's total revenue was KD 8.1 million and it generated a net profit of KD 1.3 million.

#### *Saudi Projects Holding Group*

Saudi Projects Holding Group ("SPHG") was established in 2008 in Kuwait to provide real estate development and management services. The Bank acquired a 20.0 per cent. shareholding in 2011, which increased to 25.0 per cent. in 2013. As at 31 December 2018, the Bank had a 25.02 per cent. shareholding in SPHG and SPHG had paid up capital of KD 10.0 million. For the year ended 31 December 2018, SPHG's total operating loss was KD 1.0 million and it generated a loss of KD 1.6 million. For the year ended 31 December 2017, SPHG's total operating loss was KD 0.5 million and it generated a loss of KD 2.5 million.

### **Competition in Kuwait**

The Group is the second largest Islamic banking group in Kuwait in terms of total assets, customer deposits and customer financings and advances according to annual reports for 2018 published by Kuwaiti banks.

The Kuwaiti banking sector (excluding foreign banks that operate in Kuwait) comprises five banks operating according to the requirements of Islamic *Shari'a* (Kuwait Finance House (K.S.C.), Warba Bank (K.S.C.), the Bank, Kuwait International Bank (K.S.C.) and Ahli United Bank (K.S.C.)). In addition there are five Kuwaiti banks with a conventional banking licence that also operate in Kuwait.

The tables below show rankings for the 10 largest Kuwaiti banks by total assets, by customer deposits and by financing assets as at 31 December in each of 2018 and 2017.

	As at 31 December	
	2018	2017
	(KD '000)	
<b>Ranking by total assets<sup>(1)</sup></b>		
National Bank of Kuwait (K.S.C.) .....	23,083,162	22,064,205
Kuwait Finance House (K.S.C.).....	17,770,278	17,357,981
Burgan Bank (K.P.S.C) .....	7,312,080	7,415,212
Gulf Bank (K.S.C.) .....	6,016,347	5,683,404
Al-Ahli Bank of Kuwait (K.S.C.) .....	4,548,428	4,361,726
Commercial Bank of Kuwait (K.S.C.) .....	4,467,545	4,394,586
<b>The Group<sup>(2)</sup></b> .....	4,344,778	3,970,396
Ahli United Bank (K.S.C.) <sup>(3)</sup> .....	3,914,000	3,666,000
Kuwait International Bank (K.S.C).....	2,168,595	1,916,040
Warba Bank (K.S.C) .....	2,193,069	1,773,042

Notes:

- (1) Total assets are based on consolidated figures.
- (2) The Bank is a subsidiary of the NBK Group.
- (3) Figures provided in relation to Ahli United Bank (K.S.C.) have been rounded to the nearest 100,000 as set out in the Warba Bank Base Prospectus dated 18 July 2019.

Source: 31 December 2018 and 31 December 2017 annual financial statements for each bank (in the case of the National Bank of Kuwait, excluding the Group) with the exception of Ahli United Bank (K.S.C.). Figures in relation to Ahli United Bank (K.S.C.) have been sourced from the Warba Bank Base Prospectus dated 18 July 2019.

As at 31 December 2018, the Group's total assets represented 11.6 per cent. of the total assets of the Kuwaiti Islamic banking sector (excluding foreign banks).

	As at 31 December	
	2018	2017
	(KD '000)	
Ranking by customer deposits <sup>(1)</sup>		
National Bank of Kuwait (K.S.C.) .....	10,667,901	10,369,484
Kuwait Finance House (K.S.C.).....	11,780,310	11,596,733
Burgan Bank (K.P.S.C) .....	3,767,540	4,154,408
Gulf Bank (K.S.C.) <sup>(2)</sup> .....	3,734,755	3,489,977
<b>The Group</b> <sup>(3)</sup> .....	3,720,935	3,410,123
Ahli United Bank (K.S.C.) <sup>(4)</sup> .....	3,343,000	3,135,000
Al-Ahli Bank of Kuwait (K.S.C.) .....	3,114,504	2,939,349

	As at 31 December	
	2018	2017
	(KD '000)	
Commercial Bank of Kuwait (K.S.C.) .....	2,291,890	2,204,211
Warba Bank (K.S.C) .....	1,053,178	1,008,853
Kuwait International Bank (K.S.C).....	1,318,535	1,203,213

Notes:

- (1) Customer deposits are based on consolidated figures and referred to within the published financial statements of the above listed banks as “depositors’ accounts”, “customers deposits” and “deposits from customers”.
- (2) Gulf Bank (K.S.C.) also had deposits from financial institutions of KD 1,005,984,000 and KD 969,197,000 as at 31 December 2018 and 31 December 2017, respectively.
- (3) The Bank is a subsidiary of the NBK Group.
- (4) Figures provided in relation to Ahli United Bank (K.S.C.) have been rounded to the nearest 100,000 as set out in the Warba Bank Base Prospectus dated 18 July 2019.

Source: 31 December 2018 and 31 December 2017 annual financial statements for each bank (in the case of the National Bank of Kuwait, excluding the Group) with the exception of Ahli United Bank (K.S.C.). Figures in relation to Ahli United Bank (K.S.C.) have been sourced from the Warba Bank Base Prospectus dated 18 July 2019.

As at 31 December 2018, the Group’s customer deposits represented 14.9 per cent. of the total customer deposits of the Kuwaiti Islamic banking sector (excluding foreign banks).

	As at 31 December	
	2018	2017
	(KD '000)	
<b>Ranking by customer financings and advances<sup>(1)</sup></b> .....		
National Bank of Kuwait (K.S.C.) .....	12,241,117	12,425,831
Kuwait Finance House (K.S.C.).....	9,385,474	9,216,475
Burgan Bank (K.P.S.C) .....	4,262,740	4,407,568
Gulf Bank (K.S.C.) .....	3,950,053	3,808,766
<b>The Group<sup>(2)</sup></b> .....	3,262,285	2,876,778
Al-Ahli Bank of Kuwait (K.S.C.) .....	3,025,992	3,075,065
Ahli United Bank (K.S.C.) <sup>(3)</sup> .....	2,800,000	2,673,000
Commercial Bank of Kuwait (K.S.C.) .....	2,253,070	2,236,527
Warba Bank (K.S.C) .....	1,606,542	1,263,322
Kuwait International Bank (K.S.C).....	1,605,833	1,304,416

Notes:

- (1) Customer loans and advances are based on consolidated figures and referred to within the published financial statements of the above listed banks as “loans and advances”, “loans and advances to customers”, “financing receivables” and “Islamic financing to customers”.
- (2) The Bank is a subsidiary of the NBK Group.
- (3) Figures provided in relation to Ahli United Bank (K.S.C.) have been rounded to the nearest 100,000 as set out in the Warba Bank Base Prospectus dated 18 July 2019.

Source: 31 December 2018 and 31 December 2017 annual financial statements for each bank (in the case of the National Bank of Kuwait, excluding the Group) with the exception of Ahli United Bank (K.S.C.). Figures in relation to Ahli United Bank (K.S.C.) have been sourced from the Warba Bank Base Prospectus dated 18 July 2019.

As at 31 December 2018, the Group’s customer financings and advances represented approximately 17.3 per cent. of the total customer financings and advances of the Kuwaiti Islamic banking sector.

The Group’s current competitive strategy is to focus on growing its market share and building a leading franchise in its domestic market and to attract new customers through the products and services which it offers. See “*Strategy — Building a leading Islamic finance franchise*”.

The Islamic banking sector in Kuwait is attracting a growing customer base. Regulatory restrictions relating to interest rates and ratios for personal financings typically favour Islamic banks over conventional banks. In particular, whereas the interest rates that can be charged by conventional banks are capped, the Islamic banks in Kuwait are able to earn better margins than conventional banks on their financing portfolios, as the CBK permits Islamic banks to charge higher margins to compensate for the fixed nature of profit on financings. The Group’s strategy is to differentiate itself by focusing on high net worth, youth and affluent clients and large and medium to large corporate customers, thereby leveraging many of the Group’s core strengths. See “*Strategy — Monitoring selected growth opportunities*”.

## **Information Technology**

To ensure that the Group’s IT continues to meet changing business requirements, the Group’s IT strategy is structured to optimise people, process and technology (each as discussed further below), with the main focus on governance, organisation, quality, applications portfolios and technology infrastructure.

### **People**

The Group aims to recruit and retain talented and competent IT staff to manage its technology assets and deliver change. In addition, a focus on training and succession planning aims to establish clear career paths for IT staff. However, the Group may consider alternative forms of resourcing in the future, including managed services and selective outsourcing, to allow the IT function to contain costs and better source growing needs in end user support, network management, mainframe management, tooling, project operations support, service desk and the network operations centre.

### **Process**

The Bank believes that process and automation are becoming more aligned, which will reduce manual intervention and enhance workflow. As part of its service improvement programme, change request processes, system development lifecycle, IT service management, IT vendor management, project management and risk and audit management are all within the IT realm of continuous improvement. The system and service tools adopted will help to monitor versions, highlight end-of-life technologies and help stabilise systems to ensure production deficiencies and incidents are kept to a minimum. The Group has recently implemented projects to enhance stability and customer experience, including upgrading its branch network and data storage capacity and increasing the stability and availability of its online banking and ATM systems.

**Technology**

The Group focuses on stability and increased availability to ensure that its customers are able to access online channels and systems when needed, including online banking, mobile banking, ATMs and branch systems. As a result, the Group has focused on foundation technologies such as networks (microwave and multi-protocol label switching) upgrades and enhanced tiered storage. The Group's disaster recovery site has automated orchestration improving the cut-over between its data centres to one hour. The Group also aims to adopt enhanced metrics where both infrastructure and business applications can be fine-tuned with performance-monitoring tools. All Group businesses have measurable service level agreements which will be used to benchmark key performance indicators with a view to further continuous improvements.

**Data security**

The Group has an offsite IT operations centre and a disaster recovery site located at Shuwaikh exchange 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 periodic tape back-ups of all critical systems and data to an international location (which is in London) in compliance with CBK instructions. The Group's information security office carries out various security assessments using external agencies and has adopted the latest technologies to assist in mitigating cyber threats. Whilst the Group has experienced cyber threats, the controls and incident response procedures in place have minimised any adverse impact on the service provided by the Group.

## RISK MANAGEMENT

### Introduction

Risk, including credit risk, liquidity risk, market risk and operational risk, is inherent in the Group's activities. The complexity in the Group's business operations and diversity of geographical locations require the identification, measurement, aggregation and effective management of risks and efficient allocation of capital towards achieving an optimal balance between risk and return.

The Group seeks to manage its risks in a structured, systematic manner through a global risk policy, which embeds comprehensive risk management into the organisational structure, risk measurement and monitoring processes. The overall risk management direction and oversight are provided by the Board with the support of the Board Risk Management and Compliance Committee (the "**BRCC**") and the Board Audit Committee (the "**BAC**"). The Group's risk management function, compliance function and internal audit function assist executive management in controlling and actively managing the Group's overall risk profile.

The key features of the Group's comprehensive risk management policy are:

- the Board provides overall risk management direction and oversight;
- the Group's risk appetite is proposed by the Management Executive Committee (the "**MEC**") and approved by the Board;
- risk management is embedded in the Group as an intrinsic process and is a core competency of all its employees;
- the Group manages its credit, market, operational and liquidity risks in a coordinated manner within the organisation; and
- the Group's internal audit function reports to the BAC and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on a Group-wide basis.

### Group Risk Management and Compliance Functions

The Group's risk management function, which is headed by the Group's Chief Risk Officer ("**CRO**"), reports directly to the BRCC and assists the executive management in controlling and actively managing the Group's overall risk. The risk management function also ensures that:

- the Group's overall strategy is consistent with the risk appetite approved by the Board;
- the Group's risk policies, procedures and methodologies are consistent with the risk appetite approved by the Board;
- appropriate risk management architecture and systems are developed and implemented; and
- risks and portfolio limits are monitored throughout the Group.

The Group's compliance function is responsible for ensuring that the Group adheres to all applicable rules and regulations issued by regulators, including the CBK, the CMA and other applicable regulatory authorities.

The Board is responsible for setting the Group's risk appetite and strategy, approving the Group's risk management framework, policies and procedures and monitoring salient risks.

The Group's risk management function comprises the following departments:



- the corporate credit risk review department;
- the operational risk department;
- the fraud management and monitoring department;
- the technology risk department;
- the information security department;
- the business continuity planning department;
- the risk reporting and consumer finance department;
- the corporate credit and credit quality department;
- the asset liability management and market risk department; and
- the risk research, model governance and validation department.

For further information, see “*Management and Employees – Management – Board committees – Board Risk Management and Compliance Committee*”.

## **Risk Strategy**

The key elements of the Board-approved risk strategy are:

- assisting, and communicating on an ongoing basis with, the Group’s business units in respect of their risk appetites;
- maximising the risk-adjusted return of the Group while minimising volatility; and
- providing (i) a framework for the Group’s risk culture and (ii) the necessary infrastructure to allow the BRCC to perform its role.

## **Risk Appetite**

The Group’s risk appetite defines the maximum limit of risk that the Group is willing to accept in relevant business categories in order to achieve an optimal balance of risk and return which will enable the achievement of its strategic objectives. 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 BRCC to the Board for final approval. This ensures the risk appetite statements are consistent with the Group’s strategy and business environment. Through the risk appetite statements, the Board 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 Group’s risk management function aims to identify early warnings of risk limit and risk appetite breaches and is responsible for notifying such warnings and breaches to the BRCC and the Board.

## **Scope and Nature of Risk Reporting Tools**

The Group’s risk management framework enables it to identify, assess, limit and monitor risks using a range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while others

are tailored to the particular features of specific risk categories and enable the generation of information such as:

- credit risk in corporate and consumer financing and other asset exposures, such as collateral coverage ratio, limit utilisation and past due alerts;
- quantification of the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis); and
- quantification of exposure to losses due to extreme movements in market prices or rates.

The CBK requires all Kuwaiti banks to perform semi-annual stress tests under three scenarios: mild, medium and severe. These tests must be based on two sets of assumptions: one based on CBK-prescribed parameters, which are essentially shocks on Pillar 1 risks and the other based on the Bank's own assumptions, which are generally required to be more comprehensive (by including Pillar 2 risks) than those prescribed by the CBK (see further "*Financial Review – Capital Adequacy*" and "*Overview of Banking and Finance Regulations in Kuwait – Certain Banking Regulations – Capital adequacy regulations*").

These parameters cover stress scenarios for Islamic financing income, fee income, foreign exchange trading income, falls in collateral value and stock market declines resulting in additional impairment losses. The Group conducts these stress tests semi-annually, as stipulated by the CBK, and also undertakes scenario testing at periodic intervals to quantify potential inherent risks that the Group faces.

The Group regularly assesses the adequacy and effectiveness of its reporting tools and metrics in light of the changing risk environment.

## **Principal Risks**

The principal risks assumed by the Group in its daily operations are:

- credit risk, which is the risk that a customer or counterparty is unable to meet its contracted financial obligations to the Group resulting in a default and/or financial loss to the Group. These risks arise in the Group's normal course of business;
- market risk, which is the risk of potential loss in value of financial instruments as a result of adverse movements in market variables such as profit rates, foreign exchange rates and equity prices. These risks arise from the Group's financing and investment activities;
- liquidity risk, which is the risk arising from the inability of the Group to generate sufficient financial resources to meet its obligations and commitments as they fall due or having to access funds at an excessive cost to meet such obligations and commitments. These risks arise in the Group's normal course of general funding activities;
- operational risk, which is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. The Bank also considers *Shari'a* non-compliance risk to be a part of operational risk and has adopted the IFSB1 definition. Operational risk also includes compliance risk, which is separately managed;
- profit rate risk, which is the risk of changes in interest rates which may potentially impact the Group's net spread margins and profitability. This risk arises due to the normal nature of banking operations of asset liability mismatch and market changes in interest rates; and
- reputation and fiduciary risk, which is the risk of current or prospective impact on the Group's earnings and capital arising from negative public opinion since such negative public opinion may affect the

Group's ability to establish new relationships or services or to continue servicing existing relationships. Such negative opinion may arise from, amongst other things, the Group's failure to clearly communicate appropriate risk and performance projections to its customers or failure to treat funds placed under management with due care and professionalism.

## **Credit risk**

### ***Credit risk management strategy***

The Group's approach to credit risk is premised on preserving the independence and integrity of the credit risk assessment, management and reporting processes, combined with clear policies, limits and approval structures which guide the day-to-day initiation and management of the Group's credit risk exposure. This approach comprises credit limits which are established for all customers after a careful assessment of their creditworthiness.

Standing procedures, outlined in the Group's credit policies and manuals, require that all credit proposals be subjected to detailed screening pending submission to the appropriate credit committee. Whenever necessary, credit facilities are secured by acceptable forms of collateral to mitigate the related credit risks. The Board defines the Group's credit risk management strategy and approves credit risk policies to ensure alignment of the Group's exposure with its risk appetite.

Senior management implements the Board's credit risk strategy and develops policies and procedures for identifying, assessing, monitoring and controlling credit risk.

The Management Credit Committee (the "MCC"), chaired by the Group's Chief Executive Officer ("CEO") and comprising senior executives from the business divisions, meets regularly and reviews the Group's financing portfolios and advises the Board appropriately.

Further, the Group follows a well-defined authority matrix for the approval of credit transactions, where processing of credit transactions undergoes various review and approval levels, which may be submitted to the Board or the Board Executive Committee (the "BEC") for approval depending on the relevant limits and terms. In addition, the Board monitors the performance of the credit portfolio on a regular basis, where the Board receives various reports from different sources, including from the BEC on significant credit activities, from the BRCC on credit risk management and measures, from the management on credit portfolio performance, and from external parties on the credit health-check review.

In compliance with CBK regulations, financing to individual Board members and related parties is fully secured and monitored by the BEC. Such transactions are made on substantially the same terms, including profit rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. All such facilities are approved by the Board in line with the relative authorities granted by the shareholders' general assembly.

Country limits are determined based on the outlook of economic and political factors, along with the review of reports by rating agencies on the country (where available) and application of local business and market knowledge. Country limit exposures are subject to periodic approval by the Board or the BEC.

The BRCC meets regularly to review salient risks throughout the Group, and advises the Board appropriately (see further: "*Management and Employees – Management – Board Risk Management and Compliance Committee*").

### ***Corporate credit risk management***

Corporate credit facilities are granted based on detailed credit risk assessments which consider the purpose of the facility and source of payment, prevailing and potential macroeconomic factors, industry trends and the customer's positioning within its industry peer group.

Internal credit-rating models are regularly reviewed by the Group's risk management function in coordination with management and the BRCC and are periodically enhanced in line with industry credit risk management best practices.

All new proposals and/or material changes to existing credit facilities are reviewed and approved by either the BEC or the MCC while the credit facility administration process is undertaken by a segregated function to ensure proper execution of all credit approvals and maintenance of documentation, and proactive control over maturities, expiry of limits, collateral valuation and contractual covenants.

### ***Consumer credit risk management***

Oversight of consumer finance risk is undertaken by an independent unit directly within the risk management function. Within this framework, limits and approval authorities are exercised by consumer banking officers with defined approval authorities.

Consumer credit risk management functional areas are aligned with key concepts of risk management, namely governance, control, measurement and reporting, and consumer credit risk is managed with three lines of defence. As the first line of defence, consumer banking (i.e. underwriting) is responsible for adherence to CBK regulations and guidelines, the credit policies, controls and processes. As the second line of defence, the consumer credit risk management team, working independently of the business unit, assesses and ensures implementation of credit risk management discipline and policies. As the third line of defence, the internal audit function independently tests, verifies and evaluates controls for effective credit risk management and implementation of policies and procedures.

All significant financing policies and amendments to policies are reviewed annually by the MEC and approved by the Board.

### ***Credit review procedures and financing classification***

#### ***Corporate financing***

The Group's policy is to assess the credit risk in commercial banking through a risk-rating process which provides transparency and consistency to enable comparison between obligors. The Group has reviewed and updated its internal credit rating system to the new "CreditLens" by Moody's. This system uses two approaches: fundamental analysis and scorecard, which both support sophisticated analysis of financial and non-financial metrics.

The risk rating process derives obligor risk ratings ("ORRs"). The rating methodology focuses on factors such as operating performance, liquidity, facility service capabilities and capital structure. The ratio assessment combines a peer, trend and absolute assessment to calculate an overall assessment of a ratio or financial metric. Qualitative assessments of the operations, liquidity, capital structure, company standing, and industry risk and management quality are also included. The system yields a score between 0 and 100, which is mapped to a master rating scale having 9 obligor risk ratings: 8 grades for performing obligors and 1 for non-performing obligors. Each rated obligor is assigned a probability of default (irrespective of facility type or collateral) over the next 12 months.

The Group has also implemented risk-rating modules for commercial real estate projects, project finance and high net worth individuals that use a scorecard based approach.

The Group is currently implementing the facility risk rating (“**FRR**”) in CreditLens. While the ORR does not take into consideration factors such as the availability of collateral and support, the FRR is a measure of the quality of the facility provided. A FRR mainly reflects the ability to recover any losses that might be incurred following a default, by computing the loss given default. The main components for the FRR are the ORR, the facility structure, collateral and support.

Internal obligor risk ratings are only applied if an external rating does not exist. In the event an Obligor does not have enough financials to conduct the internal assessment, it would be flagged as unrated and assigned the default probability of the lowest investment grade.

The Group classifies its exposure in accordance with the North American Industry Classification System Code in addition to the classification based on purpose codes as defined by the CBK. This additional classification helps to improve the accuracy of ORRs through peer group analysis (in respect of performance and financial indicators) and allows the Group to classify its portfolio into sub-segments, which facilitates analysis and improves the management of concentrations.

#### *Consumer financing*

Credit risk analytical models are used to facilitate credit decisions and to monitor credit facilities advanced to consumer banking customers. The consumer financing risk assessment for applicants uses an internal credit risk policy that is based on customer-centric methodologies which incorporate CBK regulatory guidelines and the Group’s policies related to consumer financing facilities, such as debt-to-income ratio, minimum qualifying income and limits on advances by product type.

#### *Portfolio management*

The Group assesses and analyses the overall portfolio quality at regular intervals in risk management committees. In addition, a risk adjusted return on capital (“**RAROC**”) model is used to assist management in pricing credit facilities granted to corporate clients. The RAROC model is based on the premise that pricing should be aligned with the risk embedded in the proposal.

The table below shows a classification of the Group’s Islamic financing to customers, based on the Group’s credit rating system, as at the dates indicated.

	Neither past due nor impaired			
	High <sup>(1)</sup>	Standard <sup>(2)</sup>	Past due or impaired <sup>(3)</sup>	Total
	(KD '000)			
As at 31 December 2018.....	3,032,967	228,474	69,331	3,330,772
As at 31 December 2017.....	2,649,853	210,462	74,764	2,935,079
As at 31 December 2016.....	2,379,997	127,321	65,036	2,572,354

#### Notes:

- (1) Credit exposures classified as “High” quality are those where the ultimate risk of financial loss from the obligor’s failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and payment capacity which are considered to be good to excellent.
- (2) Credit exposures classified as “Standard” quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not impaired.
- (3) Credit exposures classified as “Past due or impaired” are facilities that are past-due up to a maximum period of 90 days. Upon 91 days past due the facilities are classified as impaired.

As at 31 December 2018, 33.3 per cent. of the past due or impaired category was 90 days or more past due (compared to 29.0 per cent. as at 31 December 2017 and 28.1 per cent. as at 31 December 2016) (see also “*Risk Management – Principal Risks – Credit risk – Past due and impairment provisions*”).

### ***Credit risk monitoring***

The Group’s exposures are continuously monitored through a system of triggers and early-warning signals aimed at detecting adverse symptoms which could result in deterioration of credit risk quality. The triggers and early-warning systems are supplemented by facility utilisation and collateral valuation monitoring together with a review of upcoming credit facility expiration and market intelligence to enable timely corrective action by management. The results of the monitoring process are reflected in the internal rating process.

Credit risk is monitored on an ongoing basis with formal monthly and quarterly reporting to ensure senior management awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.

Credit risk reporting also includes a “dashboard” for all facilities, classification and delinquency monitoring.

A specialised and focused team on recovery and collections handles the management and collection of problem financing facilities.

### ***Credit risk mitigation***

Portfolio diversification is the cornerstone of the Group’s credit risk mitigation strategy which is implemented through customer, industry and geographical limit structures. To ensure diversification at the portfolio level, interrelated companies with the same management or ownership structure are classified and treated as one entity. The risk appetite requires that the Group limits its financing concentration per entity to a specific percentage of the Group’s regulatory capital.

Credit risk mitigants, such as collateral and guarantees, are effective mitigating factors within the Group’s portfolio and collateral quality is continuously monitored and assessed. The main types of collateral accepted by the Group include cash collateral, equity shares, bank guarantees, real estate assets, sovereign debt instruments, bank debt instruments and collective investment scheme investments. Banks and creditworthy companies and individuals with high net worth are accepted as guarantor counterparties, subject to credit risk assessment. The custody and daily “mark to market” (revaluation) of financial collateral, inclusive of shares, are performed independently of the business units. Real estate collateral is valued on an annual basis. As at 31 December 2018, 60.1 per cent. of the Group’s corporate financing portfolio was secured by collateral.

The Group is authorised to liquidate the portfolio of collateral at its discretion in the event of any default in the payment of the covered financing. The liquid collateral (such as cash) can then be liquidated within a matter of days and the proceeds applied to discharge the amounts outstanding on the relevant financing. The collateral enforcement process in Kuwait in respect of real estate and equity shares involves a number of steps. Given that the relevant debtor and/or guarantor may raise objections at each stage, if enforcement is contested the typical time taken to finalise enforcement proceedings in relation to real estate is between one and two months and, in difficult cases, up to three months.

Consumer financings are generally not secured. However, before granting consumer financings, the Group requires that the customer’s employer makes the customer’s salary payments direct to the customer’s account held with the Group.

Risk transfer in the form of syndications and risk participation arrangements with other banks are also used to manage the Group’s exposures.

### ***Impairment of financial assets***

The Group recognises impairment on financing facilities at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions. The Group recognises ECL on investment in debt securities at FVOCI and on balances and deposits with banks. Equity investments are not subject to ECLs.

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 cashflows due to the Group in accordance with the contract and the cashflows that the Group expects to receive. The key elements in the measurement of ECL include probability of default, loss given default and exposure at default. The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collateral, forward looking macroeconomic scenarios, among other factors.

The Group applies a three stage approach to measure the ECL and assets migrate through these three stages based on the change in credit quality and initial recognition:

- stage 1 (12-months ECL) – the Group measures loss allowances at an amount equal to 12-months ECL on financial assets where there has not been 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 their credit risk rating is equivalent to the globally understood 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 which are not credit impaired; and
- 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.

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of 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 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. At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be impaired when one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred or when contractual payments are 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about significant financial difficulty of the borrower or issuer, a breach of contract such as default or past due event, the lender having granted to the borrower a concession that the lender would otherwise not consider for economic or contractual reasons relating to the borrower's financial difficulty, the disappearance of an active market for a security because of financial difficulties and/or purchase of a financial asset at a deep discount that reflects the incurred credit loss. At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or is not credit impaired, these financial assets are classified as stage 1.

The gross carrying amount of a financial asset is written-off (either partially or in full) when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows

to repay the amounts. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

For further information, see Note 2.4 (*Changes in accounting policies and disclosures*) and Note 30.2 (*Credit risk*) to the 2018 Financial Statements.

### ***Past due and impairment provisions***

The Group is required to calculate provisions for credit losses on finance facilities in accordance with the instructions of the CBK on the classification of finance facilities and calculation of provisions. Finance facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A finance facility is classified as past due and impaired if the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value.

Past due and past due and impaired facilities are managed and monitored as irregular facilities and are classified into the following four categories, which are then used to guide the provisioning process:

Category	Criteria	Specific provisions
Watch list	Irregular for a period of 90 days	—
Substandard	Irregular for a period of 91-180 days	20%
Doubtful	Irregular for a period of 181-365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, minimum general provisions of 1 per cent. on cash facilities and 0.5 per cent. on non-cash facilities are made on all applicable finance facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

For further information, see Note 2.4 (*Changes in accounting policies and disclosures*), Note 8 (*Provision for impairment*) and Note 30.2 (*Credit risk*) to the 2018 Financial Statements.

## **Market risk**

### ***Market risk management***

The management and oversight of market risk inherent within the Group's non-trading activities is managed by the Assets and Liability Management Committee ("ALCO"). All activities giving rise to market risk are conducted within a structure of approved credit and position limits.

The Group's strategy for controlling market risk involves:

- stringent controls and limits;
- strict segregation of "front", "middle" and "back" office duties;
- regular independent reporting of positions; and



- regular independent review of all controls and limits.

For further information, see Note 30.3 (*Market risk*) to the 2018 Financial Statements.

### ***Foreign exchange risk***

Foreign exchange 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.

Foreign exchange risks are controlled through limits pre-established by the Board on currency position exposures. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Appropriate segregation of duties exists between the treasury front and back office functions, while compliance with position limits is independently monitored on an on-going basis by an independent middle office function.

For further information, see Note 30.4 (*Foreign currency risk*) to the 2018 Financial Statements.

### ***Equity price risk***

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. The Group manages equity price risk through diversification of investments in terms of geographic distribution and industry concentration. The Group's investments unit is responsible for managing its investment securities portfolio.

For equity investments classified as FVOCI in 2018 (and as available for sale in 2017), a 5 per cent. increase in stock prices as at 31 December 2018 would have increased equity by KD 8,000 (compared to an increase of KD 10,000 as at 31 December 2017). An equal change in the opposite direction would have had an equal, but opposite effect to these amounts, on the basis that all other variables remain constant.

### ***Liquidity risk***

Liquidity risk can be caused by market disruptions or credit rating downgrades which may restrict the availability of certain sources of funding. To address this risk, management has diversified the Group's funding sources and its assets are managed with liquidity in mind, maintaining a sufficient balance of cash, cash equivalents and readily marketable securities.

The Group applies a prudent mix of liquidity controls which provide security of access to funds without undue exposure to increased costs of funds from the liquidation of assets, or aggressive bidding for deposits. Liquidity risk is monitored and evaluated daily to ensure that, over the short term and by major currency, the profile of projected future cash inflows is adequately matched to the maturity of liabilities.

The Group has established the ALCO to manage the assets and liabilities of the Group. The ALCO meets regularly to determine and review policies for managing liquidity risk as well as to set risk limits.

For further information, see Note 30.5 (*Liquidity risk*) to the 2018 Financial Statements.

### ***Profit rate risk***

Profit rate risk is the risk of losses arising due to adverse changes in profit rates and is part of normal banking activities. However, excessive profit rate risk can pose a significant threat to the Group's earnings and capital base.

To address this risk, the Group has implemented a profit rate risk management framework to manage the risk within prudent levels and limit the impact of the profit rate risk on the Group.

## **Operational risk**

The Group monitors its operational risks through an operational risk management framework which defines roles and responsibilities for managing and reporting operational risk. The key components of this framework are risk control, self-assessments, comprehensive documented policies, procedures and internal controls.

Through this framework, line management is able to identify, assess and decide in what form and scale it can accept, control and reduce operational risk, together with the form of risk prevention measures which are necessary. Furthermore, this framework embeds a culture of transparency of information, escalation of key issues, and accountability for issue resolution.

The Group's risk management function collates and reviews actual loss data arising from the Group's day-to-day operations to continuously refine its control arrangements.

The operational risk management framework is supplemented by regular reviews by the Group's internal audit function. The Group also has a business continuity plan and a disaster recovery centre, which are tested periodically.

The Group's business processes are closely monitored to identify, assess, control and prevent potentially illicit use of the Group's services for laundering money and/or financing terrorism. The Group's anti-money laundering ("AML") and counter-terrorism financing ("CTF") initiatives are regularly reviewed to ensure full compliance with legal and regulatory requirements and international best practices (see also "*Risk Management – Compliance*").

## **Reputation and fiduciary risk**

Management of reputation risk is an integral feature of the Group's corporate culture and is embedded in its internal control systems. Besides identification and management of risks, the internal control system also incorporates as an ethos the maintenance of business practices of the highest quality towards the Group's customers, shareholders, regulators, general public and fiduciary and non-fiduciary clients.

Through its policies and practices, the Group ensures that proper screening of clients' risk profiles and performance expectations is conducted prior to making investment products or services available to them. Furthermore, once a product or service is sold, appropriate risk and performance projections are clearly communicated, and funds placed under management are treated with due care and professionalism.

## **Compliance**

### **Overview**

The Group's compliance function is an independent function which reports to the BRCC. The function is responsible for overseeing and managing compliance aspects across the Group through a robust compliance framework.

The compliance framework consists of compliance policies, procedures and a dashboard and compliance is monitored through timely reports. In addition, a risk and compliance matrix is used across the Group to assess and monitor the effectiveness of regulatory compliance self-assessment tools that are used by the various business units.

The Group's compliance programme has three main pillars (advise, monitor and report) built on a foundation of a sound understanding of the appropriate regulatory requirements. Advising encompasses the internal notification of regulatory change, new products and services and internal processes as well as other internal communications, including training and a compliance calendar. Monitoring includes procedures for compliance reviews, breach escalation and compliance indicators.

The Group's internal audit function also ensures that a robust compliance framework is being proactively implemented.

A risk and compliance matrix is used across the Group to assess and monitor the effectiveness of regulatory compliance in addition to regulatory compliance self-assessment tools.

### **Anti-money laundering and counter-terrorism financing**

The Group applies an integrated AML/CTF policy and procedures which take account of Financial Action Task Force recommendations, international sanctions lists (such as those of the United Nations, the European Union and the U.S. Office of Foreign Assets Control) and applicable AML-related laws and regulations.

The Group's 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 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 function is an independent function reporting, functionally, to the BAC, and administratively, to the CEO. The BAC has three members (two of whom have specialised financial and investments experience).

The BAC's terms of reference require it to:

- ensure the independence and effectiveness of the internal audit function;
- review the adequacy, efficiency and effectiveness of internal controls in the Group;
- review the accuracy and reliability of financial statements;
- oversee the selection of the external auditors and review their scope of work and reported findings; and
- support the *Shari'a* internal audit, adopt the *Shari'a* audit plan, and discuss the audit reports.

The Group's internal audit function is an independent and objective assurance function headed by the Group's Chief Audit Executive. The Group's internal audit function is governed by a Board-approved internal audit charter, which defines the independence, objectivity, authority and responsibilities of the Group. The charter is in line with applicable regulations and promotes the standards of best professional practice issued by the Institute of Internal Auditors and applicable Basel Committee guidelines.

The Group's internal audit function has adopted a risk-based audit approach for planning and conducting its audits. In addition, identified issues are tracked and followed up on a periodic basis. Validation of action taken and reporting on implementation status with clear escalation mechanisms are in place.

Final audit reports are circulated to the BAC, the executive management and concerned members of the Group's divisions. In addition, quarterly meetings and presentations to the BAC, including highlights on key audit issues and their follow-up status, are held.

The BAC submits a quarterly report to the Board on its activities and the audit outcomes.

## MANAGEMENT AND EMPLOYEES

### Management

#### Corporate governance framework

The Bank's corporate governance framework is based on principles and standards defined by leading professional bodies and regulatory authorities, including the CBK, and is embedded into the business activities and practices of the Bank. In 2018, the Bank successfully implemented an updated corporate governance framework in line with its internal governance manual (the "**Framework**"). The Framework is designed to secure effective oversight of the Bank's strategy and business operations with a robust risk management approach, transparency and accountability, and to ensure protection of the rights of shareholders and stakeholders.

The Bank ensures that it has a sound, well balanced and effective corporate governance framework. The Board adopts and reviews the Framework and the executive management ensures proper implementation of the Framework through adequate policies, procedures and authority matrices, which the employees adhere to.

Further, the Bank 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, which comprises nine members elected by the shareholders under a mandate to deliver sustainable value to all stakeholders, including depositors/customers, shareholders, employees, and society.

The Board is granted the highest authorities and overall responsibilities by the shareholders to manage the Bank. The Board operates in line with the by-laws of the Bank and its charter, where its scope of work includes but is not limited to:

- setting the strategies and risk appetite for the Bank;
- approving capital and operating plans presented by management for the achievement of the Bank's strategic objectives;
- ensuring efficient application of the resources for the achievement of the objectives; and
- monitoring the performance of the Executive Management.

The primary mandate of the Board is to align the Bank's strategic objectives, risk appetite and overall corporate governance framework with the best interests of the Bank and thereby maximise value for shareholders. This mandate is coupled with responsibility for monitoring and maintaining the Bank's financial and economic stability and safeguarding the rights and benefits of all of the Bank's stakeholders.

The roles of the Board Chairman and the CEO are separate and independent of one another and there is a clear segregation of duties and responsibilities. The Chairman's responsibilities are set out in the Board Charter and in the terms of reference of the Board.

The table below shows the names of the members of the Board as at the date of this Base Prospectus.

<b>Name</b>	<b>Position</b>
Mahmoud Yousef Al-Fulaij	Chairman
Adel Abdul Wahab Al-Majed	Vice-Chairman and CEO
Abdulaziz Abdullah Al-Shaya	Board Member
Adnan Abdullah Al-Othman	Board Member
Hazim Ali Al-Mutairi	Board Member
Mohamed Yousef Al-Saqer	Board Member
Waleed Ibrahim Al-Asfour	Board Member
Waleed Mishari Al-Hamad	Board Member
Waleed Abdullah Al-Houti	Board Member
<i>Fatwa and Shari'a Supervisory Board</i>	
Sheikh Dr. Abdulaziz Khalifa Al-Qasar	Chairman
Sheikh Dr. Esame Khalaf Al-Enezi	Member/Reporter
Sheikh Dr. Mohammed Awad Al-Fuzaie	Member
Sheikh Dr. Ali Ibrahim Al-Rashid	Member

Detailed below is brief biographical information about each member of the Board.

***Mahmoud Yousef Al-Fulaij – Chairman (Non-Executive)***

Mr. Al-Fulaij is a well-known businessman in Kuwait who joined the Bank in 2010 and has more than 37 years of experience; he manages two general trading and contracting companies in Kuwait and is a Board Director of the Arcadia Real Estate Company, KSCC (Kuwait). He graduated with a Bachelor's degree in Business Administration from the International University in the United States of America in 1980.

***Adel Abdul Wahab Al-Majed – Vice-Chairman and Chief Executive Officer (Executive)***

Mr. Al-Majed joined the Bank in August 2009 and has more than 37 years of banking experience. During the course of his career, Mr. Al-Majed worked for NBK, where he held several leadership positions including Deputy Chief Executive Officer and General Manager of the consumer banking group. Mr. Al-Majed is also Chairman of the board of Bank of London and the Middle East (UK) and Chairman of the board of Boubyan Capital Investment Company, KSCC (Kuwait). Mr. Al-Majed graduated from the University of Alexandria with a Bachelor's degree in Accounting and has attended various executive management development training programmes at several universities, including Harvard, Wharton and Stanford.

***Abdulaziz Abdullah Al-Shaya – Director (Non-Executive)***

Mr. Al-Shaya is a well-known businessman who joined the Bank in 2009 and has more than 40 years of experience in the trading and real estate sectors; he manages a trading company in Kuwait. Mr. Al-Shaya is also Vice-Chairman of the Awtad Real Estate Company, KSCC (Kuwait), Board Director of Mabane Company, KSPC (Kuwait), Vice-Chairman of the Orient Education Services Company, KSCC (Kuwait) and Vice-Chairman of the Enemaa Real Estate Company (Oman). Mr. Al-Shaya holds a Bachelor's degree in Economics from Kuwait University.

***Adnan Abdullah Al-Othman – Director (Non-Executive)***

Mr. Al-Othman is a well-known businessman who joined the Bank in 2016 and has more than 40 years of experience in the banking and real estate sectors; he owns a real estate company. Mr. Al-Othman is also a member of the Trustees of the Estate of the Late Abdullah Abdulatif Al-Othman (Kuwait) and a member of the Executive Committee for the Implementation of the Charity Project of the Late Abdullah Abdulatif Al-Othman (Kuwait). Mr Al-Othman holds a Bachelor's degree in Industrial Engineering from Syracuse University in the United States of America.

***Hazim Ali Al-Mutairi – Director (Non-Executive)***

Mr. Al-Mutairi joined the Bank in 2010 and has diverse experience of more than 26 years in the fields of financing, investments, and treasury. He is currently the Chief Executive Officer of CreditOne Kuwait Holding Company, a Board Director of Warba Insurance Company, KSPC (Kuwait), and a Board Director of the Idafa Holding Company, KSCC (Kuwait). He graduated from the American University Washington D.C. in the United States of America with a Bachelor's degree in Finance.

***Mohamed Yousef Al-Saqer – Director (Non-Executive)***

Mr. Al-Saqer joined the Bank in 2019 and has more than 30 years of experience in business. Mr Al-Saqer is the Managing Partner of two trading companies in Kuwait. He graduated from Point Park College in the United States of America with a Bachelor's degree in Public Administration.

***Waleed Ibrahim Al-Asfour – Director (Non-Executive)***

Mr. Al-Asfour joined the Bank in 2019 and has more than 35 years of experience in the real estate and financial sectors. Mr. Al-Asfour manages a real estate company and an investment company in Kuwait and previously was the Vice Chairman of Al-Wodouh Capital Holding Company, KSCC (Kuwait) and a Board Director of Shorooq for Medical Services Company, KSCC (Kuwait). He holds a Bachelor's degree in Business Administration – Finance from Kuwait University.

***Waleed Mishari Al-Hamad – Director (Non-Executive)***

Mr. Al-Hamad joined the Bank in 2010 and has more than 28 years of experience, including 11 years in banking with the remainder of his experience in the investment sector. Mr. Al-Hamad is the Managing Director of a holding company in Kuwait, and Board Director and Chief Executive Officer of the Helvetia Arab Holding Company, KSCC (Kuwait). Mr. Al-Hamad holds a Bachelor's degree in Economics and a Master's degree in Finance from California State Polytechnic University, Pomona in the United States of America.

***Waleed Abdullah Al-Houti – Director (Non-Executive)***

Mr. Al-Houti joined the Bank in 2019 and has more than 37 years of experience in the financial sector and the oil sector. He is currently the Chairman of a Kuwaiti shareholding company which invests in petroleum services and was previously Chairman of Al-Dorra for Petroleum Services Company, KSCC (Kuwait) and Vice Chairman of Makamen for Oil and Gas Services Company (Saudi Arabia). Mr. Al-Houti holds a Bachelor's degree in Business Administration – Finance from Kuwait University.

The business address of each member of the Board is Al-Hamad Towers, P.O. Box 25507, Safat 13116, Kuwait. No member of the Board has any actual or potential conflict of interest between his duties to the Bank and his private interests and/or other duties. All members of the Board are independent in their judgement and decisions.

**Board committees**

The Board has established the five board committees which are described below. The roles and authorities of each board committee are defined and delegated by the Board and are described in each committee's charter. The chairperson of each board committee regularly reports to the Board on the performance of the activities of the respective board committee.

### ***Board Executive Committee***

The BEC comprises four Board Directors, and is headed by the Vice-Chairman and CEO. The members of the BEC are not members of the BAC or the BRCC. The members of the BEC collectively possess experience in banking, business and credit financing.

In accordance with the charter of the BEC, the BEC is required to meet at least six times a year. The main role of the BEC is to review and to approve limits and transactions relating to financing and investment activities as set out within the auditory matrices of the Bank. The BEC also reviews related policies.

During 2018, the BEC met 37 times, on an approximately weekly basis. The Committee performed various activities, which included but were not limited to:

- approving financing transactions in line with the approved authority limits;
- recommending settlement and/or legal cases of corporate customers to the Board for approval; and,
- approving related party transactions and investment transactions within its authority limits.

The members of the BEC are Mr. Adel Al-Majed (Chairman), Mr. Hazim Al-Mutairi, Mr. Waleed Al-Asfour and Mr. Waleed Al-Houti.

### ***Board Nomination and Remuneration Committee (“BNRC”)***

The BNRC comprises three Board Directors who collectively have experience in banking, business and Islamic *Shari’a*.

In accordance with the charter of the BNRC, the BNRC is required to meet at least four times a year. The main role of the BNRC includes the assessment of the nominees for the Board based on set criteria, the administration of the assessment of the Board, the revision of the remuneration policy, the assessment of the performance of executive management, and ensuring an appropriate employee succession plan.

During 2018, the BNRC met four times. The activities of the BNRC included, but were not limited to, the following:

- reviewing the proposed remuneration schemes and proposing recommendations to the Board;
- administering the performance assessment of the Board;
- conducting the performance assessment of the Fatwa and Shari’a Supervisory Board;
- ensuring that performance assessment was conducted for executive management;
- reviewing the employee succession plan; and
- identifying training programmes to the Board.

The members of the BNRC are Mr. Abdulaziz Al-Shaya (Chairman), Mr. Mohamed Al-Saqer, Mr. Hazim Al-Mutairi and Mr. Waleed Al-Hamad.

### ***Board Governance Committee (“BGC”)***

The BGC comprises four Board Directors who collectively have experience in banking, business and governance. The Chairman is the chairperson of the BGC. The BGC is required to meet at least twice a year. The main role of the BGC includes developing and updating the Bank’s governance manual, ensuring that the governance manual is adequately adhered to, reviewing the annual governance report and following up on governance-related recommendations and/or actions.



During 2018, the BGC met twice in line with the minimum requirements. The BGC covered the following activities:

- approving the governance report;
- deliberating the governance review reports of the Corporate Governance Unit and following up on the status of respective actions;
- following up on the implementation of the CBK *Shari'a* governance requirements; and
- ensuring that the Board and Board Committees held an adequate number of meetings.

The members of the BGC are Mr. Mahmoud Al-Fulaij (Chairman), Mr. Adel Al-Majed, Mr. Abdulaziz Al-Shaya and Mr. Waleed Al-Hamad.

#### ***Board Audit Committee***

The BAC comprises three Board Directors, who collectively have experience in banking, business, governance and audit. None of the BAC members is a member of the BEC.

The BAC is required to meet at least on a quarterly basis and its main role includes:

- reviewing the Bank's internal audit charter and manual, and accounting policies;
- assessing and recommending the appointment of external auditors;
- reviewing the Group's quarterly financial statements;
- providing support to the *Shari'a* internal audit group, adopting the *Shari'a* internal audit plan and discussing the respective *Shari'a* internal audit reports;
- approving the Bank's internal audit plan, discussing the Bank's internal audit report, and following up on audit corrective actions;
- providing support to the Internal Audit Group to ensure the fulfilment of its scope of work effectively and independently; and
- assessing the appointment and/or the resignation of the general manager of the Internal Audit Group, and assessing his annual performance.

The BAC met eight times during 2018, including a meeting every quarter in line with the corporate governance regulatory requirements. The activities of the BAC included but were not limited to:

- reviewing and approving the Bank's internal audit plan;
- deliberating the Bank's internal audit reports, engagement letters of external auditors, and the Group's internal control review ("ICR") report;
- reviewing the Bank's quarterly financial statements;
- reviewing the Bank's accounting policies;
- following up on the Bank's internal audit, engagement letters, ICR, and CBK observations and respective actions;
- discussing the *Shari'a* internal audit reports; and
- engaging external auditors to conduct an assessment of the Bank's internal audit function and reviewing the outcome of the assessment.

The members of the BAC are Mr. Adnan Al-Othman (Chairman), Mr. Mohamed Al-Saqer and Mr. Waleed Al-Hamad.

### ***Board Risk Management and Compliance Committee***

The BRCC comprises three Board Directors. None of the BRCC members is a member of the BEC.

In accordance with its charter, the BRCC meets at least four times a year, and reports on its activities to the Board on a periodic basis.

The role of the BRCC includes:

- assessing the risk appetite measures, risk strategy, and other risk-related measures, and making recommendations to the Board; and
- reviewing and discussing risk management reports, including the capital adequacy ratio, internal capital adequacy assessment process (“ICAAP”), stress testing, and other risk assessment reports.

During 2018, the BRCC met five times. The activities of the BRCC included, but were not limited to, the following:

- discussing the capital management plan;
- reviewing and approving various policies including credit risk policy and corporate finance policy;
- discussing quarterly risk profile reports;
- reviewing periodic ICAAP and stress testing reports;
- discussing risk asset review reports; and
- discussing activity reports pertaining to compliance and AML functions.

The members of the BRCC are Mr. Waleed Al-Hamad (Chairman), Mr. Mohamed Al-Saqer and Mr. Adnan Al-Othman.

### **Executive management**

The Board delegates the implementation of the Bank’s adopted strategy and business plan to the executive management, which is headed by the Vice-Chairman and CEO. The Bank’s executive management team comprises:

<b>Name and position</b>	<b>Brief biography</b>
Adel Abdul Wahab Al-Majed <i>Vice-Chairman and CEO</i>	Mr. Al-Majed joined the Bank in August 2009, and has more than 37 years of banking experience. During the course of his career, Mr. Al-Majed worked for NBK where he held several leadership positions, including Deputy Chief Executive Officer and General Manager – Consumer Banking Group. Mr. Al-Majed graduated from the University of Alexandria with a Bachelor’s degree in Accounting, and has attended various executive management development programmes at several universities, including Harvard, Wharton and Stanford.
Abdulla Al-Najran Al-Tuwaijri <i>Deputy CEO</i>	Mr. Al-Tuwaijri joined the Bank in December 2011 and has more than 30 years of banking experience, including

Abdul-Salam Mohammed Al-Saleh  
*Deputy CEO*

23 years of experience at NBK. During his time with NBK, Mr. Al-Tuwaijri held different leadership roles in retail banking in Kuwait and London, where his last position was Deputy General Manager – Consumer Banking Group. Mr. Al-Tuwaijri received his Bachelor's degree in Finance from Kuwait University, and has attended several executive development programmes at Harvard Business School, INSEAD, and other reputable institutions.

Mr. Al-Saleh joined the Bank in October 2012, and has more than 31 years of banking experience. Mr. Al-Saleh worked for 18 years at NBK, where he gained experience in financial control and corporate banking. His last position at NBK was the Head of Domestic Corporate Banking. Prior to joining the Bank, Mr. Al-Saleh worked for over seven years for the National Bank of Abu Dhabi ("NBAD") as the Regional Manager of its branch in Kuwait. Mr. Al-Saleh received his Bachelor's degree in Finance from Kuwait University, and has attended various management and leadership training programmes over the course of his career.

Waleed Khalid Al-Yaqout  
*General Manager – Administration Group*

Mr. Al-Yaqout joined the Bank from NBK in February 2010 and has more than 37 years of banking experience. His last position at NBK was General Manager – Administration and Human Resources Group. Mr. Al-Yaqout graduated with a Bachelor's degree in Business Administration and Marketing from the University of Ashland in the United States of America, and has participated in various executive management programmes at Harvard, Wharton, Stanford and Columbia.

Adel Abdullah Al-Hammad  
*General Manager – Human Resources Group*

Mr. Al-Hammad joined the Bank in December 2006 and has more than 35 years of experience in human resources management including 23 years of experience at NBK, where he held several key positions, the last of which was the Head of Human Resources. Mr. Al-Hammad graduated with a Bachelor's degree in Economics from Kuwait University, and attended several executive training programmes at Harvard University and Stanford University.

Abdullah Ahmed Al-Mehri  
*Acting Chief Operations Officer*

Mr. Al-Mehri joined the Bank in January 2019 and has approximately 20 years of experience in the banking sector. Prior to joining the Bank, he was head of the Off-site Supervision Department at the Central Bank of Kuwait. He also previously worked as an Executive Manager at National Bank of Abu Dhabi in Kuwait and as a Senior Manager at National Bank of Kuwait. Mr. Al-

Ashraf Abdallah Sewilam  
*General Manager – Corporate Banking Group*

Mehri holds a Bachelor's degree in Accounting from the American University of Cairo and a Master's degree in Business Administration from the Maastricht University in Kuwait and has attended various executive management development programs at Harvard University.

Mr. Sewilam joined the Bank in September 2013, and has over 25 years of experience in the banking sector. Prior to joining the Bank, Mr. Sewilam was Chief Executive Officer of Al Rajhi Bank-Kuwait. He also previously held the position of the Chief Executive Officer of UBCI (a subsidiary of Ahli United Bank (AUB) in Libya) and was the Deputy Chief Executive Officer at AUB in Kuwait for the corporate and treasury divisions. Mr. Sewilam also worked for 10 years at NBK, where he progressed into several managerial positions, the last of which was as Executive Manager. Mr. Sewilam holds a Bachelor's degree in Economics from Cairo University.

Neven Raic  
*General Manager – Consumer Banking Group*

Mr. Raic joined the Bank in August 2018 and has more than 26 years of experience in banking, with a focus on retail banking. He previously held executive positions in various international banks in both Europe and the Middle East, and has also held several non-executive or supervisory board roles at various financial services institutions. Mr. Raic holds a Master's degree in Business Administration from the Berlin School of Economics and Law.

Abdul Rahman Hamza Mansour  
*Chief Audit Executive*

Mr. Hamza joined the Bank in April 2006 and has more than 35 years of professional experience within financial institutions. Prior to joining the Bank, Mr. Hamza held a position as Audit Manager at the Kuwait Investment Authority and prior to this worked at the Al-Ahli Bank of Kuwait. Mr. Hamza holds a Bachelor's degree in Accounting from Ain Shams University, Egypt, and he is a Certified Public Accountant, a Certified Internal Auditor and a Certified Fraud Examiner.

Mohamed Ibrahim Ismail  
*General Manager – Financial Control Group*

Mr. Ismail joined the Bank in July 2005 and has approximately 23 years of banking and financial services experience. Mr. Ismail started his career as an external auditor with Deloitte & Touche and later with Ernst & Young. In the course of his career, he has worked at the Kuwait Finance House and Gulf Investment House. Mr. Ismail is a Certified Public Accountant and a Certified Internal Auditor, and holds a Master's in Business Administration in Finance from Manchester Business School.

Maged George Fanous  
*CRO*

Mr. Fanous joined the Bank in February 2018 and has over 31 years of experience in banking, risk management and financial regulation. Before joining the Bank, he was a lead partner of the Risk and Regulatory practices of Ernst & Young in the United Kingdom and the MENA region. Additionally, Mr. Fanous has also worked as a lead partner of the Finance and Performance Management department of Accenture's United Kingdom and Ireland practice. Mr. Fanous holds a Bachelor's degree in Accounting from Cairo University.

Adel Rashad Al-Mutairi  
*Treasurer*

Mr. Al-Mutairi joined the Bank in April 2015 and has over 15 years of experience in banking, with a focus on treasury services. Prior to joining the Bank, Mr. Al-Mutairi was Vice-President of Treasury at Warba Bank. He holds a Bachelor's degree in Education – Mathematics and has attended executive management programmes at Wharton Business School and Harvard Business School.

Noora Sulaiman Al-Fassam  
*Deputy General Manager – Strategic Planning*

Ms. Al-Fassam joined the Bank in April 2019 and has over 20 years of experience in corporate finance and investment banking. Prior to joining the Bank, Ms. Al-Fassam was the Chairman's Consultant and Executive Vice President of Investment Banking at National Investments Company K.C.S. Ms. Al-Fassam also previously worked in the investment banking team at NBK. Ms. Al-Fassam holds a Bachelor's degree in Industrial Engineering and Management Systems and a Master's degree in Business Administration from Kuwait University.

Jabra Raja Ghandour  
*Chief Executive Officer – Boubyan Capital*

Mr. Ghandour joined the Bank in April 2018 and has over 33 years of experience in banking and investment. Prior to joining the Bank, Mr. Ghandour was the Chief Executive Officer and Board Director of BLME. He has also previously worked as the Managing Director of International Bank of Qatar, General Manager of NBK-Jordan and the Head of Private Banking of NBK-Kuwait. Mr. Ghandour holds a Master's degree in Engineering from the University of Texas and a Bachelor's degree in Engineering from the American University of Beirut and has attended an executive management programme at Wharton Business School.

The business address of each member of the executive management is Al Hamad Towers, P.O. Box 25507, Safat 13116, Kuwait. No member of the Bank's executive management has any actual or potential conflict of interest between his/her duties to the Bank and his/her private interests and/or other duties.

## **Management committees**

The Bank has a set of management committees to assist in fulfilling the duties and responsibilities of the executive management. The management committees derive their authorities primarily from the Vice-Chairman and CEO, based on authorities and limits delegated by the Board of Directors.

### ***Management Executive Committee***

The MEC deals with all significant management level matters other than those handled by other management committees. The MEC meets on almost a weekly basis.

### ***Assets and Liability Management Committee***

The ALCO reviews the assets and liability composition of the Bank, liquidity risks, market risks, trends and their impact on the Bank. The ALCO meets on a monthly basis.

### ***Management Credit Committee***

The main objective of the MCC is to discuss and make decisions within its authorised limits on financing proposals submitted by the Bank's business groups. The MCC usually meets on a weekly basis.

### ***Management Investment Committee ("MIC")***

The MIC discusses and makes decisions within its authorised limits on investment proposals submitted by the relevant business groups. The MIC usually meets on a weekly basis.

### ***Provisions Committee ("PVC")***

The PVC reviews and evaluates the outstanding investments and financing transactions for each customer to determine any issues or difficulties relating to the customer's position that require the classification of such investments and financing transactions as irregular and hence determining the required provisions in accordance with CBK instructions and IFRS. The PVC meets at least once every quarter.

## **Employees**

The Bank's human resources policy is designed to attract, retain and motivate high-calibre, professional, skilled and knowledgeable employees. The Bank protects and abides by the rights provided to employees, which include, but are not limited to: (i) a transparent working environment; (ii) employee talent management schemes; (iii) a transparent remuneration and compensation structure; and (iv) access to a "whistleblowing" policy (which enables all employees to raise concerns in good faith and confidence directly to top management).

The Bank has developed a "Talent Development Program" to provide employees identified as possessing leadership potential with exposure to various departments within the Bank. In line with its commitment to develop and invest in its key "human capital" resources, the Bank collaborates with world-class universities to provide these employees with training in a wide range of leadership disciplines.

As at 30 September 2019, the Group employed 1,469 full-time staff compared to 1344 full-time staff and 1189 full-time staff as at 31 December 2018 and 31 December 2017, respectively.

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 2019 was 77.3 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 Kuwaiti government publications.*

### Country Profile

Kuwait is a sovereign state on the coast of the Arabian Gulf, enclosed by Saudi Arabia to the south and south-west and Iraq to the north and west. Kuwait has proven conventional crude oil reserves of 101,500 million barrels, the sixth largest in the world (according to OPEC's Annual Statistical Bulletin 2018). 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 4.6 million as at 31 December 2018 (of which Kuwaiti nationals accounted for 30.4 per cent.).

### Political Overview

Kuwait is a constitutional monarchy. The head of state, the Amir, appoints the Prime Minister, who leads a collective majority of elected members of parliament (the "**National Assembly**") to form the government of Kuwait. The Prime Minister selects a cabinet of a maximum of 16 members and at least one cabinet minister must be drawn from the National Assembly. The membership of the cabinet is subject to the approval of the Amir. The current National Assembly was elected on 26 November 2016. The next National Assembly elections will be held in October 2020.

The current Amir is His Highness Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, with the current Crown Prince being His Highness Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah and the current Prime Minister being His Highness Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah.

In terms of foreign relations and membership of international organisations, Kuwait, together with the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates, 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 Organization of the Islamic Conference, the Multilateral Investment Guarantee Agency and the United Nations Educational, Scientific and Cultural Organization.

### Economic Overview

According to data from the IMF's World Economic Outlook Database April 2019, Kuwait's real GDP increased by 2.9 per cent. in 2016, decreased by 3.5 per cent. in 2017, is estimated to have increased by 1.8 per cent. in 2018 and is expected to increase by 2.5 per cent. in 2019. Kuwait posted a budget surplus for the 15 fiscal years through to 31 March 2015, but recorded a deficit of KD 4.6 billion and KD 3.6 billion for the fiscal years ended 31 March 2016 and 31 March 2017, respectively, due to lower oil prices.

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 and 1.5 per cent. in 2017. Inflation is estimated to have fallen to a multi-year low of 0.7 per cent. in 2018 due to falling housing rents, easing food prices and strengthening the dinar. The IMF estimates that inflation in Kuwait will increase to 2.5 per cent. in 2019.

The oil and oil products sector is the most significant contributor to Kuwait's GDP. Oil and gas exports accounted for 38.1 per cent. of Kuwait's nominal GDP in 2016, 41.3 per cent. of nominal GDP in 2017 and was

projected to account for 46.6 per cent. of nominal GDP in 2018 (according to the IMF's 2019 Article IV Consultation with Kuwait). The sector is also the main contributor to Kuwait's annual revenues. On average, Kuwait produced 2.7 million barrels of crude oil each day in 2017 (according to OPEC's Annual Statistical Bulletin 2018).

The IMF estimates that Kuwait's non-oil GDP grew by 1.4 per cent. in 2016 and 2.1 per cent. in 2017 and estimates that such growth remained at 2.5 per cent. in 2018 and will be between 3.0 to 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.\$33.1 billion as at 31 December 2017 (according to the CIA's World Factbook). 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.

### **Development Strategy of Kuwait**

In 2010, the government announced its new overall strategy for Kuwait's future development to the year 2035 known as "Kuwait Vision 2035" which is based on three main themes:

- recovering the pioneering regional role of Kuwait and transforming it into a financial and trade centre, attractive to investors, where the private sector plays the lead role in economic activity creating competition and promoting efficiency, with supportive national governmental institutions providing the adequate infrastructure, appropriate legislative framework and an inspiring business environment;
- providing a climate for balanced human development, safeguarding social values and national identity and preserving the community's values; and
- strengthening the democratic system, respect for the Constitution, and the promotion of justice, political participation and freedom.

### **The New Kuwait Plan**

On 30 January 2017, the government updated its long-term development strategy under the slogan "New Kuwait 2035". The New Kuwait Plan is based on the following seven thematic pillars and objectives:

- public administration: reform administrative and bureaucratic practices to reinforce transparency, accountability and efficiency in the government;
- economy: develop a prosperous and diversified economy to reduce Kuwait's dependency on oil revenues;
- infrastructure: develop and modernise the national infrastructure to improve the quality of life for Kuwait's citizens;
- living environment: ensure the availability of accommodation through environmentally sound resources and tactics;
- healthcare: improve service quality and develop national capabilities in the public healthcare system;
- human capital: reform the education system to better prepare Kuwait's youth to become competitive, productive and competent members of the workforce; and
- global position: enhance Kuwait's regional and global presence in spheres such as diplomacy, trade, culture and philanthropy.



## OVERVIEW OF BANKING AND FINANCE REGULATIONS IN KUWAIT

### The Central Bank of Kuwait

The CBK was established by Law No. 32 of 1968 (the “**Banking Law**”) and is managed by a board which is chaired by the Governor of the CBK. In addition to the Governor, this board 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 and the Deputy Governor are each appointed by decree for a five year renewable term.

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 Kuwaiti government, or issued in Kuwaiti dinar by any public organisation or institution. The CBK may purchase, sell, discount and rediscount Kuwaiti government treasury bills and purchase and sell public debt securities issued and offered for sale by the Kuwaiti government. Islamic banks have been under CBK supervision since 2003.

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 instructions to banks as it deems necessary to realise its credit or monetary policy and to ensure the sound progress of the Kuwaiti banking system. 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.

CBK instructions cover a wide range of matters, including the liquidity system, maximum limits for credit concentration, credit facilities classification, interest and profit rate ceilings, the organisation of banks’ credit policy, the extension of consumer loans and financings and other instalment loans and financings, the extension of banking services, foreign exchange transactions and portfolio management (see further “*Overview of Banking and Finance Regulations in Kuwait – Certain Banking Regulations*”). The CBK may impose penalties on any institution that fails to comply with an instruction.

The National Assembly passed Law No. 30 of 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 also established the Financial Stability Unit (the “FSU”), which seeks to safeguard Kuwait’s banking and financial systems against financial and economic shocks, suggesting appropriate corrective measures using macroeconomic models. The FSU also assists in ensuring an effective internal supervisory system and good governance practices.

The Banking Law has allowed the CBK to make progress towards meeting international standards on the supervision and management of the country’s banking and financial system. Through the Banking Law, the CBK has the power to enter into memoranda of understanding with foreign authorities for the purposes of collaborative supervision. The CBK can also impose fines, limit activities, remove senior management, and appoint a controller or a commissioner, or both, to manage a financial institution under its supervision.

### **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 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**

The CBK requires banks to maintain 18 per cent. of their KD customer and government deposits in the form of liquid assets comprising balances with the CBK or, in the case of Islamic banks only, tawarruq placements or qualified financial instruments such as sukuk issued by the Islamic Development Bank 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 CBK instruction relating to liquidity establishes the elements to be included when calculating assets and liabilities for the purpose of determining liquidity.

The CBK requires Kuwaiti banks to maintain a liquidity coverage ratio (“LCR”) and a net stable funding ratio (“NSFR”) in accordance with the requirements of the Basel III accord. The LCR represents a 30 day stress scenario with combined assumptions covering both bank-specific and market-wide stresses. The LCR requirements were implemented in stages starting with 70 per cent. in 2016, 80 per cent. in 2017, 90 per cent. in 2018 and 100 per cent. on 1 January 2019 when the full LCR requirement came into effect. Reporting of the LCR was introduced from 1 January 2016. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio is required to be equal to at least 100 per cent. on an ongoing basis. Full compliance with the NSFR requirement was effective from 1 January 2018 for all Kuwaiti banks.

## **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. With effect from October 2016, qualifying deposits exclude interbank deposits and an overall ratio of 90 per cent. is required to be maintained.

### ***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 relevant CBK instructions. 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 or 10 per cent. of the issuer's capital.

### ***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 CBK instructions specify the cases when a credit facility must be classified as "irregular" and 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.

## **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.

### ***Consumer loans and financings***

The CBK's instruction on "Buy Out and Top Up" issued in July 2015 provides that consumer and instalment financings granted to a bank's customers can be utilised for the purpose of paying an existing consumer or instalment financing with another bank in Kuwait.

### ***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 financing does not exceed 70 per cent. of the total value of the contract. In all other cases, CBK consent is required for financing to non-residents.

## **Capital Adequacy Regulations**

On 24 June 2014, the CBK issued its final instructions (“Implementing Capital Adequacy Standards – Basel III – for conventional banks” and “Implementing Capital Adequacy Standards – Basel III – for Islamic banks”) (the “**Basel III Instructions**”) to conventional and Islamic banks in Kuwait.

The Basel III reforms strengthen the quality of capital and introduce several buffer requirements in line with proposals made by the Basel Committee. 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 framework raised both the quality and quantity of the capital base and increased capital requirements for certain positions. The 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 countercyclical capital buffer and an additional surcharge for banks designated as domestic systemically important banks.

Local banks’ strong capital adequacy ratio levels, which are driven largely by high quality Tier 1 capital, underscore the strength of the Kuwaiti banking system in weathering major stress scenarios.

## **Interest/Profit Rate Cap Regulations**

The CBK’s instruction to conventional banks provides 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.

## **Other CBK Instructions**

### ***Management of third parties’ portfolios***

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.

### ***Shari'a Supervisory Board***

Islamic banks in Kuwait must have a *Shari'a* supervisory board, which must have a minimum of three members. The *Shari'a* supervisory board is responsible for determining the *Shari'a* compliance of bank products and transactions. The board of directors of an Islamic bank must implement the directives of the *Shari'a* supervisory board regarding *Shari'a* compliance.

### ***Corporate Governance***

On 10 September 2019, the CBK issued updated instructions for the “Rules and Regulations of Corporate Governance in Kuwaiti Banks” (the “**Corporate Governance Instructions**”) which apply to all banks in Kuwait. The Corporate Governance Instructions provide principles that should be followed and applied by Kuwaiti banks in order to ensure proper governance. These include ensuring the independence of the board, setting a strategy, having a clear risk policy, protecting the interests of depositors and conducting business in a safe manner. The Corporate Governance Instructions require each bank to produce a governance manual (which must be approved by the bank’s board) and to establish a governance committee to ensure the execution of the governance manual. Additionally, this year, the Corporate Governance Instructions highlighted the issue of cybersecurity risk for banks.

The Corporate Governance Instructions define the role of a bank’s board, the executive management (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 Corporate Governance Instructions 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 Bank’s Board has adopted and implemented internationally accepted as well as local corporate governance practices, including the Corporate Governance Instructions (see further “*Management and Employees – Management – Corporate governance*”).

### ***Other CBK Guidelines***

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.

### **Application of CBK Regulations to the Bank**

The Bank is incorporated as a public shareholding company in Kuwait, is registered as a bank with the CBK and is listed on Boursa Kuwait. As a Kuwaiti shareholding company, the Bank is licensed by the MOCI and, as a bank, it is primarily supervised by the CBK. The MOCI issued the Bank with a commercial licence to carry on banking activities. The Bank’s commercial licence was last renewed on 12 July 2016 and expires on 11 July 2020. The Bank has no reason to believe that its commercial licence will not be renewed by the MOCI for future periods.

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 periodic 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’s most recent inspection of the Bank was conducted

on 31 January 2019 and the CBK issues its final report in relation thereto on 29 July 2019. The final report contained no material issues.

In addition, the Bank is also regulated by the CMA due to it being a publicly traded company with shares listed on Boursa Kuwait and conducts some of the “Securities Activities” listed in the CMA bylaws.

## Banking System

As at 31 December 2018, the Kuwaiti banking sector comprised 23 banks, including five conventional banks, one specialised bank, five *Shari’a*-compliant local banks, branches of 11 international conventional banks and a branch of a Saudi Arabian *Shari’a*-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. As at 31 December 2018, the total assets of local banks in the Kuwaiti banking sector amounted to KD 60.4 billion and the total loans by such banks to Kuwaiti residents amounted to KD 34.3 billion (*source*: CBK).

The key performance indicators of the major Kuwaiti banks for the year ended 31 December 2018 are set out below (*source*: annual reports published on the company website of each bank listed below with the exception of figures in relation to Ahli United Bank (K.S.C.) which have been sourced from the Warba Bank Base Prospectus dated 18 July 2019).

	Cost to income ratio	Growth in total assets <sup>(1)</sup>	Growth in customer deposits <sup>(2)</sup>	Return on average assets	Return on average equity	Earnings per share
			(%)			(fils)
Ahli United Bank (K.S.C.) .....	30.8	6.8	(0.1)	1.3	11.5	27.1
Al-Ahli Bank of Kuwait (K.S.C.) .....	38.9	4.3	6.0	0.9	7.0	26.0
The Group.....	40.6	9.4	9.1	1.2	13.0	21.4
Burgan Bank (K.P.S.C.) .....	42.2	(1.4)	(9.3)	1.0	10.3	31.0
Commercial Bank of Kuwait (K.S.C.) .	29.7	1.7	4.0	1.5	9.4	35.4
Gulf Bank (K.S.C.) .....	34.5	5.9	7.0	1.0	9.4	20.0
National Bank of Kuwait (K.S.C.) .....	31.3	5.4	4.4	1.4	12.0	58.0
Kuwait International Bank (K.S.C.) .....	54.5	13.2	9.6	1.0	7.9	22.4
Kuwait Finance House (K.S.C.) .....	39.3	2.4	1.6	1.5	12.5	36.4
Warba Bank (K.S.C.) .....	38.5	23.6	4.6	0.4	7.2	7.1

Notes:

(1) Growth in total assets for 2018 minus total assets for 2017 divided by total assets for 2017.

(2) Growth in customer deposits for 2018 minus customer deposits for 2017 divided by customer deposits for 2017. Customer deposits do not include interbank deposits.

## Financial Stability Law and Deposit Guarantee Law

In response to the global financial crisis, which began in 2008, the Kuwaiti 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.

As a further measure, the Kuwaiti 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 Kuwaiti government has undertaken to guarantee the principal (but not interest or profit) of all deposits held with local banks in Kuwait, including savings 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 Base Prospectus 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 31 October 2019 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 31 October 2019 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 and, to the extent that further Eligible Assets are not available, it shall hold or invest 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 Shari'a 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 Shari'a Supervisory Board of the Bank.

The parties to the Wakala Agreement will agree and confirm that the Wakeel shall have no investment agency responsibilities 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 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.

### **Purchase Undertaking**

The Purchase Undertaking will be executed as a deed on 31 October 2019 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) provided that (i) Certificateholder Put Right is specified as applicable in the applicable Final Terms (and Optional Dissolution Right is specified as not applicable in each applicable Final Terms) 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 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.

### **Sale and Substitution Undertaking**

The Sale and Substitution Undertaking will be executed as a deed on 31 October 2019 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) provided that Optional Dissolution Right is specified as applicable in each applicable Final Terms (and Certificateholder Put Right is specified as not applicable in each applicable Final Terms), 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;
- (c) following delivery of the Registered Certificate representing the cancelled Certificates to the Registrar for cancellation pursuant to Condition 9(g), 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
- (d) 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 31 October 2019 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 Final Terms (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 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.

## **Trust Deed**

The Master Trust Deed will be entered into on 31 October 2019 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 Trustee 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 13 to decide, pursuant to the provisions therein, whether the Certificates should become immediately due and payable subject to and in accordance with Condition 13, 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 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; and

- (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.

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 Conditions.

The Bank will also covenant and undertake in the Master Trust Deed that if the relevant Exercise Price or Certificateholder Put Right 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 or the relevant Certificates to be redeemed on the Certificateholder Put Right Date or Optional Dissolution 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 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 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 hereby irrevocably undertakes 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 11, 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 11.

If and to the extent the Trustee has exercised its rights under Condition 19 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 31 October 2019 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 Boubyan Sukuk Limited and Boubyan 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;

**"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 Final Terms; 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 Shari’a 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) without double counting, any other amounts payable on redemption of the Certificates as specified in the applicable Final Terms; 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);

**“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) without double counting, any other amounts payable in relation to the relevant Certificates as specified in the applicable Final Terms; 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 Base Prospectus 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. The Trustee has obtained 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 Base Prospectus. 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 Base Prospectus as “**GCC corporate entities**”) and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Base Prospectus 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 31 October 2019, 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, and 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."

Terms used in this paragraph 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.

### **Public Offer Selling Restriction under the Prospectus Regulation**

In relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Member State, except that it may make an offer of such Certificates to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) 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; or
- (c) 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 Certificates to the public**” in relation to any Certificates in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

### **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
- (b) 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 Base Prospectus: (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 Base Prospectus 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 Base Prospectus 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 Base Prospectus 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 Final Terms, 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 Final Terms issued in respect of the issue of Certificates to which it relates or in a supplement to this Base Prospectus.

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 Base Prospectus 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 Base Prospectus or any other offering material or any applicable Final Terms, in any country or jurisdiction where action for that purpose is required.

## **GENERAL INFORMATION**

### **Listing of the Certificates**

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Regulation. Such approval relates only to the Certificates which are to be admitted to trading on the Regulated Market or any other MiFID Regulated Market or which are to be offered to the public in any EU Member State. The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation.

Application has been made to Euronext Dublin for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the Official List and admitted to trading on the regulated market of Euronext Dublin. The approval of the Certificates to be issued under the Programme is expected to be granted on or around 31 October 2019. It is expected that each Tranche of Certificates which is to be admitted to the Official List and to trading on the regulated market of Euronext Dublin will be admitted separately as and when issued, subject only to the issue of a Global Certificate representing the Certificates of such Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by Euronext Dublin in accordance with its rules. Transactions on the regulated market of Euronext Dublin will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Certificates may be issued pursuant to the Programme.

### **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 29 October 2019, a resolution of the board of directors of the Bank dated 6 August 2019 and a resolution of the shareholders of the Bank dated 10 March 2019.

### **Significant or Material Change**

There has been no significant change in the financial position or financial performance, 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 position or financial performance of the Bank or the Group since 30 September 2019 and there has been no material adverse change in the prospects of the Bank or the Group since 31 December 2018.

### **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 Base Prospectus 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 Final Terms.

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 Final Terms.

## **Documents Available**

For the period of 12 months following the date of this Base Prospectus, 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 Final Terms and the other Transaction Documents in relation to each Series (save that such documents relating to a Series which is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation 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 2018 and 31 December 2017, in each case, together with the audit reports thereon and the notes thereto;
- (d) the interim condensed consolidated financial information of the Bank as at and for the nine months ended 30 September 2019 together with the review report thereon and the notes thereto;
- (e) 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
- (f) this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus.

The documents listed in (b) to (f) above, together with the Trust Deed, will also be available at: <https://boubyan.bankboubyan.com/en/explore-boubyan/investors-relations/>.

This Base Prospectus will be published on the website of Euronext Dublin at <https://www.ise.ie/>.

## **Auditors**

The 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 2018 and 31 December 2017 in accordance with the International Standards on Auditing, as stated in their reports incorporated by reference herein.

EY Kuwait and Deloitte Kuwait have also reviewed the interim condensed consolidated financial information of the Bank as at and for the nine months ended 30 September 2019 in accordance with the 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.

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](mailto: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.



**THE TRUSTEE**

**Boubyan Sukuk Limited**

c/o MaplesFS Limited  
P.O. Box 1093  
Queensgate House  
Grand Cayman  
KY1-1102  
Cayman Islands

**THE BANK AND OBLIGOR**

**Boubyan Bank K.S.C.P.**

Al Hamad Towers  
P.O. Box 25507  
Safat 13116  
Kuwait

**DELEGATE**

**Citibank, N.A., London Branch**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**PRINCIPAL PAYING AGENT AND TRANSFER AGENT**

**Citibank, N.A., London Branch**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**REGISTRAR**

**Citigroup Global Markets Europe AG**

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Germany

**AUDITORS TO THE BANK**

**Deloitte & Touche**

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**LEGAL ADVISERS**

*To the Trustee  
as to Cayman Islands law*

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