



WARBA SUKUK LIMITED

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

U.S.\$2,000,000,000

Trust Certificate Issuance Programme

On 18 July 2019, Warba Sukuk Limited (in its capacity as issuer and trustee, the **Trustee**) and Warba Bank K.S.C.P. (the **Bank**) published the base prospectus (the **Base Prospectus**) attached hereto in connection with the establishment by the Trustee of its U.S.\$2,000,000,000 trust certificate issuance programme (the **Programme**).

The Base Prospectus was approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (as amended or superseded, the **Prospectus Directive**). The Central Bank of Ireland only approved the Base Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive.

The Base Prospectus has also been approved by the Dubai Financial Services Authority (the **DFSA**) under the DFSA's Markets Rule 2.7.1 and is an Approved Prospectus for the purposes of Article 14 of the Markets Law (DIFC No. 1 of 2012) (the **Markets Law**). The Base Prospectus complies with the requirements in Chapter 2 of the DFSA's Markets Rules and Part 2 of the Markets Law.

Application has been made to the DFSA for trust certificates (the **Certificates**) issued under the Programme to be admitted to the official list of securities maintained by the DFSA and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai.

The DFSA does not accept any responsibility for the content of the information contained in the Base Prospectus, including the accuracy or completeness of such information. The liability for the content of the Base Prospectus lies with the Trustee and the Bank. The DFSA has also not assessed the suitability of the Certificates to which the Base Prospectus relates to any particular investor or type of investor and has not determined whether they are *Shari'a* compliant. If you do not understand the contents of the Base Prospectus or are unsure whether the Certificates to which the Base Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The date of this document is 19 August 2019

IMPORTANT NOTICE

THE ATTACHED BASE PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S (REGULATION S) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT)) AND ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the base prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached base prospectus (the **Base Prospectus**). In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Warba Sukuk Limited (the **Trustee**) or the Bank (as defined below) as a result of such access.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED 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) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE ARRANGERS AND THE DEALERS (EACH AS DEFINED IN THE BASE PROSPECTUS) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THE BASE PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

ANY SECURITIES DESCRIBED IN THE BASE PROSPECTUS 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, THE 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 THE BASE PROSPECTUS, ANY FINAL TERMS AND ANY OTHER MARKETING MATERIALS RELATING TO THE SECURITIES IS BEING ADDRESSED TO, OR DIRECTED AT: (A) IF THE DISTRIBUTION OF THE SECURITIES (WHETHER OR NOT SUCH SECURITIES 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

SECURITIES 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 PROFESSIONALS 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 PERSONS 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 BE LAWFULLY PROMOTED.

THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of Your Representation: By accessing the Base Prospectus you confirm to the Arrangers and the Dealers, the Bank and the Trustee, as issuer of the Certificates (as defined in the Base Prospectus), that: (i) you understand and agree to the terms set out herein; (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions; (iii) you consent to delivery of the Base Prospectus by electronic transmission; (iv) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Arrangers and the Dealers; and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received the Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your email software, will be ignored or rejected. If you received the Base Prospectus by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by such Dealers or such affiliate on behalf of the Trustee in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Trustee, Warba Bank K.S.C.P. (the **Bank**), the Arrangers, the Dealers or any person who controls or is a director, officer, employee or agent of the Trustee, the Bank, the Arrangers or the Dealers nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Trustee, the Bank, the Arrangers and the Dealers to inform themselves about, and to observe, any such restrictions.



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U.S.\$2,000,000,000

Trust Certificate Issuance Programme

Under the U.S.\$2,000,000,000 trust certificate issuance programme (the **Programme**) described in this base prospectus (the **Base Prospectus**), Warba Sukuk Limited (in its capacity as issuer and trustee, 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.\$2,000,000,000 (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 Warba 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 18 July 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 the Prospectus Directive (as defined below). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (the **EU**) law pursuant to the Prospectus Directive. 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 any EU Member State.

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 II 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. Certificates may not be offered, sold or delivered 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**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with 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 long-term ratings of A+ with a stable outlook and Baa2 with a stable outlook by Fitch Ratings Ltd. (**Fitch**) and Moody's Investors Service Cyprus Ltd. (**Moody's**), respectively. The Programme is expected to be rated A+ by Fitch.

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 Sharia Supervisory Board of the Bank, the Shari'a Supervisory Committee of BNP Paribas 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).

Arrangers

BNP PARIBAS

Emirates NBD Capital

Standard Chartered Bank

Dealers

BNP PARIBAS

Emirates NBD Capital

Standard Chartered Bank

The date of this Base Prospectus is 18 July 2019.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended or superseded) (the **Prospectus Directive**) and for the purpose of giving information with regard to the Trustee, the Bank and its subsidiaries and affiliates taken as a whole (the **Group**) and the Certificates which, according to the particular nature of the Trustee, the Bank, the Group and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Trustee and the Bank.

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.

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 sale made in connection herewith 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 European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, 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 restrictions. 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. Certificates may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with 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 (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement, including in relation to the information contained in this Base Prospectus or any other information provided by the Trustee or the Bank, or for any acts or omissions of the Trustee or the Bank, in connection with the Programme or the issue or offering of Certificates thereunder. 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 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 TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO 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 will 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.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE SFA)

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (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 (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 Bank*" 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 audited financial statements relating to the Bank included in this Base Prospectus are for the years ended 31 December 2018 (the **2018 Financial Statements**) and 31 December 2017 (the **2017 Financial Statements**). This Base Prospectus also contains the interim condensed consolidated financial information (unaudited) of the Bank as at and for the three months ended 31 March 2019 (the **Q1 2019 Financial Statements**, and together with the **2017 Financial Statements** and the 2018 Financial Statements, the **Financial Statements**). The Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**), as adopted for use by the State of 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 Q1 2019 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 Bank adopted IFRS 9, subject to CBK guidelines and instructions, with effect from 1 January 2018. The Bank adopted IFRS 16 with effect from 1 January 2019. For information regarding how the introduction of IFRS 9 affects comparisons between the 2018 Financial Statements and the 2017 Financial Statements, see "Note 2.2 -Transition" in the 2018 Financial Statements, and for information regarding how the introduction of IFRS 16 affects comparisons between the Q1 2019 Financial Statements and the other Financial Statements see "Note 2 – Basis of Preparation and Changes to the Group's Accounting Policies" in the Q1 2019 Financial Statements.

The 2018 and the 2017 Financial Statements have been audited in accordance with International Standards on Auditing by Ernst & Young Al Aiban, Al Osaimi & Partners (**Ernst & Young Kuwait**) and KPMG Safi Al-Mutawa & Partners (**KPMG Kuwait**), without qualification as stated in their reports appearing herein.

The Bank'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.

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 Measure

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*".

Metric	Definition and method of calculation	Rationale for inclusion
Return on average assets	Profit (excluding any distributions payable on the U.S.\$250,000,000 Tier 1 Capital Certificates of Warba Tier 1 Sukuk Limited (the AT1 Sukuk)) divided by the average balance of total assets calculated as a simple average of the opening and closing balances for the relevant period.	Performance measure. The ratio shows how many KD of earnings the Bank derives from each KD of assets it controls.
Return on average equity	Profit (excluding any distributions payable on the AT1 Sukuk) divided by equity attributable to shareholders for the year, with equity attributable to shareholders calculated as the simple average for the year based on the opening and closing balances (except for 2018 as the Bank increased its capital in December 2018 (see further " <i>Description of the Bank – Overview - History, core businesses and financial performance</i> "), therefore equity attributable to shareholders for 2018 is calculated based on the monthly average).	Performance measure. The ratio is a measure of the profitability of the Bank's business in relation to the book value of shareholders equity, also known as net assets or assets minus liabilities. The ratio is a measure of how well the Bank uses shareholders' equity to generate earnings.
Cost to income ratio	Total operating expenses divided by total operating income.	Performance measure. A lower percentage indicates that operating expenses are low relative to operating income.
Non-performing financing receivables ratio	Non-performing financings divided by total gross financing receivables.	Asset quality measure.
Financing receivables loss coverage ratio	Impairment provisions in respect of financing receivables divided by non-performing financing receivables.	Asset quality measure. The ratio shows the sufficiency of provisions which the Bank has built in respect of its impaired financing receivables.
Financing receivables to deposits ratio	The sum of financing receivables and placements with banks and the CBK divided by the sum of depositors' accounts and due to banks and other financial institutions.	Liquidity measure. The financing receivables to deposit ratio is used to calculate the Bank's ability to make payments to customers withdrawing their deposits. A ratio of less than one implies that the Bank has relied on funds deposited by customers to make financing receivables. A ratio of more than one, implies that the Bank has extended financing

Metric	Definition and method of calculation	Rationale for inclusion
Net profit margin	Net profit for the year (or period) divided by operating income for the year (or period).	Profitability measure. The ratio measures the net profits the Bank is able to generate per 1 KD of operating income.
Net financing margin	Net financing income divided by average profit earning assets for the period. Profit earning assets comprise financing receivables, and placements with banks and the CBK.	The ratio measures the spread the bank generates on its profit earning assets.

These APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of the Bank's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Bank's liquidity.

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;
- **U.S. dollars, U.S.\$ and USD** are to the lawful currency of the United States; and
- **Euro or €** are to the currency introduced at the start of the third stage of European economic and monetary union.

Unless otherwise indicated, the financial information contained in this Base Prospectus has been expressed in dinar. The Bank's functional currency is the dinar and the Bank 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 Bank market share data included in this Base Prospectus represents the Bank's own estimates of its 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 Bank's actual market shares. Nevertheless, the Bank believes that its estimates of market share are helpful as they give prospective investors a better understanding of the industry in which the Bank 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 Organization 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 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 data 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 www.warbabank.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.

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;
- references to a **Member State** are references to a Member State of the European Economic Area; 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 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 be lawfully promoted.

Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any 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 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 securities 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 securities, 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 securities 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 securities 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.

NOTICE TO RESIDENTS IN THE KINGDOM OF SAUDI ARABIA

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 you do not understand the contents of this Base Prospectus you 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 or sold 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 and neither the Trustee nor the Bank is in a position to express a view on the likelihood of any such contingency occurring. 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 non-exhaustive list of factors described below represent the material 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 may occur for other reasons which may not be considered significant risks by the Trustee and/or the Bank based on information currently available to them or which they may not currently be able to anticipate. 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 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 18 March 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 Bank is affected by regional and global financial markets and economic conditions and could be materially adversely affected by any deterioration in economic conditions in Kuwait and the wider MENA region

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, both for financial institutions and their customers. As a result, many financial institutions have been compelled to rely on central banks and governments to provide liquidity and, in some cases, additional capital. Governments around the world, including in Kuwait and other countries in the MENA region, have taken actions intended to stabilise financial markets and prevent the failure of financial institutions. See "*Overview of Banking and Finance Regulations in Kuwait*". Despite such measures, international capital and credit markets have continued to experience volatility.

The business growth 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 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 Bank 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 Bank'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 the Certificates may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Bank.

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

As at 31 December 2018, the Bank's financing receivables portfolio amounted to KD 1,606,542 thousand compared to KD 1,263,322 thousand as at 31 December 2017 and KD 827,872 thousand as at 31 December 2016. The Bank's NPFs (including restructured assets) were KD 26,557 thousand as at 31 December 2018, compared to KD 18,649 thousand as at 31 December 2017 and KD 5,759 thousand as at 31 December 2016. Its provision for credit losses in respect of its customer financing portfolio amounted to 1.9 per cent., 1.6 per cent. and 1.5 per cent. of its gross customer financing portfolio as at 31 December 2018, 31 December 2017 and 31 December 2016, respectively.

As the Bank's customer financing portfolio expands and its credit exposure consequently increases, management of the Bank will need to continually monitor the credit quality of the portfolio. This will be particularly important in the light of current economic conditions in Kuwait. See "*Risk Management—Credit Risks*", Note 20 (b) to the 2018 Financial Statements and "*The Bank's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks*" below.

Credit losses could also arise from a deterioration in the credit quality of specific borrowers and counterparties of the Bank, 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 Bank's assets and require an increase in its provisions for the impairment of financing, securities and other credit exposures.

Any failure by the Bank to maintain the quality of its assets through effective risk management policies could lead to higher levels of defaults resulting in higher financing loss provisioning and write-offs, all of which would be likely to reduce the Bank's profitability.

A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances for doubtful financings and advances to customers would adversely affect the Bank's results of operations and financial condition

In connection with lending activities, the Bank periodically establishes impairment allowances for financing losses, which are recorded in its income statement. The Bank's overall level of impairment allowances is based upon its assessment of prior loss experience, the volume and type of lending being conducted, collateral held,

industry standards, past due financings, economic conditions and other factors related to the recoverability of various financings. Although the Bank endeavours to establish an appropriate level of impairment allowances based on its best estimate of the amount of incurred loss, it may have to significantly increase its impairment allowances for financing losses in the future as a result of increases in non-performing assets, deteriorating economic conditions leading to increases in defaults and bankruptcies, or for other reasons.

IFRS 9 has been introduced for financial reporting periods commencing from 1 January 2018, replacing IAS 39 and introducing an "expected credit loss" (**ECL**) model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

The Bank has adopted IFRS 9 effective 1 January 2018 which is reflected in the 2018 Financial Statements, except for the IFRS 9 requirement of ECL on financing facilities, which has been replaced by the CBK's requirement for credit losses. The Bank may avail the exemption allowing it not to restate comparative information for prior periods.

Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

Any significant increase in impairment allowances for financing losses or a significant change in the Bank's estimate of the risk of loss inherent in its portfolio of non-impaired financings, as well as the occurrence of financing losses in excess of the impairment allowances allocated with respect thereto, would have an adverse effect on its business, results of operations and financial condition.

The Bank is exposed to volatility in international oil prices and sustained lower prices could materially adversely affect the Bank

The Bank's operations are focused in Kuwait. In 2018, 74.1 per cent. of the Bank's maximum exposure to credit risk (including contingent liabilities) was concentrated in Kuwait, with a further 16.0 per cent. concentrated in the other MENA countries.

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, although prices have subsequently recovered slowly. For example, the monthly average price of the OPEC reference basket was U.S.\$51.68 in December 2016, U.S.\$62.06 in December 2017, U.S.\$56.94 in December 2018 and U.S.\$66.37 in March 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 Bank's business, results of operations and financial condition. This, in turn, could affect the Bank's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Bank's business may be impacted by ongoing unrest in the Middle East

The Bank's business is focused in Kuwait and the Bank intends to continue to focus on growing its business in Kuwait in the near future. Since 2010, 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 UAE, Saudi Arabia, the Kingdom of Bahrain and Egypt severed diplomatic relations with 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.

A significant proportion of the Bank's customers are located in Kuwait and the other GCC countries. Wars, acts of terrorism and uncertain political or economic prospects or instability in Kuwait and the other GCC countries may adversely impact regional financial markets and the Bank's business. Any renewed protests in the MENA region, including Kuwait or other GCC countries, could lead to significant political uncertainty. Financial market and political uncertainty in the GCC could decrease the Bank's customer deposits or its customers' demand for financing or other products offered by the Bank. Continued instability in the GCC could impact the Bank's operations and investments and could materially impact the financial prospects and condition of its customers. These factors could result in decreased asset values and increased provisions for the Bank. Such instability could also negatively affect the value of the Bank's investments in any affected countries.

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

As at 31 December 2018, approximately 70.3 per cent. of the Bank's corporate financing portfolio was fully or partially secured by collateral, including share pledges governed by Kuwaiti law and pledged real estate collateral. As at 31 December 2018, approximately 70.4 per cent. of the Bank's financing portfolio comprised financing to retail individuals secured by assignment of their salary and/or eligible collateral.

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

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

Any decline in the value or liquidity of such collateral, including a failure on the part of the customer to provide such additional collateral, may prevent the Bank from foreclosing on such collateral for its full value or at all in the event that a customer becomes insolvent and enters bankruptcy, and could thereby adversely affect the Bank's ability to recover the full amounts advanced to the customer.

The occurrence of any of the foregoing could have a material adverse effect on the Bank's business, results of operations and financial condition.

The Bank's financing portfolio, deposit base and investment securities portfolio are concentrated in Kuwait, the GCC and the MENA region

The Bank's credit risk exposures are mainly concentrated, geographically, in Kuwait and the MENA region. Together, the Bank's credit risk portfolios in Kuwait and the MENA region constituted 88.1 per cent. of its total credit risk exposures, or KD 1,996 million, as at 31 December 2018, 91.1 per cent. of its total credit risk exposures, or KD 1,664 million, as at 31 December 2017 and 96.6 per cent. of its total credit risk exposures, or KD 1,092 million, as at 31 December 2016. More than 94.6 per cent. of the Bank's customer financing portfolio as at 31 December 2018 was advanced to borrowers in the GCC, principally in Kuwait. See further Note 20 to the 2018 Financial Statements (incorporated by reference into this Base Prospectus) for further details of the Bank's geographic concentrations of financial assets and financial position items, with the majority in Kuwait.

The Bank's investment securities portfolio principally comprises sukuk, with KD 143,093 thousand or 75.28 per cent. of the investment securities portfolio being sukuk as at 31 December 2018. The issuers of these instruments are mainly sovereign or government-related entities and financial institutions.

The Bank's amounts due to banks and other financial institutions, and depositors' accounts constituted 98.2 per cent. of its total liabilities, or KD 1,888,241 thousand, as at 31 December 2018, as compared to 98.9 per cent. of its total liabilities, or KD 1,579,478 thousand, as at 31 December 2017 and 99.3 per cent. of its total liabilities, or KD 1,021,564 thousand, as at 31 December 2016. As is typical for banks in the GCC, the Bank has a material concentration of deposits from the Kuwaiti government and its related agencies which constituted approximately 64 per cent. of the Bank's total deposits as at 31 December 2018 and 70 per cent. as at 31 December 2017.

As a result, any deterioration in general economic conditions in Kuwait and the wider MENA region or any failure by the Bank to manage effectively its geographic risk concentrations could have a more significant adverse effect on the Bank's business than on that of a more diversified bank. See "*The Bank is affected by regional and global financial markets and economic conditions and could be materially adversely affected by any deterioration in economic conditions in Kuwait and the wider MENA region*" above.

The Bank has material customer and sector concentrations

The Bank's 20 largest financing receivables outstanding as a percentage of its gross customer financing portfolio was 28 per cent. as at 31 December 2018, 31 December 2017 and 31 December 2016.

Although diversified by industry sector, the Bank's credit risk exposure with respect to financing receivables is concentrated in the construction and real estate sector, which accounted for 31 per cent. of the Bank's total credit risk exposure as at 31 December 2018, 26 per cent. as at 31 December 2017 and 28 per cent. as at 31 December 2016.

As a result, a material weakening in the credit quality of, or a default by, any one or more of the Bank's large financing customers, or any factors which negatively impact either of the sectors to which the Bank has significant exposure, could result in the Bank having to make significant additional loss provisions and experiencing reduced income. Sector specific factors might include:

- a significant decline in real estate values which would weaken the credit quality of the Bank'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 Bank 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 their financing and also the liquidity and profitability of the Bank's financial institution customers.

Following a severe downturn associated with the global financial crisis, the Kuwaiti property market has experienced a period of recovery. 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 Bank in respect of many of its ijara financings which could lead to an increase in its impairment provisions and reduced profitability. In addition, a large portion of the Bank'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 Bank customers receiving lower rental yields than anticipated and experiencing difficulty selling properties which could impact their ability to make payments on their financing in a timely manner, which could also lead to an increase in the Bank's impairment provisions and reduced profitability.

In terms of liabilities, the Bank's 20 largest deposits as at 31 December 2018 constituted 75 per cent. of its total customer deposits compared to 80 per cent. and 85 per cent. of its total customer deposits as at 31 December 2017 and 31 December 2016, respectively. The withdrawal or non-renewal of its deposits by any one or more of the Bank's large depositors could require the Bank to obtain replacement funding from other sources which may not be readily available or may be significantly more expensive, which would reduce the Bank's net profit margin and adversely impact its operating income and profitability. See further "*The Bank is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business*" below.

The Bank has material credit-related contingent liabilities and commitments that may lead to potential losses

As part of its normal banking business, the Bank issues guarantees, letters of credit (LCs) and acceptances which are accounted for off the Bank's balance sheet until such time as they are actually funded or cancelled. In addition, the Bank makes irrevocable commitments to advance financing to its customers. Although these commitments are contingent, they nonetheless subject the Bank to both credit and liquidity risks. As at 31 December 2018, the Bank had KD 124,419 thousand in contingent liabilities and commitments outstanding, equal to 7.2 per cent. of its combined customer financing portfolio and contingent liabilities and commitments.

Although the Bank anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, the Bank may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This would result in the Bank needing to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive, which would reduce the Bank's net profit margin and adversely impact its operating income and profitability.

The Bank 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 Bank is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Bank'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 advanced financing or in which it has invested. For example, if one of the Bank's financing customers becomes associated with financial scandals or widely publicised improper behaviour, the Bank's own reputation may be affected.

In common with other banks, the Bank is also exposed to adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Bank 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 damage to the Bank's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Bank.

The Bank 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 financing market, and given the high level of interdependence between financial institutions that became most evident following the bankruptcy of Lehman Brothers in 2008, the Bank 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 Bank 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 Bank interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on the Bank's ability to raise new funding and on its business generally.

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

Liquidity risk is the risk that the Bank 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 Bank'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 "*The Kuwaiti*

government is under no obligation to support the Bank and there is no assurance that the Bank will receive future support that is commensurate with the support that it has received in the past" below.

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

The Bank relies on both customer and interbank deposits, as well as deposits from the Kuwaiti government and its related agencies, which are mainly short-term and generally low cost in nature, to meet most of its funding needs. The availability of deposits is subject to fluctuation due to factors outside the Bank'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 31 December 2018, 26 per cent. of the Bank's non-equity funding (which comprises amounts due to banks and other financial institutions and customer deposits) had remaining contractual maturities of up to one month or was payable on demand and a further 62 per cent. had remaining maturities of one year or less or was payable on demand. The Bank may experience outflows of deposits at times when liquidity is constrained generally in Kuwait or when its major depositors experience short- or longer-term liquidity requirements. Particularly if international oil and gas prices decrease significantly, the Bank's large Kuwaiti governmental depositors may start to withdraw part or even all of their deposits with it. In addition, the Bank's deposits are predominantly concentrated in Kuwait and the Bank is reliant on certain large deposits from a limited number of government-related customers. See "*The Bank's financing portfolio, deposit base and investment securities portfolio are concentrated in Kuwait, the GCC and the MENA region*" above and "*The Bank has material customer and sector concentrations*" above.

If a substantial portion of the Bank's depositors, or any of its largest depositors, withdraw their demand deposits or do not roll over their time deposits at maturity, the Bank may need to invoke contingency funding and seek other sources of funding or may have to liquidate its investment securities portfolio. There can be no assurance that the Bank 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 Bank is forced to sell assets to meet its funding requirements, it may suffer material losses as a result.

In extreme cases, if the Bank is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, through deposits, the interbank markets, the international capital markets or through asset sales, this would have a material adverse effect on its business generally and could, potentially, result in its insolvency.

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

The Bank is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. These controls include laws and regulations promulgated by the **CBK**, the Kuwait Capital Markets Authority (the **CMA**) and Boursa Kuwait and are further described under "*Overview of Banking and Finance Regulations in Kuwait*".

The regulations to which the Bank is subject may limit its ability to carry on certain parts of its business, to increase its 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 Bank. Furthermore, non-compliance by the Bank 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 Bank 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 Bank is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

The Bank is also required to comply with applicable know-your-customer, anti-money laundering and counter-terrorism financing laws and regulations in Kuwait and other jurisdictions where it operates, including those related to countries subject to sanctions by the United States Office of Foreign Assets Control (**OFAC**), similar regulations of other jurisdictions, and applicable anti-corruption laws in the jurisdictions in which it conducts

business. To the extent that the Bank fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged and it could be subject to fines or other monetary penalties, which could materially adversely impact its cash flow and profitability.

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 issuer default rating of A+ with a stable outlook from Fitch and a long-term foreign and local currency bank deposits rating of Baa2/Prime-2 with a stable outlook and a counterparty risk rating (CRR) of Baa1 from Moody's. These ratings, which are intended to measure the Bank's ability to meet its obligations as they mature, are an important factor in determining the Bank's cost of funding.

There is 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 ability to raise funding;
- increase the Bank's cost of funding; and
- limit the Bank's ability to raise capital.

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

According to Moody's and Fitch, 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. Any event that causes these or any other applicable rating agency in the future to adjust this view would be likely to result in a negative change in the Bank's rating. See "*The Kuwaiti government is under no obligation to support the Bank and there is no assurance that the Bank will receive future support that is commensurate with the support that it has received in the past*" below.

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

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

As at 31 December 2018, the Bank's CET1 capital adequacy ratio (calculated according to Basel III standards) was 16.58 per cent. and its total capital adequacy ratio was 24.26 per cent., in each case above the levels required by the CBK at that date of 9.5 per cent. (CET1 capital) and 13.0 per cent. (total capital). The Bank's CET1 capital adequacy ratio was 12.02 per cent. and its total capital adequacy ratio was 22.46 per cent. as at 31 December 2017 compared to 16.83 per cent. and 18 per cent., respectively, as at 31 December 2016.

A variety of factors may affect the Bank's capital adequacy levels. For example, an increase in lending during 2019 and beyond is likely to reduce the Bank'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 Bank may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

As a result and notwithstanding the issue of any Certificates under the Programme, the Bank may need to obtain additional capital in the future. Such capital, whether in the form of financing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, should the Bank's capital ratios fall close to regulatory minimum levels or the Bank's own internal minimum levels, the Bank may need to adjust its business practices, including reducing the risk and leverage of certain activities or undertaking asset disposals. If the Bank is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase and it may suffer regulatory sanctions. In addition, the Bank's inability to grow capital may limit the Bank's ability to attract large corporate customers, due to regulatory limits on exposures to a single borrower.

The Kuwaiti government is under no obligation to support the Bank and there is no assurance that the Bank will receive future support that is commensurate with the support that it has received in the past

The State of Kuwait, represented by KIA (as defined below) owns 25.630 per cent. of the Bank's total shares (see further "*Description of the Bank*"). 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.

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

The Bank faces high levels of competition for all of its products and services in Kuwait. In particular, the Bank competes with other domestic banks, conventional and Islamic, and as such competition may increase. See "*Description of the Bank – Competition*".

The Kuwaiti banking sector comprises five locally-based conventional commercial banks, five locally-based banks operating in accordance with the provisions of Islamic Shari'a and branches of twelve other non-Kuwaiti banks. In addition, a specialised bank and a branch of a Saudi Arabian bank operating according to the provisions of Islamic Shari'a are also licensed to operate in Kuwait. The Bank's relatively small size compared to other banks in Kuwait could constrain its efforts to attract very large corporate customers.

The Bank believes that, in order to compete effectively, it will need to successfully implement its strategy, as described in "*Description of the Bank – Strategy*".

Any failure by the Bank 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 Bank could be adversely affected by market risks

The Bank could be adversely affected by market risks that are outside its control, including, without limitation, volatility in prices of securities, currency exchange rates and profit rates.

As a financial intermediary, the Bank 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 Bank may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Bank 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 Bank 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 Bank against such risks. See Note 20 (c) to the 2018 Financial Statements which illustrates the Bank's sensitivity to a 1 per cent. change in the exchange rate of the U.S. dollar against the Kuwaiti dinar as at 31 December 2018 and 31 December 2017.

The Bank maintains a small portfolio of available-for-sale equity securities in its investment securities portfolio. Any changes in the fair value of these securities, for example as a result of changing equity prices where the securities are quoted on an active market, has an impact on the Bank's equity. In addition, the Bank's income from securities operations depends on numerous factors beyond its control, such as overall market trading activity, profit rate levels, fluctuations in currency exchange rates and general market volatility.

The Bank is susceptible to profit rate risk as the value of the Bank's fixed income investments and/or return on financing are inversely proportional to movements in market rates. In addition, changes in profit rates might also adversely impact the Bank's net earnings or earnings spread.

Adverse movements in international interest rates and foreign exchange rates may also adversely impact the revenues and financial condition of the Bank's depositors, borrowers and other counterparties which, in turn, may impact the Bank's deposit base and the quality of its credit exposures to certain borrowers and other counterparties.

Ultimately, there can be no assurance that the Bank will be able to protect itself from any adverse effects of a currency revaluation or future volatility in international interest rate or currency exchange rates or from a significant change in the prices of its securities.

Rising inflation, or deflation, may adversely affect the Bank'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 Bank's profitability by adversely affecting property values, which could have an adverse effect on the Bank'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.

The Bank 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 Bank's IT 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, IT failures), natural disasters or the failure of external systems (for example, those of the Bank's counterparties or vendors). The Bank 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 Bank faces. Losses from the failure of the Bank's system of internal controls could have a material adverse effect on its business generally and its reputation.

The Bank's employees could engage in misrepresentation, misconduct or improper practice that could expose the Bank 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 Bank 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 Bank 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 Bank's reputation.

The Bank 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 Bank's business and operating data. The proper functioning of the Bank'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 Bank's business and ability to compete effectively. The Bank'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 Bank's control, including natural disasters, extended power outages, computer viruses and malicious third party intrusions. The proper functioning of the Bank'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 Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. The Bank 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 Bank from all losses that could occur, including as a result of factors beyond the control of the Bank.

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 Bank's business, disclosure of confidential information, create significant financial and/or legal exposure and damage the Bank's reputation.

The Bank'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 Bank'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 Bank's risk management systems. Some of the Bank'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 Bank's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Bank 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 Bank's risk management or other internal control policies or procedures may expose it to significant losses as a result of unidentified credit, liquidity, market or operational risks, should they occur.

The Bank's internal compliance systems might not be fully effective in all circumstances

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

The Bank 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 Bank'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 the Bank could face challenges in recruiting and retaining such personnel to manage its businesses.

The Bank depends on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent the Bank from implementing its strategies. The Bank is also not insured against losses that may be incurred in the event of the loss of any member of its key personnel.

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

Accounting policies and methods are fundamental to how the Bank records and reports its financial condition and results of operations. Management must exercise judgement in selecting and applying many of these accounting policies and methods so they comply with IFRS.

Management has identified the most significant judgments and estimates made by it in note 2.4 to the 2018 Financial Statements. These judgements and estimates include, for example, the determination of when assets may be impaired, the classification of financial assets, the calculation of ECLs in respect of its financing receivables and the determination of fair values of financial assets and financial liabilities.

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

RISKS RELATED TO THE REGION IN WHICH THE OBLIGOR OPERATES

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 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 Bank's business include, without limitation, the following:

- political, economic or social instability;
- external acts of warfare, civil clashes or other hostilities or conflict;
- domestic unrest or violence;

- increases in inflation and the cost of living;
- changing tax regimes and tax laws, including the possible introduction of value added tax (VAT) in Kuwait and the imposition of other taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions (see also, "*Kuwait may introduce VAT*");
- 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 Bank to enforce its intellectual property and contractual rights;
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles; and
- logistical and communications challenges.

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

Kuwait may introduce VAT

Although Kuwait does not currently impose 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 **Framework**). The national legislation in Kuwait implementing the Framework has yet to be promulgated and no Kuwait-specific details of the regime have been released as at the date of this 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 Bank's customers which could negatively impact demand for the Bank's services.

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

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

As the legal environment remains subject to continuous development, investors in Kuwait and the other GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in Kuwait and the other GCC countries may have a material adverse effect on the rights of holders of the Certificates or on the investments that the Bank has made or may make in the future, which may in turn have a material adverse effect on the Bank's business generally.

The statistical data contained in this document should be treated with caution by prospective investors

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

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

Kuwait may introduce corporate income tax

The Bank is not currently subject to corporation tax on its earnings within Kuwait. However, on 14 March 2016 the Kuwait Cabinet of Ministers approved plans to implement a corporate tax of 10 per cent. on the annual profits of Kuwaiti incorporated entities (the **Proposed Corporate Income Tax**), which may be applicable to the Bank for future financial years. As at the date of this 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 Bank (whether in the form of the Proposed Corporate Income Tax or otherwise), or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Bank's business, results of operations, cash flows and financial condition.

RISKS RELATING TO THE CERTIFICATES

The Certificates are limited recourse obligations of the Trustee

The Certificates 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, 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), the Delegate, any Agent or (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is party) the Bank 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.

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. The sole right of the Trustee, the Delegate and the Certificateholders against the Bank shall be to enforce the obligation of the Bank to perform its obligations under the Transaction Documents to which it is a party.

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 Shari'a Supervisory Board of the Bank, the Shari'a Supervisory Committee of BNP Paribas 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 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 accountholders in the clearing systems with

entitlements to such global certificate or, 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), provided that the Trustee, the Bank and the Delegate (as the case may be) have obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution.

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, without the consent or sanction of Certificateholders (a) agree to any modification of the Trust Deed, any of the other Transaction Documents 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, or (b)(i) give its consent under the Transaction Documents and agree to any other modification of any provisions of the Trust Deed, the Transaction Documents 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 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 relevant Series for the time being outstanding and, in the case of modifications referred to in paragraph (b)(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, unless the Delegate agrees otherwise, 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"

Interest 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 in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Certificates referencing such a benchmark.

Regulation (EU) 2016/1011 (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.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including, without limitation, if LIBOR, EURIBOR or another relevant benchmark ceases to be published for a period of at least 5 Business Days or ceases to exist. 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, 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. An Adjustment Spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to investors as a result of the replacement of the relevant benchmark. However, it may not be possible to determine or apply an Adjustment Spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Profit Rate (or the relevant component thereof). The use of a Successor Rate or Alternative Reference Rate (including with the application of an Adjustment Spread) will still result in any Certificates linked to or referencing a benchmark performing differently (which may include payment of a lower Profit Rate) than they would if such benchmark 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, the ultimate fallback for the purposes of calculation of the Profit Rate (or the relevant component part thereof) may result in the Profit Rate (or the relevant component part thereof) being 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). 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.

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, no investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Assets. The Wakala Assets will be selected by the 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. No steps will 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) 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 or the Certificateholder Put Right Exercise Price, as the case may be, is not paid in accordance with the Purchase Undertaking for any reason whatsoever (including, for example, as a result of a dispute or challenge in relation to the obligation of the Bank to buy-back the Trustee's interest in the relevant Wakala Assets due to the initial transfer to the Trustee being void for the reason stated above), 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. 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 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 or Certificateholder Put Right 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 or Certificateholder Put Right 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.

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 which have previously been published and have been filed with the Central Bank of Ireland shall be incorporated by reference in, and form part of, this Base Prospectus:

- (a) the interim condensed consolidated financial information of the Bank as at and for the three months ended 31 March 2019 together with the review report thereon and the notes thereto (available at: <https://www.warbabank.com/media/redactor/FS-Warba%20Bank%2031%20Mar%202019%20Eng.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://www.warbabank.com/media/redactor/FS-Warba%20Bank%2031%20Dec%202018%20Signed%20ENG.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://www.warbabank.com/media/redactor/Warba%20Bank-Eng-31%20Dec%202017.pdf>).

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Trustee and from the specified office of the Principal Paying Agent.

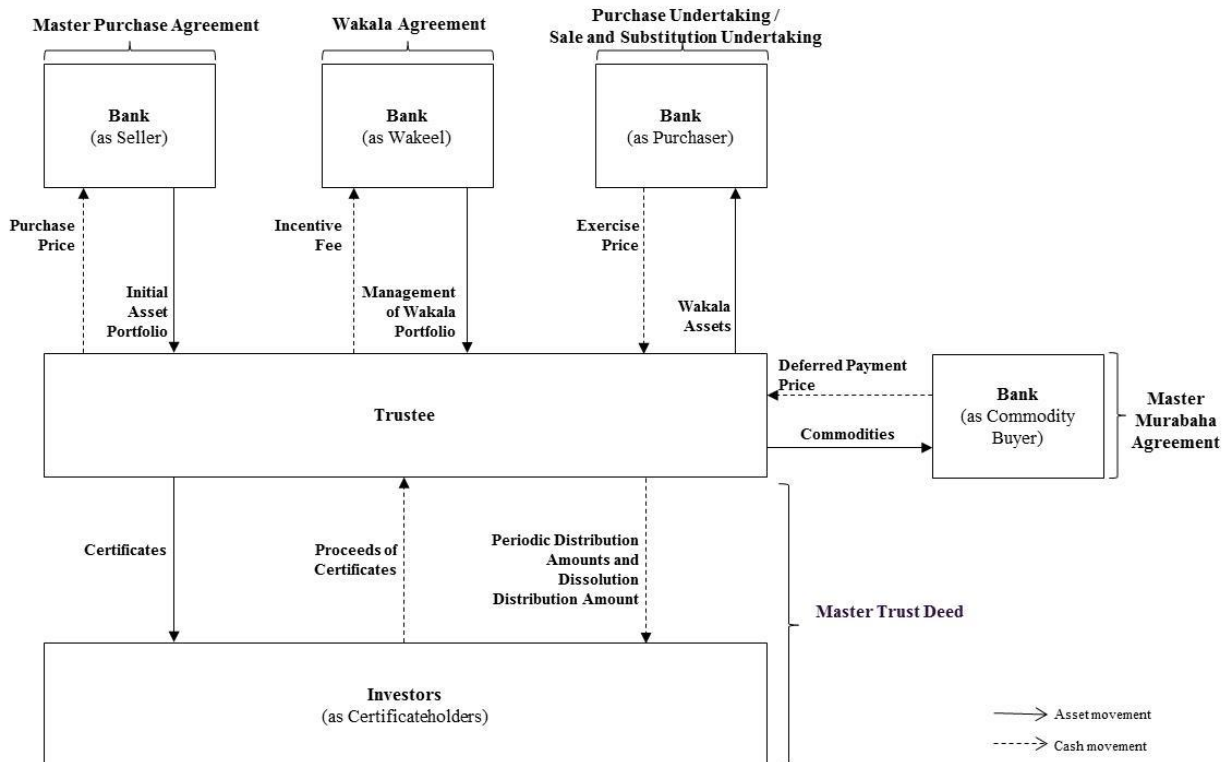
Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

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:

- (a) 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 Asset Portfolio** or, in the case of each subsequent Tranche of such Series, the **Additional Assets**) which are further described below; and
- (b) the remaining portion of the proceeds of the relevant Issue Price as specified in the applicable 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 Asset Portfolio, 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**.

Eligible Assets means:

- (a) tangible assets in relation to which the Bank or any person on its behalf has entered into Shari'a compliant financing contracts (the **Financing Assets**) provided, however, that each such Financing Asset is in existence on the date on which it enters the relevant Wakala Portfolio and, in the case of any Financing Assets that include real estate assets, such assets are located in Kuwait; and
- (b) tradable Shari'a compliant income-generating assets (including, without limitation, any tradable sukuk), other than Financing Assets or equity securities, that have associated with them underlying tangible assets or asset portfolios (the **Other Tangible Assets**).

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 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 the same into the Transaction Account. If having applied such amounts from the Reserve Account, there remains a shortfall, the Wakeel 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.

- Bank:** Warba Bank K.S.C.P., a Kuwaiti public shareholding company incorporated in Kuwait on 17 February 2010 with its registered office at Sanabil Tower, 26th – 28th Floor, Abdullah Al Ahmed Street, P.O. Box 1220, Safat 13013, Kuwait.
- Trustee:** Warba Sukuk Limited, an exempted company with limited liability incorporated on 18 March 2019 under the Companies Law (2018 Revision) of the Cayman Islands and formed and registered in the Cayman Islands with company registration number 349273 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.
- Trustee (LEI):** 549300BY1IZV1E6BKJ60.
- Ownership of the Trustee:** The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by MaplesFS Limited under the terms of a share declaration of trust dated 8 July 2019 (the **Share Declaration of Trust**).
- Administration of the Trustee:** The affairs of the Trustee are managed by MaplesFS Limited, a licensed trust company in the Cayman Islands (the **Trustee Administrator**), with registered office at P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands, who will provide, amongst other things, corporate administrative services, director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement dated 8 July 2019 between the Trustee and the Trustee Administrator (the **Corporate Services Agreement**).
- Arrangers:** BNP Paribas, Emirates NBD Bank P.J.S.C. and Standard Chartered Bank (the **Arrangers**).
- Dealers:** BNP Paribas, Emirates NBD Bank P.J.S.C. 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.
- Delegate:** Citibank N.A., London Branch (the **Delegate**). In accordance with the Master Trust Deed, the Trustee will, *inter alia*, unconditionally and irrevocably appoint the Delegate to be its delegate and attorney and to exercise certain present and future rights, powers, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed in accordance with the terms of the Master Trust Deed. In particular, the Delegate shall be entitled 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.
Principal Paying Agent and Transfer Agent:	Citibank N.A., London Branch
Registrar:	Citigroup Global Markets Europe AG
Initial Programme Size:	Up to U.S.\$2,000,000,000 (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.
Method of Issue:	The Certificates may be issued on a syndicated or non-syndicated basis. The specific terms of each Series will be recorded in the Final Terms.
Issuance in Series:	Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Certificates of each Series will have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.
Currencies:	Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a Specified Currency) agreed between the Trustee, the Bank and the relevant Dealer.
Maturities:	The Certificates will have such maturities as may be agreed between the Trustee, the Bank and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee, the Bank or the Specified Currency.
Issue Price:	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, the Bank and the relevant Dealer(s) 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 European Economic Area or offered to the public in a Member State of the European Economic Area, in circumstances which require the publication of a prospectus under the Prospectus Directive, 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) the rights, title, interest, benefits and entitlements, present and future of the Trustee, in, to and under the Wakala Portfolio; (c) 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); and (d) all moneys standing to the credit of the relevant Transaction Account from time to time; and 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 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 paragraph (c) of the definition of Obligor Event corresponding thereto.
- Dissolution on the Scheduled Dissolution Date:** Unless the Certificates are previously redeemed or purchased and cancelled, 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.
- Dissolution Distribution Amount:** In relation to each Certificate of a Series, either:
- (a) the sum of:
 - (i) the outstanding face amount of such Certificate; and
 - (ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
 - (b) such other amount specified in the applicable Final Terms as being payable upon the relevant Dissolution Date.
- Early Dissolution:** The Certificates may be redeemed, in whole or (to the extent specified in the Conditions and the applicable Final Terms) in part, prior to the Scheduled Dissolution Date upon the:
- (a) occurrence of a Tax Event;
 - (b) exercise of an Optional Dissolution Right (if so specified in the applicable Final Terms);
 - (c) exercise of a Certificateholder Put Right (if so specified in the applicable Final Terms); or
 - (d) occurrence of a Dissolution Event,
- in each case, at the relevant Dissolution Distribution Amount on the relevant Dissolution Date.
- Dissolution Events:** 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.
- Early Dissolution for Tax Reasons:** 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 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).

Optional Dissolution Right:

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.

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

Certificateholder Put Right:

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).

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

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).

Limited Recourse:

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

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

See further Condition 4(b).

Form and Delivery of the Certificates:

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

Clearance and Settlement:

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

Withholding Tax:

All payments in respect of the Certificates are to be made free and clear of, and without withholding, retention or deduction for, or on account of, any present or future taxes, 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.

Certificateholder Meetings:

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 15.

Tax Considerations:

See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

Governing Law and Dispute Resolution:

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

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

The Master Purchase Agreement, each Supplemental Purchase Agreement and each sale agreement entered into pursuant to the

Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, will be governed by, and construed in accordance with, the laws of Kuwait. In respect of any dispute thereunder, the Bank has also agreed to arbitration in London under the Rules.

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

Waiver of Sovereign Immunity:

The Bank has agreed in each of the Transaction Documents to which it is a party that, to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process 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 will not claim and has irrevocably and unconditionally waived such immunity in relation to any disputes under any such Transaction Document. Further, the Bank has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgement proceedings and injunctions in connection with any disputes under any Transaction Document to which it is a party.

Transaction Documents:

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

Rating:

The Bank has been assigned long-term ratings of A+ with a stable outlook and Baa2 with a stable outlook by Fitch and Moody's, respectively.

The Programme has been assigned a rating of A+ by Fitch.

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 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 European Economic Area, 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 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.*

Warba Sukuk Limited (in its capacity as issuer and in its capacity as trustee, 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.\$2,000,000,000 (or the equivalent in other currencies calculated as described in the programme agreement between the Trustee, Warba Bank K.S.C.P. (the **Obligor**) and the Dealers named therein dated 18 July 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 18 July 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 18 July 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 during usual business hours from the registered office of the Trustee and the specified office of the Principal Paying Agent.

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 terms and conditions 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;

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 specified in 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 8 July 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, in respect of a Series in respect of which Fixed Periodic Distribution Provisions is specified as applicable in the applicable Final Terms, 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;

Group means the Obligor and its Subsidiaries taken as a whole;

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) or any Shari'a compliant alternative of the foregoing other than any such obligations, guarantees or indemnities owing or given by one member of the Group to another member of the Group;

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 relevant 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 18 July 2019 between the Trustee, the Obligor and the Delegate;

Master Purchase Agreement means the master purchase agreement dated 18 July 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 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 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 other covenants or obligations in the Transaction Documents to which it is a party, which failure: (i) is, in the opinion of the Delegate, incapable of remedy; or (ii) (if, in the opinion of the Delegate, such failure is capable of remedy) is not, in the opinion of the Delegate, remedied within the period of 30 days after written notice of such failure shall have been given to the Obligor by the Trustee (or the Delegate) requiring the same to be remedied; or
- (c) any 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 an event of default (however described) provided, however, that each such event mentioned in this paragraph (c) shall not constitute an Obligor Event unless the aggregate amount (or its equivalent in U.S. dollars) of all such Indebtedness, either alone or when aggregated with all other Indebtedness, which shall remain unpaid or unsatisfied or is so declared or becomes due and payable or is called, as the case may be, shall be more than U.S.\$25,000,000 (or its equivalent in any other currency or currencies); or
- (d) any order is made by any competent court or resolution passed for the winding-up or dissolution of the Obligor or any Principal Subsidiary of the Obligor, save 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.\$25,000,000 (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, 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 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 all cases of (i) and (ii), 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.\$25,000,000 (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 later of the first date on which: (a) a step is taken to enforce the relevant Security Interest(s); or (b) the Obligor and/or the relevant Principal Subsidiary of the Obligor, as the case may be, is notified that a step has been 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, 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 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
 - (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), (k) or (m) 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 specified in Condition 9(c);

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

Periodic Distribution Amount has the meaning given to it in Condition 8(a) or 8(b), as applicable;

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;

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;
- (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 10 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 financial statements (consolidated or, as the case may be, unconsolidated) 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 the provisions hereof;

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 18 July 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 such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

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;

Sale and Substitution Undertaking means the sale and substitution undertaking dated 18 July 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 or the relevant Principal Subsidiary, 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 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) that is consolidated in the

Obligor's consolidated financial statements; or (d) which the Obligor otherwise, directly or indirectly, controls or otherwise has the power to, directly or indirectly, control the affairs and/or policies of such Person;

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;

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

Trustee Administrator means MaplesFS Limited;

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 the 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 all or a substantial 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), (f) or (h) 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 and Condition 13) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts;

Wakala Agreement means the wakala agreement dated 18 July 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 and, save as provided in Condition 3(c), each 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 Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the registered holder 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 an interest in it, any writing on it or its theft or loss) and no person shall be liable for so treating the holder. The registered 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 and capitalised terms have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Certificates.

*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. The Conditions are modified by certain provisions contained in the Global Certificate.*

Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive 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 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 Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new 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 certificate representing the enlarged holding shall only be issued against surrender of the certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to 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 Options or Partial Dissolution in Respect of Certificates:** In the case of an exercise of the Obligor's or the Certificateholders' option in respect of, or a partial redemption of, a holding of Certificates represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- (c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 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 Certificate for exchange. Delivery of the new Certificate 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 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 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 on registration, transfer, exercise of an option or partial dissolution shall be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment of any stamp duty, tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security as the Trustee, 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 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. 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 Obligor (in any capacity) to the Trustee under the Transaction Documents to which it is a party in respect of each Series of Certificates are direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7) unsecured obligations of the Obligor and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Obligor from time to time outstanding.

- (b) **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, the Obligor, any of the Agents or any of their respective affiliates.

The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets 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 shareholders, directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and further acknowledge and agree that 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 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 relevant Trust Assets), or the Trustee Administrator, the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, 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, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (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 payments under the relevant Transaction Documents to which it is a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate 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) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;
 - (iii) 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); and
 - (iv) all moneys standing to the credit of the Transaction Account from time to time,

and 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 due on or before a Periodic Distribution Date (to the extent not previously paid) to pay, *pro rata* and *pari passu* (A) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as trustee; and (B) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement in its capacity as trustee administrator and provider of registered office services, in each case as notified to the Trustee and the Obligor on or before such Periodic Distribution Date;
 - (iii) *third*, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
 - (iv) *fourth*, only if such payment is due on a Dissolution Date, in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
 - (v) *fifth*, only on the Scheduled Dissolution Date (or any earlier date on which the Certificates are redeemed in full) and provided that all amounts required to be paid in respect of the Certificates hereunder 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.

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 contemplated in the Transaction Documents;
- (b) secure any of its present or future indebtedness by 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) and other than 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 interests 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);

- (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 Transaction Documents to which it is a party 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 ensure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future 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: (a) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is party (in whatever capacity) or (b) providing such security for those obligations 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. Each such amount of profit is referred to in these Conditions as a **Periodic Distribution Amount**. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 10.
- (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. Each such amount of profit is referred to in these Conditions as a **Periodic Distribution Amount**. 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. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 10.

- (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 Periodic Distribution Period in the applicable Final Terms, the Profit Rate for such Periodic Distribution 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 Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Periodic Distribution Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Periodic Distribution Period, provided however that, if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

(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 such Reference Rate, then the Trustee and the Bank may elect to 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 for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates. 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) shall be the Reference Rate for each of the future Return Accumulation Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 8(c));
- (iii) if the Independent Adviser, following consultation with the Trustee and the Bank, determines that: (A) an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be); and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such 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) by reference to such Successor Rate or Alternative Reference Rate (as applicable);
- (iv) if any Successor Rate, Alternative Reference Rate or 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 Master 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 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 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 Master 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, provided that none of the Delegate nor any Agent shall be required to effect any such Benchmark Amendments if the same 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.

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 Principal Paying Agent, certifying that such Benchmark Amendments are: (x) in the Bank's reasonable opinion (following consultation with the Trustee and the Independent Adviser), necessary to give effect to any application of this Condition 8(c); and (y) 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;

- (v) the Trustee (failing which, the Bank) shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any amendments to these Conditions, the Master Trust Deed and/or any other Transaction Document, give notice to the Delegate, the Agents and, in accordance with Condition 18, the Certificateholders 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; and

- (vi) if, following the occurrence of a Benchmark Event and in relation to the determination of the Profit Rate (or the relevant component thereof) on the immediately following Profit Rate Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Profit Rate (or the relevant component part thereof) 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). 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 subsequent operation of and to adjustment as provided in, this Condition 8(c).

For the purposes of this Condition 8(c):

Adjustment Spread means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser (in consultation with the Trustee and the Bank), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Certificateholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the 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) determine 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 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, by a specified date within the following six months, 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, by a specified date within the following six months, 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 within the following six months; 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;

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

Independent Adviser means an independent financial institution of international repute or an independent adviser 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 the rate that the Independent Adviser (in consultation with the Trustee and the Bank) determines is 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 each Certificate on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall, subject to the terms of the Transaction Documents, 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 a sale agreement is 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 halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves 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) **Determination and 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 relevant 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 and any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information. If the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, the Calculation Agent shall notify 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:

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

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

- (vi) if **30E/360** or **Eurobond Basis** is specified in the applicable 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:

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

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ 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:

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

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ 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 D₁ will be 30; and

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

- (viii) if **Actual/Actual-ICMA** is specified in the applicable 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 the 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 and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Final Terms following the payment of all such amounts in full.

(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 any 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 (without liability to any person), 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 any Minimum Optional Dissolution Amount to be redeemed specified in the applicable Final Terms and no greater than any 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). If the Certificates are to be redeemed in whole, but not in part, on any Optional Dissolution Date in accordance with this Condition 9(c), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

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 deems 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 certificate representing such Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (**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 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 and continuation 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.
- (g) **Cancellation:** Any Certificates purchased by or on behalf of the Obligor or any of the Obligor's Subsidiaries may be surrendered for cancellation by surrendering the 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 and 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 the Certificates are cancelled in whole, but not in part, 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 and the subsequent dissolution of the Trust as provided in this Condition 9 and/or Condition 13 (as the case may be), 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.

10 Payments

- (a) **Method of Payment:** Payments of the Dissolution Distribution Amount shall be made against presentation and surrender of the relevant 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 paid 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.

- (b) **Payments subject to Laws:** Payments will be 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 (as amended, the **Code**) or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or 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 the 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 with respect to any Certificate:

- (a) **Other connection:** the holder of which 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; or
- (b) **Surrender more than 30 days after the Relevant Date:** if the relevant Certificate 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 the 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 Certificate being made in accordance with the 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.

Notwithstanding any other provision in these Conditions or the Transaction Documents, in no event will the Trustee or the Obligor be required to pay any additional amounts in respect of the Certificates for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

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) of the appropriate Relevant Date in respect of them.

13 Dissolution Events

- (a) **Dissolution Event:** If a Dissolution Event occurs and is continuing:
 - (i) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise upon 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 shall if so requested 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 or if so directed by an Extraordinary Resolution (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:** Upon the occurrence and continuation of a Dissolution Event, to the extent that 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 (in each case subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) may (acting for the benefit of the Certificateholders) 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, steps or proceedings as the Trustee or the Delegate 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, step or proceeding to enforce or to realise the relevant Trust Assets or take any action or steps or 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 either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (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 by reason of an order of a court having competent authority to do so, and 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 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 relevant Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate or the Agents or any other person (including the Obligor) to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a

party)) to recover any further sums in respect of the Certificates of the relevant Series 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 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 not less than a clear majority 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: (i) to amend any Dissolution Date in respect of the Certificates or any date for payment of Periodic Distribution Amounts in respect of the Certificates, (ii) to reduce or cancel the face amount of, or any premium payable on redemption of, the Certificates, (iii) to reduce the rate or rates of profit in respect of the Certificates or to vary 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 and the applicable Final Terms), (iv) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Final Terms, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate, (v) to vary any method of, or basis for, calculating the Dissolution Distribution Amount, (vi) to vary the currency of payment or denomination of the Certificates, (vii) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (viii) to modify or cancel 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), (ix) to amend any of the Obligor's covenants included in the Transaction Documents, or (x) to amend the above list, in which case the necessary 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).

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.

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), without the consent or sanction of the Certificateholders, (i) agree to any modification of these Conditions, the Trust Deed, the Transaction Documents 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, or (ii) (A) give its consent under the Transaction Documents and agree to any other modification of any of the provisions of these Conditions, the Trust Deed, the Transaction Documents 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 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 that Series for the time outstanding and, in the case of modifications under paragraph (ii)(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 the Certificateholders and, unless the Delegate agrees otherwise, such modification shall be notified by the Trustee to the Certificateholders in accordance with Condition 18 as soon as practicable.

- (c) **Entitlement of the Delegate:** In connection with the exercise by it of any of its powers, trusts, authorities and discretions under these presents (including, without limitation, any modification), 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 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 attorney and in its name, on its behalf and as its act and deeds, 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 it from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, each of the Trustee and the Delegate shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Certificateholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the

security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

- (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 it 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 paid by the Obligor or the Trustee but are not so paid 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 rely on any certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or the Obligor (as applicable) or any other expert or other person called for by or provided to the Delegate or the Trustee (whether or not addressed to the Delegate or Trustee) in accordance with or for the purposes of the Trust Deed or the other Transaction Documents and such certificate, report or information may be relied upon by the Delegate and the Trustee (without liability to any person) as sufficient evidence of the facts stated therein, notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate or the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Obligor (as applicable) or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such certificate, report or information may be limited by an engagement or similar letter or by the terms of the certificate, report or information itself and the Delegate or the Trustee shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by their 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 and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for 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 responsible for monitoring or ascertaining whether or not a Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing and, unless 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 or circumstance exists or has occurred or is continuing (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 (i) the Delegate is entitled, *inter alia*, to enter into transactions in the ordinary course of business with the Trustee, the Obligor and/or any other party to a Transaction Document or any person or body corporate directly or indirectly associated with the Trustee, the Obligor or such other party and to accept the trusteeship of or act as delegate in relation to the issuance of any other debenture stock, debentures or securities of the Trustee, the Obligor or such other party or any person or body corporate directly or indirectly associated with the Trustee, the Obligor or such other party, and (ii) neither the Delegate nor any director or officer of any corporation being a delegate shall be accountable to the Certificateholders, the Trustee, the Obligor and/or any other party to the Transaction Documents or any person or body corporate directly or indirectly associated with the Trustee, the Obligor or any such other person for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Delegate and any such director or officer shall also be at liberty to retain the same for its or his own benefit.

17 Replacement of Certificates

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant 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 Certificates must be surrendered before replacements will be issued.

18 Notices

Notices to the holders of Certificates shall be mailed to them at their respective addresses in the Register.

The Trustee shall also ensure that notices 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 or by which they have been 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. Any notices shall be deemed to have been given on the fourth day (being a day other than a Saturday or a Sunday) after being so mailed (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 shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional 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 the same shall be consolidated and form a single Series with the outstanding Certificates of such Series. Any additional 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 the same are and shall be governed by, and construed in accordance with, English law.
- (b) **Arbitration:** Any dispute, claim, difference or controversy arising out of or in connection with the Trust Deed (which includes the Certificates, these Conditions and this Condition 21(b)) (including any dispute 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 deemed to be 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 have no connection with any party thereto 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 appoint a further arbitrator who shall be the chairman 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 one party or both fails to nominate

an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party-nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment 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 Trust Deed, the Obligor has acknowledged that the transactions contemplated by the Trust Deed are commercial transactions and, to the extent that the Obligor may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed 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 legal or arbitral proceedings or Disputes. In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any 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 therewith and if it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, 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 the 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 in the Trust Deed 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 the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

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 depository for Euroclear and Clearstream, Luxembourg (the **Common Depository**).

Upon registration of the Certificates in the name of any nominee for, and deposit of the Global Certificate with, a Common Depository, 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 Depository 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 if (i) the Delegate has given notice in accordance with Condition 18 that a Dissolution Event has occurred and is continuing or (ii) 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. 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 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 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 account holders 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).

4.4 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).

4.5 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.

4.6 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 or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding (an **Electronic Consent**) shall, for all purposes (including

matters that would otherwise require a special quorum resolution (as defined in paragraph 7 of Schedule 3 to the Master Trust Deed)), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent.

6 Further Issues

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Certificates of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

FORM OF 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.]

[Date]

WARBA SUKUK LIMITED

Legal Entity Identifier (LEI): 549300BY1IZV1E6BKJ60

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*)]¹
under the U.S.\$2,000,000,000 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 18 July 2019 [and the supplement[s] to it dated [●] [and [●]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of Directive 2003/71/EC (as amended or superseded) (the **Prospectus Directive**). This document constitutes the Final Terms of the Certificates described herein [for the purposes of Article 5.4 of the Prospectus Directive]² and must be read in conjunction with the Base Prospectus. Full information on the Trustee, the Obligor and the offer of the Certificates is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [and these Final Terms]³ [is/are] available for viewing in accordance with Article 14 of the Prospectus Directive on the website of the Central Bank of Ireland (www.centralbank.ie) and during normal business hours 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 during normal business hours from the specified office of the Principal Paying Agent.

1	(a) Trustee:	Warba Sukuk Limited
	(b) Obligor:	Warba 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]

¹ Include only for an issue of further Certificates in accordance with Condition 19.

² Include only if the Certificates are to be admitted to trading on the regulated market, and listing on the Official List, of Euronext Dublin.

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

3	Specified Currency:	[●]
4	Aggregate Face Amount:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Face Amount [plus [Specified Currency] ● in respect of ● days of accrued Periodic Distribution Amounts from (and including) [the issue date of the Original Certificates] to (but excluding) the Issue Date] ⁴
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] [Optional Dissolution Right] [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
Provisions relating to profit payable		
15	Fixed Rate 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] [Actual/Actual – ISDA] [Actual/365 (Fixed)]

⁴ Include only for an issue of further Certificates in accordance with Condition 19.

	[Actual/365 (Sterling)]
	[Actual/360]
	[30/360]
	[360/360]
	[Bond Basis]
	[30E/360]
	[Eurobond Basis]
	[30E/360 (ISDA)]
	[Actual/Actual – ICMA]
(f) Determination Date(s):	[[●] in each year/Not Applicable]
16 Floating Periodic Distribution Provisions:	[Applicable]/[Not Applicable]
(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) Profit Period Date:	[Not Applicable]/[●]
(d) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(e) Business Centre(s):	[●] [Not Applicable]
(f) Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined:	[Screen Rate Determination/ISDA Determination]
(g) Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Principal Paying Agent):	[●] (the Calculation Agent)
(h) 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:	[●]
(i) 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]
(j) Margin(s):	[+/-][●] per cent. per annum

- (k) 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*)]
- (l) Maximum Profit Rate: [●] per cent. per annum
- (m) Minimum Profit Rate: [●] per cent. per annum
- (n) 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: [●] days
Maximum period: [●] days
- 18 Optional Dissolution Right: [Applicable]/[Not Applicable]
- (a) Dissolution Distribution Amount: [As per Condition 1]/[●]
- (b) Optional Dissolution Date(s): [●]
- (c) Notice period: Minimum period: [●] days
Maximum period: [●] 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]/[●]
- (b) Certificateholder Put Right Date(s): [●]
- (c) Notice period: Minimum period: [●] days
Maximum period: [●] 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]/[●]

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
Reg S Compliance Category 2; TEFRA not applicable
- 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: Warba 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:⁵ [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
Warba Sukuk Limited

Signed on behalf of
Warba Bank K.S.C.P.

By:
Duly authorised

By:
Duly authorised

⁵ 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: [●]]

[[●]: [●]]

[[●] 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 Indication of profit or return (Fixed Rate [●] per cent. per annum 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.

5 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) CFI: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Applicable]/[Not Available]]
- (d) FISN: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]/[Not Available]]
- (e) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]
- (f) Names and addresses of additional Paying Agent(s) (if any): [●]
- (g) Stabilisation Manager(s): [●]

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 18 March 2019 under the Companies Law (2018 Revision) of the Cayman Islands with company registration number 349273. 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 18 March 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:

<u>Name</u>	<u>Principal Occupation</u>
Sedef Kufrevi.....	Vice President, Middle East at Maples Fund Services (Middle East) Limited
Linval Stewart	Vice President at MaplesFS Limited

The business address of Sedef Kufrevi 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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The Trustee Administrator

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the **Trustee Administrator**). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement entered into between the Trustee and the Trustee Administrator (the **Corporate Services Agreement**), the Trustee Administrator has agreed to perform in the Cayman Islands, the United Arab Emirates and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and to provide certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the **Registered Office Terms**). In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such appointments upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party.

The Trustee Administrator will be subject to the overview of the Trustee's board of directors.

The Trustee Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with "Financial review".

See also "Presentation of 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 Bank's statement of financial position as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(kD thousands)		
Assets			
Cash and balances with banks	19,738	13,201	5,480
Placements with banks	256,486	246,484	166,940
Financing receivables	1,606,542	1,263,322	827,872
Financial assets at fair value through profit or loss	41,500	-	-
Financial assets at fair value through other comprehensive income	148,585	-	-
Available-for-sale investments	-	165,921	99,825
Investments in joint ventures	52,498	31,660	-
Investment properties	22,867	24,611	15,632
Other assets	26,495	23,347	6,387
Property and equipment	18,358	5,999	5,643
Total Assets	2,193,069	1,774,545	1,127,779
Liabilities and Equity			
Liabilities			
Due to banks and other financial institutions	835,063	572,864	274,131
Depositors' accounts	1,053,178	1,006,614	747,433
Other liabilities	33,900	18,108	10,626
Total Liabilities	1,922,141	1,597,586	1,032,190
Equity			
Share capital	150,000	100,000	100,000
Share premium	40,000	-	-
Statutory reserve	1,353	-	-
Fair value reserve	(4,646)	(214)	(430)
Foreign currency translation reserve	79	251	-
Retained earnings (accumulated losses)	7,779	559	(3,981)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	194,565	100,596	95,589
AT1 Sukuk	76,363	76,363	-
Total Equity	270,928	176,959	95,589
Total Liabilities and Equity	2,193,069	1,774,545	1,127,779

Statement of Profit or Loss

The table below shows the Bank's statement of profit or loss for each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(kD thousands)		
Income			
Placements and financing income	73,105	51,704	31,094
Finance costs and distribution to depositors	(38,979)	(23,061)	(14,678)
Net financing income	34,126	28,643	16,416
Net investment income	10,924	6,387	4,439
Net fees and commission income	3,793	2,178	1,583
Other income	20	303	234
Foreign exchange gain	689	601	261
Operating income	49,552	38,112	22,933
Staff costs	(12,309)	(11,640)	(9,304)
General and administrative expenses	(5,509)	(5,092)	(4,067)
Depreciation	(1,141)	(1,270)	(1,631)
Operating expenses	(18,959)	(18,002)	(15,002)
Net operating profit before provision for impairment	30,593	20,110	7,931
Provision for impairment	(17,064)	(12,318)	(5,212)
Profit before deductions	13,529	7,792	2,719

	As at 31 December		
	2018	2017	2016
	(KD thousands)		
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(122)	-	-
National Labor Support Tax (NLST).....	(410)	(184)	(64)
Zakat	(159)	(74)	(20)
Directors' remuneration	(100)	(80)	(60)
Net profit for the year	12,738	7,454	2,575
Basic diluted earnings per share	7.06 fils	4.61 fils	2.58 fils

Statement of Comprehensive Income

The table below shows the Bank's statement of profit or loss and other comprehensive income for each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(KD thousands)		
Net profit for the year	12,738	7,454	2,575
Other comprehensive (loss)/income:			
<i>Other comprehensive (loss)/income to be reclassified to statement of income in subsequent years</i>			
Available-for-sale investments (IAS 39)			
-Change in fair value.....	-	563	(39)
-Gain on sale of available-for-sale investments	-	(347)	(44)
Net gain on available-for-sale investments	-	216	(83)
Change in fair value of debt instruments at fair value through other comprehensive income	(7,111)	-	-
Realised loss on sale of debt instruments at fair value through other comprehensive income	651	-	-
Exchange differences on translation of foreign operations	(172)	251	-
Net profit from hedging cash flows	57	-	-
	(6,575)	251	-
	(6,575)	467	(83)
Other comprehensive income that will not be reclassified to statement of profit or loss in subsequent periods:			
Change in the fair value of equity investments at fair value through other comprehensive income	849	-	-
Total other comprehensive (loss) income	(5,726)	467	(83)
Total comprehensive income	7,012	7,921	2,492

Statement of Cash Flows

The table below summarises the Bank's statement of cash flows for each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(KD thousands)		
Net cash generated from operating activities	12,523	93,766	15,700
Net cash used in investing activities	(48,880)	(102,634)	(26,831)
Net cash generated from financing activities	84,920	73,449	-
Net change in cash and cash equivalents	48,563	64,581	(11,131)
Cash and cash equivalents at 1 January	181,086	116,505	127,636
Cash and cash equivalents at 31 December	229,649	181,086	116,505

Selected Ratios

The table below shows selected ratios (all of which, except for the capital adequacy ratios, the liquidity coverage ratio and the leverage ratio, are APMs) for the Bank as at, and for years ended, 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	(per cent.)		
Performance measures			
Return on average assets ⁽¹⁾	0.39	0.24	0.27
Return on average equity ⁽²⁾	7.20	3.63	2.74
Cost to income ratio ⁽³⁾	38	47	66
Financial ratios			
Net financing margin ⁽⁴⁾	2.02	2.29	1.96
Net profit margin ⁽⁵⁾	25.71	19.56	11.23
Asset quality			
Non performing financing receivables ratio ⁽⁶⁾	1.39	1.45	0.69
Financing receivables loss coverage ratio ⁽⁷⁾	178	241	335
Liquidity coverage ratio ⁽⁸⁾	166	160	127
Financing receivables to deposits ratio ⁽⁹⁾	98.7	95.6	97.4
Other ratios			
Common equity tier 1 capital adequacy ratio ⁽¹⁰⁾	16.58	12.02	16.83
Total tier 1 capital adequacy ratio ⁽¹⁰⁾	23.09	21.29	16.83
Total capital adequacy ratio ⁽¹⁰⁾	24.26	22.46	18.00
Leverage ratio ⁽¹¹⁾	11.96	9.60	8.17

⁽¹⁾ Net profit for the period less AT1 Sukuk cost (U.S.\$16.25 million in 2018, U.S.\$8.125 million in 2017 and U.S.\$0 in 2016) divided by average total assets for the year, with average total assets calculated as a simple average of the opening and closing balances for the period.

⁽²⁾ Net profit for the period less AT1 Sukuk cost (U.S.\$16.25 million in 2018, U.S.\$8.125 million in 2017 and U.S.\$0 in 2016) divided by equity attributable to shareholders for the year, with equity attributable to shareholders calculated as the simple average for the year based on the opening and closing balances (except for 2018 as the Bank increased its capital in December 2018 (see further "Description of the Bank – Overview - History, core businesses and financial performance"), therefore equity attributable to shareholders for 2018 is calculated based on the monthly average).

⁽³⁾ Total operating expenses divided by total operating income.

⁽⁴⁾ Net financing income divided by average profit earning assets for the period. Profit earning assets comprise financing receivables, and placements with banks and the CBK.

⁽⁵⁾ Net profit for the year divided by total operating income.

⁽⁶⁾ Non performing financing receivables as a percentage of total gross financing receivables (see Note 20 to the 2018 Financial Statements).

⁽⁷⁾ Impairment provisions in respect of financing receivables (see Note 4 to the 2018 Financial Statements) as a percentage of non performing financing receivables.

⁽⁸⁾ Reporting of the LCR was introduced from 1 January 2015. The LCR is calculated as stipulated in CBK Circular number 2/IBS/346/2014 dated 23 December 2014 and CBK Circular number 2/IBS/363/2016.

⁽⁹⁾ The sum of financing receivables and placements with banks and the CBK divided by the sum of depositors' accounts and due to banks and other financial institutions.

⁽¹⁰⁾ For all periods calculated in accordance with Basel III, as implemented in Kuwait.

⁽¹¹⁾ The leverage ratio was introduced in 2014 and is calculated in accordance with CBK Circular number 2/IBS/343/2014 dated 21 October 2014.

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of financial and other information", "Selected Financial Information" and the Financial Statements.

The discussion of the Bank's financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS as adopted for use by the State of Kuwait

This discussion contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "Cautionary statement regarding forward-looking statements" and "Risk factors".

See "Presentation of financial and other information" for a discussion of the source of the numbers presented in this section and certain other relevant information.

Overview

The Bank provides a range of corporate banking, retail banking, investment and treasury services to customers in Kuwait through its network of 13 branches. As at 31 December 2018, the Bank's total assets were KD 2,193 million compared to KD 1,775 million as at 31 December 2017 and its total equity was KD 271 million compared to KD 177 million as at 31 December 2017.

The Bank's core business is corporate and retail banking, which generates financing income as well as credit-related fee and commission income. The Bank also undertakes treasury and investment banking activities (which generate financing income, fee and commission income and investment gains or losses). The Bank's services are provided through its branch network in Kuwait, its network of automated teller machines (ATMs) and point of sale (POS) terminals and electronic channels such as tele-banking, internet banking and mobile banking.

As at 31 December 2018, the Bank's portfolio of financing receivables was KD 1,607 million and its deposits from customers were KD 1,053 million, compared to KD 1,263 million and KD 1,007 million respectively as at 31 December 2017. In 2018, the Bank's net profit was KD 12.7 million compared to KD 7.5 million in 2017.

As at 31 December 2018, the Bank's total and tier 1 capital adequacy ratios, calculated in accordance with the Basel III methodology adopted by the CBK, were 24.26 per cent. and 23.09 per cent., respectively, and its leverage ratio, calculated in accordance with CBK Circular number 2/BS/343/2014 dated 21 October 2014, was 11.96 per cent.

The Bank's financing portfolio represented 73 per cent. of its total assets and its investment portfolio (including investments in sukuk) represented 12 per cent. of its total assets as at 31 December 2018.

In addition to deposits from individuals, the Bank also sources funds from corporate and governmental institutions. The Bank has a long-term plan to restructure its sources of funds (for instance, by diversifying geographical spread, focussing on non-governmental sources and attracting more retail deposits with RBG) and to diversify its instruments (for instance, using collateralised murabaha and asset securitisation), maturities and counterparties. In addition, in 2017 and the first quarter of 2018, the Bank raised U.S.\$250 million through the issue of the AT1 Sukuk and U.S.\$400 million through a syndicated murabaha facility, respectively.

Principal factors affecting results of operations

The following is a discussion of the principal factors that have affected, or are expected to affect, the Bank's results of operations.

Economic conditions

The Bank is a Kuwaiti bank focused on lending to, and accepting deposits from, institutions, companies and residents in Kuwait. As a result, its revenue and results of operations are principally affected by economic and market conditions in Kuwait.

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 Bank 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 financing income

The Bank's net financing income is the major contributor to its total operating income, comprising 68.9 per cent. of its total operating income in 2018 compared to 75.2 per cent. of its total operating income in 2017 and 71.6 per cent. in 2016. The Bank's net financing income comprises its placements and financing income less its finance costs and distribution to depositors.

The Bank's placements and financing income is primarily determined by the volume of profit-earning assets and the rates earned on those profit-earning assets. The Bank's profit-earning assets principally comprise its portfolio of customer financing receivables, although it also generates limited financing income from the placements it makes with other banks. The Bank's income from its sukuk investment portfolio is classified as investment income.

In each of 2018, 2017 and 2016 respectively, finance costs and distribution to depositors comprised 53.3 per cent., 44.6 per cent. and 47.2 per cent. of the Bank's total financing income for the relevant year.

The Bank's placements and financing income in 2018 was KD 73.1 million, an increase of KD 21.4 million or 41.4 per cent. compared to KD 51.7 million in 2017. This increase in placements and financing income principally reflected a 27.2 per cent. increase in the Bank's portfolio of financing receivables in the same period to KD 1,607 million as at 31 December 2018 from KD 1,263 million as at 31 December 2017.

The Bank's placements and financing income was KD 51.7 million in 2017, compared to KD 31.1 million in 2016, an increase of KD 20.6 million, or 66.3 per cent., principally reflecting a 52.6 per cent. increase in its portfolio of financing receivables to KD 1,263 million as at 31 December 2017 from KD 827.9 million as at 31 December 2016.

The Bank's finance costs and distribution to depositors was KD 39.0 million in 2018 compared to KD 23.1 million in 2017, an increase of KD 15.9 million, or 69.03 per cent., primarily reflecting a 19.5 per cent. growth in total deposits to KD 1,888.2 million as at 31 December 2018 from KD 1,579.5 million as at 31 December 2017. The Bank's finance costs and distribution to depositors was KD 23.1 million in 2017 compared to KD 14.7 million in 2016, an increase of KD 8.4 million, or 57.1 per cent., primarily reflecting a 54.6 per cent. growth in total deposits to KD 1,579.5 million as at 31 December 2017 from KD 1,021.6 million as at 31 December 2016.

The CBK raised the discount rate by 25 basis points to 2.75 per cent. effective from 16 March 2017, and raised the rate again in March 2018 by 25 basis points to reach to 3 per cent., compared to 2.50 per cent. in 2016. The CBK's discount rate directly impacts the profit rates chargeable by the Bank on its Kuwaiti dinar-denominated customer financing, as for conventional banks these rates are capped at prescribed percentages above the CBK discount rate, which effectively sets the rate environment in which all banks (conventional and Islamic) operate and compete.

The Bank was able to mitigate the impact of the increases in the discount rate although there was a decline in its net financing margin by 27 basis points to 2.02 per cent. as at 31 December 2018 compared to 2.29 per cent. as at 31 December 2017. The main reason for that decline was the implementation of the Net Stable Funding Ratio (NSFR) that came into effect at the beginning of 2018, where to ensure compliance the Bank raised long term funds by raising a USD 400 million three year syndicated murabaha facility. The facility also helped diversify the Bank's sources of funding. The net financing margin as at 31 December 2016 was 1.96 per cent., with the increase to 2.29 per cent. as at 31 December 2017 being primarily due to the increases in the CBK discount rate described above (with corporate banking portfolios repriced accordingly), and effective management of the Bank's cost of funds by taking proactive measures such as diversifying its funding sources (for instance by growing its retail banking business and expanding its wholesale funding network).

Movements in provision charge for impairments

For financing reporting periods from 1 January 2018, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and financing investments at fair value through comprehensive income (FVOCI), but not to investments in equity. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The credit losses are based on ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since initial recognition. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the credit loss is based on the change in ECL over the life of the asset.

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.

The Bank recognises ECL for financing receivables, non-cash credit facilities in the form of bank guarantees, letters of guarantee, documentary letters of credit, undrawn cash and non-cash credit facilities (revocable and irrevocable) (together **financing facilities**), placements with banks and investment in debt instruments measured at FVOCI.

Balances with the CBK and Sukuk issued by the CBK and the Government of Kuwait are considered to be fully recoverable and hence no ECL is measured. Equity investments are not subject to ECL.

The Bank provides for credit losses on financing facilities according to the CBK guidelines and records the impairment of financing receivables at the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

The Bank applies a three-stage approach to measure the ECL as described in note 2.2 to the 2018 Financial Statements "*Impairment of financial assets*".

The provision for impairment charged to the Bank's income statement was:

- KD 17.1 million in 2018 (comprising KD 10.6 million in specific provisions and KD 5.5 million in general provisions). In addition, the Bank's impairment provision against financial investments and other assets amounted to KD 1 million in 2018).
- KD 12.3 million in 2017 (comprising KD 6.8 million in specific provisions and KD 5.2 million in general provisions). In addition, the Bank's impairment provision against financial investments and other assets amounted to KD 0.3 million in 2017).
- KD 5.2 million in 2016 (comprising KD 1.6 million in specific provisions and KD 3.4 million in general provisions). In addition, the Bank's impairment provision against financial investments and other assets amounted to KD 0.2 million in 2016).

The increase in provision for impairment charged to the Bank's income statement in 2018 was primarily due to the applied approach to measure the ECL. The increase in provision for impairment charged to the Bank's income statement in 2017 was primarily due to the growth of its portfolio.

Significant Accounting Policies

The Financial Statements have been prepared in accordance with IFRS as adopted by Kuwait for financial services institutions regulated by the CBK. For a discussion of the accounting policies applied by the Bank generally, see note 2 to the 2018 Financial Statements.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In preparing the Bank's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Bank's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenue and expenses during the years 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 such estimates and assumptions are evaluated by management 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.

For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Bank's financial statements, see note 2.4 to the 2018 Financial Statements.

Recent Developments

Financial performance as at and for the three months ended 31 March 2019

The following information has been extracted from the Q1 2019 Financial Statements, which includes the comparative financial information for the three months ended 31 March 2018:

	As at 31 March	
	2019	2018
	<i>(KD thousands, unless otherwise indicated)</i>	
Income		
Placements and financing income	22,655	16,229
Finance costs and distribution to depositors	(12,958)	(7,891)
Net financing income	9,697	8,338
Net investment income.....	3,508	1,091
Net fees and commission income	1,201	812
Other income.....	75	164
Foreign exchange (loss) gain.....	(255)	475
Operating income	14,226	10,880
Staff costs.....	(3,486)	(2,648)
General and administrative expenses.....	(804)	(1,078)
Depreciation	(765)	(290)
Operating expenses	(5,055)	(4,016)
Net operating profit before provision for impairment	9,171	6,864
Provision for impairment.....	(5,166)	(3,807)
Net Profit for the period before deductions	4,005	3,057
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(36)	(28)
National Labor Support Tax (NLST).....	(106)	(80)
Zakat	(42)	(32)
Net profit for the period	3,821	2,917
Basic and diluted earnings per share	0.90 fils	0.44 fils

For the three months ended 31 March 2019, the Bank's net profit increased by 31 per cent. to KD 3.82 million, as compared to KD 2.92 million for the three months ended 31 March 2018, primarily due to growth in assets, an increase in net financing income and improved net investment income. For the three months ended 31 March 2019, total operating income increased by 30.8 per cent to KD 14.23 million, as compared to KD 10.89 million for the three months ended 31 March 2018, primarily due to an increase in net financing income.

The non-performing financing receivables ratio as at 31 March 2019 was 1.68 per cent. compared to 1.39 per cent. as at 31 December 2018, primarily due to normal movements in the Bank's businesses during that period.

Net investment income increased by 221.5 per cent for the three months ended 31 March 2019 (to KD 3.51 million, compared to KD 1.09 million for the three months ended 31 March 2018), due to the growth in the investments portfolio (including sukuk portfolio net investment income). Net fees and commission income increased by 47.9 per cent. for the three months ended 31 March 2019, as compared to the three months ended 31 March 2018, due to an increase in non-cash financing transactions as well as increased retail transactions.

The financing portfolio increased by 29 per cent. on a year-on-year basis, to KD 1,762 million as at 31 March 2019 compared to KD 1,361 million as at 31 March 2018.

The Bank's total assets were KD 2.6 billion as at 31 March 2019 (compared to KD 1.8 billion as at 31 March 2018), recording a year-on-year growth rate of 41 per cent.

Cost to income ratio for the Bank for the three months ended 31 March 2019 declined to 35.5 per cent., compared to 38 per cent. as at 31 December 2018.

As at 31 March 2019, the Bank's total and tier 1 capital adequacy ratios, calculated in accordance with the Basel III methodology adopted by CBK Circular 2/BS, IBS/336/2014 dated 24 June 2014, were 21.11 per cent. and 22.28 per cent., respectively, and its leverage ratio, calculated in accordance with CBK Circular number 2/BS/343/2014 dated 21 October 2014, was 10.32 per cent.

Results of Operations in 2018 compared to 2017

Net financing income

Net financing income is the Bank's principal source of income. Net financing income is calculated by deducting financing costs and distribution to depositors from placements and financing income. The Bank earns placements and financing income on its portfolio of financing receivables, and on its placements with banks and the CBK. The Bank makes distributions to depositors based on the Bank's results at the end of each quarter. Placements, financing income and financing costs are recognised in the income statement using the effective profit rate, as explained in note 2 to the 2018 Financial Statements.

The Bank's net financing income amounted to KD 34.1 million in 2018 and KD 28.6 million in 2017, an increase of KD 5.5 million, or 19.2 per cent.

See "*Principal factors affecting results of operations— Factors affecting net financing income*" above for a more detailed discussion of the trends in the Bank's net financing income.

Net fees and commission income

Net fees and commissions income is calculated by deducting fees and commissions paid by the Bank from fees and commissions income earned by the Bank. The Bank's fees and commissions income is comprised of financing syndication fees, credit-related fees and commissions, investment management fees and brokerage fees. Credit-related fees and commissions relate to customer financing advanced by the Bank, other financing facilities made available by it (such as letters of credit and guarantees issued by it), and other fees such as account servicing and card-related fees. The Bank pays fees and commissions principally in respect of cards. The Bank's net fees and commission income amounted to KD 3.8 million in 2018 and KD 2.2 million in 2017, an increase of KD 1.6 million, or 74.2 per cent., and principally reflected increased syndication fees and growth in letters of guarantee, acceptances and letters of credit by 21.2 per cent. to KD 124.4 million in 2018 from KD 102.7 million in 2017.

Net investment income

The Bank's net investment income is derived from a variety of sources, including sukuk income, the Bank's share of the results of its investments in joint ventures, dividend income, net rental from its investment properties and realised and unrealised gains and losses on financial assets.

The Bank's net investment income increased to KD 10.9 million in 2018, compared to KD 6.4 million in 2017. The increase was principally due to a KD 2.7 million increase in the share of results of investments in joint ventures to KD 3.2 million in 2018, compared to KD 0.5 million in 2017, and a KD 2.6 million increase in sukuk income to KD 6.1 million in 2018 compared to KD 3.5 million in 2017.

Other sources of operating income

The Bank's other sources of operating income include the net foreign exchange gains recorded on customer transactions and other income.

The Bank's net foreign exchange gains amounted to KD 0.7 million in 2018 and KD 0.6 million in 2017.

Operating expenses

The Bank's operating expenses comprise staff costs, depreciation and general and administrative expenses. The Bank's total operating expenses amounted to KD 19.0 million in 2018 and KD 18.0 million in 2017. The increase of KD 1.0 million, or 5.3 per cent. was principally due to an increase in staff costs of KD 0.7 million, or 5.8 per cent., in addition to an increase in general and administrative expenses of KD 0.4 million, or 8.2 per cent. The Bank's cost to income ratio was 38 per cent. in 2018 compared to 47 per cent. in 2017 reflecting the Bank's ability to control the expenditure whilst maximising its operating income.

Provision for impairment

Please see "*Movements in provision charges for impairments*" above.

Operating profit before deductions

Reflecting the above factors, the Bank's operating profit before deductions in 2018 was KD 13.5 million compared to KD 7.8 million in 2017, an increase of KD 5.7 million, or 73.6 per cent.

Directors' remuneration

The Bank paid directors' remuneration of KD 100 thousand in 2018 compared to KD 80 thousand in 2017.

Other deductions

The Bank's other deductions comprise its contribution to the Kuwait Foundation for the Advancement of Sciences, national labour support tax charged in Kuwait and its zakat charge. Together, these charges amounted to KD 691 thousand in 2018 and KD 258 thousand in 2017.

Net profit for the year

Reflecting the above factors, the Bank's net profit in 2018 was KD 12.7 million compared to KD 7.5 million in 2017, an increase of KD 5.2 million, or 70 per cent.

Other comprehensive loss or income

In 2018, the Bank's other comprehensive (loss) income principally comprised its KD 7.1 million negative change in fair value of debt instruments at fair value through other comprehensive income. The Bank recorded

total other comprehensive loss of KD 5.7 million in 2018 and total other comprehensive income of KD 0.5 million in 2017.

Total comprehensive income for the period

The Bank's total comprehensive income, including its net profit, was KD 7.0 million in 2018 compared to KD 7.9 million in 2017, a decrease of KD 0.9 million, or 11.4 per cent.

Segmental Analysis

The Bank reporting segments are as follows:

- **Corporate** which comprises a range of banking services and investment products provided to corporate customers, in addition to providing commodity and real estate murabaha finance and ijara facilities;
- **Retail** which comprises a diversified range of products and services provided to individual customers. The products and services include consumer finance, credit cards, deposits and other branch-related services;
- **Treasury** which comprises the Bank's funding operations management, local and international murabaha and other Islamic financing primarily with banks and financial institutions;
- **Investment** which comprises investment in direct equity, real estate investment and other investments; and
- **Other** which comprises cost centre assets and expenses.

The table below shows segment revenue and result for each of 2018 and 2017 as well as segment assets as at 31 December in each of 2018 and 2017.

	<u>Corporate</u>	<u>Retail</u>	<u>Treasury</u>	<u>Investment</u>	<u>Other</u>	<u>Total</u>
	<i>KD'000</i>					
31 December 2018						
Operating income.....	30,613	7,682	3,557	7,700	—	49,552
Net profit	14,816	81	3,583	5,784	(11,526)	12,738
Total assets	1,278,293	328,249	256,486	265,450	64,591	2,193,069
31 December 2017						
Operating income.....	24,670	6,361	2,171	4,910	—	38,112
Net profit	13,165	(1,498)	1,880	3,829	(9,922)	7,454
Total assets	1,004,046	259,277	246,484	222,191	42,547	1,774,545

Corporate

The Corporate reporting segment recorded operating income of KD 30.6 million in 2018 compared to KD 24.7 million in 2017. The increase of KD 5.9 million, or 24.1 per cent., principally reflected growth in the Bank's corporate assets to KD 1,278.3 million in 2018 compared to KD 1,004.0 million in 2017, an increase of KD 274.3 million, or 27.3 per cent. The Corporate reporting segment's net profit was KD 14.8 million in 2018 compared to KD 13.2 million in 2017, an increase of KD 1.6 million, or 12.1 per cent., which principally reflected the increase in the Bank's corporate financing portfolio.

Retail

The Retail reporting segment recorded operating income of KD 7.7 million in 2018 compared to KD 6.4 million in 2017. The increase of KD 1.3 million, or 20.3 per cent., principally reflected growth in the Bank's retail assets to KD 328.2 million in 2018 compared to KD 259.3 million in 2017, an increase of KD 68.9 million, or 26.6 per cent. The Retail reporting segment's net profit was KD 0.1 million in 2018 compared to a loss of KD 1.5 million in 2017, an increase of KD 1.6 million, or 105.3 per cent. This increase was principally due to an increase in the Bank's retail financing portfolio.

Treasury

The Treasury reporting segment recorded operating income of KD 3.6 million in 2018 compared to KD 2.2 million in 2017. The increase of KD 1.4 million, or 63.6 per cent., principally reflected an increase in foreign exchange income and placements with banks. The Treasury reporting segment's net profit was KD 3.6 million in 2018 compared to KD 1.9 million in 2017, an increase of KD 1.7 million, or 89.5 per cent. This increase was principally due to increased Treasury foreign exchange and money market activity commensurate with the growth of the Bank.

Investment

The Investment reporting segment recorded operating income of KD 7.7 million in 2018 compared to KD 4.9 million in 2017. The Investment reporting segment's net profit was KD 5.8 million in 2018 compared to KD 3.8 million in 2017. This increase was principally due to growth in the investment reporting segment's assets to KD 265.5 million in 2018 compared to KD 222.2 million in 2017, an increase of KD 43.3 million, or 19.5 per cent.

Results of Operations in 2017 compared to 2016

Net financing income

The Bank's net financing income amounted to KD 28.6 million in 2017 and KD 16.4 million in 2016, an increase of KD 12.2 million, or 74.4 per cent. The increase reflected a KD 20.6 million, or 66.3 per cent., increase in placements and financing income, offset by a KD 8.4 million, or 57.1 per cent., increase in finance costs and distribution to depositors.

See "*Principal factors affecting results of operations— Factors affecting net financing income*" above for a more detailed discussion of the trends in the Bank's net financing income.

Net fees and commission income

The Bank's net fees and commission income amounted to KD 2.2 million in 2017 and KD 1.6 million in 2016. The increase principally reflected in KD 52.4 or 104.1 per cent. growth in letter of guarantees, acceptances and letters of credit to KD 102.7 million in 2017 from KD 50.3 million in 2016 in addition to the increase in financing receivables as previously discussed.

Net investment income

The Bank's net investment income amounted to KD 6.4 million in 2017 and KD 4.4 million in 2016, an increase of KD 2 million, or 45.0 per cent. The increase principally reflected a KD 1.6 million, or 86.9 per cent. increase in the Bank's sukuk income, driven by an increase in the sukuk portfolio from KD 73.8 million as at 31 December 2016 to KD 140.1 million as at 31 December 2017.

Other sources of operating income

The Bank's other sources of operating income amounted to KD 904 thousand in 2017 and KD 495 thousand in 2016.

The increase of KD 409 thousand, or 82.6 per cent., principally reflected an increase in volume of customers' foreign currency transactions.

Operating expenses

The Bank's total operating expenses amounted to KD 18.0 million in 2017 and KD 15.0 million in 2016. The increase of KD 3.0 million, or 20.0 per cent., principally reflected an increase of KD 2.3 million in staff costs and was principally driven by an increase in the number of staff during the year and higher salaries during the year. The Bank's headcount increased to 349 during 2017, comprising a mix of Kuwaiti and expatriate staff. The Bank's cost to income ratio in 2017 was 47 per cent. compared to 66 per cent. in 2016.

Provision for impairment

Please see "*Movements in provision charges for impairment*" above.

Operating profit before deductions

Reflecting the above factors, the Bank's operating profit before deductions for the year was KD 7.8 million in 2017 and KD 2.7 million in 2016, an increase of KD 5.1 million, or 188.9 per cent.

Directors' remuneration

The Bank paid directors' remuneration of KD 80 thousand in 2017 and KD 60 thousand in 2016.

Other deductions

The Bank's other deductions comprise its national labor support tax and its zakat charge. Together, these charges amounted to KD 258 thousand in 2017 and KD 84 thousand in 2016. The higher taxation charge in 2017 principally reflected the Bank's higher net profit in that year.

Net profit for the year

Reflecting the above factors, the Bank's net profit for the year was KD 7.5 million in 2017 compared to KD 2.6 million in 2016, an increase of KD 4.9 million, or 188.5 per cent.

Other comprehensive loss or income

The Bank recorded other comprehensive income of KD 0.47 million in 2017 and other comprehensive loss of KD 0.08 million in 2016, reflecting changes in the fair value of, and losses realised on the sale of, available-for-sale investments in each year and a positive foreign currency adjustment in 2017.

Total comprehensive income for the year

Reflecting the above factors and the Bank's profit for the year, the Bank's total comprehensive income was KD 7.9 million in 2017 and KD 2.5 million in 2016, an increase of KD 5.4 million, or 216 per cent.

Segmental Analysis

The table below shows segment revenue and result for each of 2017 and 2016 as well as segment assets as at 31 December in each of 2017, and 2016.

	<u>Corporate</u>	<u>Retail</u>	<u>Treasury</u>	<u>Investment</u>	<u>Other</u>	<u>Total</u>
	<i>KD'000</i>					
2017						
Operating income.....	24,670	6,361	2,171	4,910	—	38,112
Net profit	13,165	(1,498)	1,880	3,829	(9,922)	7,454
Total assets	1,004,046	259,277	246,484	222,191	42,547	1,774,545
	<u>Corporate</u>	<u>Retail</u>	<u>Treasury</u>	<u>Investment</u>	<u>Other</u>	<u>Total</u>
	<i>KD'000</i>					
2016						
Operating income.....	13,467	4,484	801	4,181	—	22,933
Net profit	8,358	(1,649)	622	3,716	(8,472)	2,575
Total assets	655,687	172,185	166,940	114,640	17,510	1,126,962

Corporate

The Corporate reporting segment recorded operating income of KD 24.7 million in 2017 compared to KD 13.5 million in 2016. The increase of KD 11.2 million, or 83.2 per cent., principally reflected growth in the Bank's corporate business activities. The Corporate reporting segment's net profit was KD 13.2 million in 2017 compared to KD 8.4 million in 2016. The increase of KD 4.8 million, or 57.1 per cent., principally reflected an increase in financing income due to the increase in the Corporate reporting segment's assets by 53.1 per cent. which was offset by an increase in provisions charged within the reporting segment during 2017 compared to 2016.

Retail

The Retail reporting segment recorded operating income of KD 6.4 million in 2017 compared to KD 4.5 million in 2016. The increase of KD 1.9 million, or 42.2 per cent. principally reflected growth in the Bank's retail business activities. The Retail reporting segment recorded a net loss of KD 1.5 million in 2017 compared to a net loss of KD 1.6 million in 2016. The decrease in loss of KD 151 thousand, or 9.2 per cent., in 2017 principally reflected an increase in financing income due to the increase in the Bank's retail financing portfolio.

Treasury

The Treasury reporting segment recorded operating income of KD 2.2 million in 2017 compared to KD 801 thousand in 2016. The Treasury reporting segment's net profit was KD 1.9 million in 2017 compared to KD 622 thousand in 2016 due to an increase in placements income and increased Treasury foreign exchange.

Investment

The Investment reporting segment recorded operating income of KD 4.9 million in 2017 compared to KD 4.2 million in 2016. The Investment reporting segment's net profit was KD 3.8 million in 2017 compared to KD 3.7 million in 2016 due to growth investment portfolio to KD 222.2 million in 2017 compared to KD 114.6 million in 2016. The increase of KD 107.6 million, or 93.9 per cent.

Liquidity and Funding

Overview

The Bank's liquidity needs arise primarily from advancing financing to customers, the payment of expenses and investments in sukuk and equity securities. To date, the Bank's liquidity needs have been funded principally through deposits, Murabaha syndication, the AT1 Sukuk, share capital and operating cash flow, including profit

income received on its portfolio of receivables financing and its portfolio of sukuk investment securities. See "*Funding*" below.

Liquidity

The table below shows the Bank's cash flow from operating activities, investing activities and financing activities for each of 2018, 2017 and 2016.

	2018	2017	2016
	<i>(KD thousands)</i>		
Net cash generated from operating activities	12,523	93,766	15,700
Net cash used in from investing activities.....	(48,880)	(102,634)	(26,831)
Net cash generated from financing activities	84,920	73,449	-
Net change in cash and cash equivalents.....	48,563	64,581	(11,131)
Cash and cash equivalents at 1 January	181,086	116,505	127,636
Cash and cash equivalents at 31 December	229,649	181,086	116,505

Operating activities

The Bank's net cash from operating activities in 2018 was KD 12.5 million compared to KD 93.8 million in 2017 and KD 15.7 million in 2016. The decrease in 2018 was principally due to a decrease in depositors' accounts and due to banks and other financial institutions as a result of the increase in share capital that took place in 2018 (given the funds received thereby reduced the need for the Bank to raise additional deposits or renew long-term deposits).

Investing activities

The Bank's net cash used in investing activities in 2018 was KD 48.9 million compared to KD 102.6 million in 2017 and KD 26.8 million in 2016. In each year, the Bank purchased a greater volume of financial assets at fair value (in 2018) or available for sale investment (in 2017 and 2016) than it sold, with the excess of purchases over sales amounting to KD 27.0 million in 2018, KD 67.3 million in 2017 and KD 30.8 million in 2016. In addition, in 2017 the Bank invested KD 31.7 million in joint ventures and KD 8.9 million in investment property, and in 2018, it invested KD 19.9 million in joint ventures and KD 14.0 million in property and equipment.

Funding

The Bank's principal sources of funding are its customer deposits and, to a lesser extent, interbank deposits. The Bank also has access to a pool of unencumbered and liquid securities in the form of sukuk as well as quoted financial assets at fair value through profit or loss 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 Bank's depositors' accounts were KD 1,053 million or 54.8 per cent. of its total liabilities, as at 31 December 2018, KD 1,007 million, or 63.0 per cent. of its total liabilities, as at 31 December 2017 and KD 747.4 million, or 72.4 per cent. of its total liabilities, as at 31 December 2016. The Bank enjoys significant support from the Kuwaiti government and its related agencies were the source of approximately 62 per cent. of the Bank's total funding as at 31 December 2018, 64 per cent. of the Bank's total funding as at 31 December 2017 and 71 per cent. of the Bank's total funding as at 31 December 2016, see "*Risk factors—Factors that may affect the Bank's ability to fulfil its obligations under the Transaction Documents—The Bank's financing portfolio, deposit base and investment securities portfolio are concentrated in Kuwait*".

The tables below show the Bank's funding in the form of customer deposits and amounts due to banks and other financial institutions as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December					
	2018		2017		2016	
	<i>(KD '000s)</i>	<i>(% of total)</i>	<i>(KD '000s)</i>	<i>(% of total)</i>	<i>(KD '000s)</i>	<i>(% of total)</i>
Due to banks and other financial institutions	835,063	43.4	572,864	35.9	274,131	26.6
Depositors' accounts	1,053,178	54.8	1,006,614	63.0	747,433	72.4
Other liabilities	33,900	1.8	18,108	1.1	10,626	1.00
Total liabilities.....	1,922,141	100.0	1,597,586	100.0	1,032,190	100.0

The Bank's depositors' accounts comprise both investment deposits and non-investment deposits in the form of current accounts. Current accounts are not entitled to any profit and amounts may be withdrawn from these accounts at any time without notice.

The Bank's investment deposits include savings accounts, call accounts and fixed term deposit accounts.

Customers are entitled to withdraw their funds from savings accounts and call accounts at any time. Funds utilised in investments for each investment deposit are computed using ratios specified for each category of deposits.

The Bank believes that its customer deposits are diversified and sticky in nature, and constitute a stable and secure source of low cost funding.

Maturity profile

The table below shows the maturity profile of the Bank's total deposits as at 31 December in each of 2018, 2017 and 2016. This analysis is based on contractual cash flows and maturity dates.

	<u>Within 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
	<i>(KD '000s)</i>				
31 December 2018					
Due to banks and other financial institutions	184,937	175,791	276,194	198,141	835,063
Depositors' accounts	728,364	206,572	80,502	37,740	1,053,178
Other liabilities	27,672	—	—	6,228	33,900
Total	940,973	382,363	356,696	242,109	1,922,141
31 December 2017					
Due to banks and other financial institutions	175,788	69,639	61,884	265,553	572,864
Depositors' accounts	692,369	187,206	99,588	27,451	1,006,614
Other liabilities	16,094	—	—	2,014	18,108
Total	884,251	256,845	161,472	295,018	1,597,586
31 December 2016					
Due to banks and other financial institutions	116,407	59,849	87,752	10,123	274,131
Depositors' accounts	488,168	136,246	123,019	—	747,433
Other liabilities	9,668	—	—	958	10,626
Total	614,243	196,095	210,771	11,081	1,032,190

A significant proportion of the Bank's funding disclosed in the table above as at 31 December 2018 is short term in nature, with 49.0 per cent. of such funding being repayable within three months and 87.4 per cent. being repayable within one year. See "*Risk Factors—Factors that may affect the Bank's ability to fulfil its obligations under the Transaction Documents—The Bank is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business*". The issue of the Certificates is intended to help the Bank 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 Bank'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 maturity risks associated with single party single deposit concentration.

Equity funding

For a discussion of the Bank's share capital and reserves at 31 December in each of 2018, 2017 and 2016, see note 12 in the 2018 Financial Statements, note 10 in the 2017 Financial Statements and note 9 in the 2016 Financial Statements.

Financing

Customer financing receivables portfolio

The Bank's customer financing receivables portfolio (net of provisions) was KD 1,607 million as at 31 December 2018. The table below shows the breakdown of the Bank's customer financing receivables portfolio as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(KD '000s)	
Corporate	1,028,352	809,004	479,597
Individuals	608,528	474,694	360,969
Financing receivables before provision for impairment.....	1,636,880	1,283,698	840,566
Less: provision for impairment.....	-	(20,376)	(12,694)
Less: expected credit losses	(30,338)	-	-
Total customer financing	1,606,542	1,263,322	827,872

The table below shows the Bank's total gross and net customer financing receivables portfolio and customer financing to deposit ratios as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(KD '000s, except percentages)	
Financing receivables before provision for impairment.....	1,636,880	1,283,698	840,556
Less: provision for impairment.....	-	(20,376)	(12,694)
Less: expected credit losses	(30,338)	-	-
Net financing	1,606,542	1,263,322	827,872
Net customer financing/customer deposits	152.5	125.5	110.8
Net customer financing/total deposits ⁽¹⁾	85.1	80.0	81.0

⁽¹⁾ Total deposits comprise customer deposits and deposits from banks and other financial institutions.

The Bank's 20 largest customer financings amounted to 28 per cent. of its total gross customer financings as at 31 December 2018 compared to 35.1 per cent. as at 31 December 2017 and 31.7 per cent. as at 31 December 2016.

The Bank's customer financing receivables portfolio is principally denominated in Kuwaiti dinar, although financing is also made in U.S. dollars. The Bank believes that there is only limited structural cross-currency exposure as the majority of its assets and liabilities are match-funded in currency terms.

The majority of the financing within the Bank's corporate customer financing receivables portfolio contains terms permitting the Bank to adjust the profit rate payable by the corporate customer upon any change in the CBK discount rate or the relevant interbank benchmark. The Bank believes that there is only limited structural exposure to profit rate movements as the majority of its assets and liabilities re-price within one year. However, the Bank's experience is that, whilst its assets generally re-price shortly after a change in the CBK discount rate, there is typically a longer time lag on deposit re-pricing which means that (absent other factors such as raising long term funds, as discussed under "*Factors affecting net financing income*") its net profit margin generally improves in an increasing market profit rate environment.

Distribution of customer financing receivables by maturity

The table below shows the distribution of the Bank's customer financing receivables portfolio by maturity (based on contractual cash flows and maturity dates) as at 31 December in each of 2018, 2017 and 2016.

	Within 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
			(KD '000s)		
31 December 2018					
Customer financing receivables	905,647	339,696	56,742	304,457	1,606,542
31 December 2017					
Customer financing receivables	728,610	256,494	23,710	254,508	1,263,322
31 December 2016					
Customer financing receivables	483,123	140,640	31,069	173,040	827,872

Gross maximum exposure to credit risk

The table below shows the Bank's maximum credit risk exposure for the components of the statement of financial position. The maximum exposure is shown gross (net of impairment), before the effect of mitigation through the use of master netting and collateral agreements, as at 31 December 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	<i>(KD '000s)</i>		
Credit risk exposures relating to on-statement of financial position items			
Balances with banks	15,972	11,501	3,864
Placements with banks and the CBK	256,486	246,484	166,940
Financing receivables	1,606,542	1,263,322	827,872
Financial assets at fair value through other comprehensive income (investment in sukuk)	143,093	-	-
Available-for-sale investments (investment in sukuk)	-	140,140	73,820
Other assets	10,227	10,187	4,380
Total	2,032,320	1,671,634	1,076,876

As at 31 December 2018, the Bank's gross maximum exposure to credit risk was KD 2,032 million, of which its portfolio of financing receivables comprised 79.0 per cent. As at 31 December 2017, the Bank's gross maximum exposure to credit risk was KD 1,672 million, of which its portfolio of financing receivables comprised 75.6 per cent. As at 31 December 2016, the Bank's gross maximum exposure to credit risk was KD 1,077 million, of which its portfolio of financing receivables comprised 76.9 per cent.

Non-performing financings

The Bank continued to achieve low levels of non-performing financings in 2018. Total non-performing financings as at 31 December 2018 amounted to KD 22.8 million (which represented 1.39 per cent. of gross financings for that year), compared to KD 18.7 million as at 31 December 2017 (representing 1.45 per cent. of gross financings for the year) and KD 5.8 million as at 31 December 2016 (representing 0.69 per cent. of gross financings for the year).

Distribution of the Bank's gross maximum exposure to credit risk by geography and by sector

The Bank does not disclose the geographical or sectoral split of its portfolio of financing receivables in the Financial Statements, although it does disclose the geographical and sectoral split of its gross maximum exposure to credit risk. The table below shows the breakdown by geography and by industry sector of the Bank's maximum exposure to credit risk as at 31 December in each of 2018, 2017 and 2016.

	2018		2017		2016	
	Financial assets	Off-statement of financial position items	Financial assets	Off-statement of financial position items	Financial assets	Off-statement of financial position items
	<i>(KD '000s)</i>					
Geographic region						
Kuwait	1,497,728	96,941	1,305,642	96,592	870,756	45,357
Other Middle East	345,006	224	257,236	—	175,673	—
Rest of the world	189,586	22,950	108,756	5,547	30,447	4,688
	2,032,320	120,115	1,671,634	102,139	1,076,876	50,045
Industry sector						
Banks and financial institutions	501,754	5,809	475,665	5,417	288,819	4,688
Construction and real estate	694,272	58,033	551,531	58,713	375,412	32,898
Trading and manufacturing	247,166	43,218	205,196	27,364	150,463	8,962
Other	589,128	13,055	439,242	10,645	262,182	3,497
	2,032,320	120,115	1,671,634	102,139	1,076,876	50,045

The Bank seeks to limit its credit risk through diversification of its assets by geography and industry sector. The Bank's major sectors of credit concentration are to:

- construction and real estate which, as at 31 December 2018, accounted for 34.2 per cent. of its total gross maximum credit exposure compared to 33.0 per cent. as at 31 December 2017, and 34.9 per cent. as at 31 December 2016; and
- banks and other financial institutions which, as at 31 December 2018, accounted for 24.7 per cent. of its total gross maximum credit exposure compared to 28.5 per cent. as at 31 December 2017 and 26.8 per cent. as at 31 December 2016.

As per CBK regulations, the construction and real estate segment includes not only credit facilities granted to companies engaged in real estate business but also to borrowers where the purpose of the specific facility concerned is to finance real estate development and acquisition. The Bank's exposure to this sector is primarily in Kuwait and the vast majority of the exposure is secured by real estate and other tangible collateral.

See "Risk management—Credit risks" for a discussion of the Bank's financing origination and monitoring procedures, collateral policy and non-performing financing receivables and provisioning policies.

Investment Securities Portfolio

The Bank's investment securities portfolio principally comprises quoted and unquoted fixed rate sukuk (with maturities ranging from short-term to in excess of one year) held at FVOCI and a small portfolio of quoted and unquoted equity securities and funds held at FVTPL and, in some cases, FVOCI. As of 31 December 2017 and 31 December 2016, all of these securities were held on an available-for-sale basis.

On initial application of IFRS 9, the Bank's management re-classified its investments in quoted equity instruments, unquoted funds and unquoted other securities from available-for-sale investments to financial assets at fair value through profit or loss and its investments in quoted and unquoted Sukuk, and unquoted equity instruments from available-for-sale investments to financial assets at fair value through other comprehensive income. Further details are included in notes 2.2, 5.6 and 7 to the 2018 Financial Statements.

The table below summarises the Bank's investment securities portfolio as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
		(KD '000s)	
Quoted sukuk.....	141,093	138,140	71,820
Unquoted sukuk.....	2,000	2,000	2,000
Quoted equity security.....	7,159	756	837
Unquoted equity security.....	5,492	4,098	4,098
Unquoted funds and other securities.....	34,341	20,927	21,070
	190,085	165,921	99,825

The Bank's investment policy requires all investments in sukuk 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 Bank'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 strengthened the quality of capital and introduced 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 Bank's principal capital management objectives are to ensure that it complies with externally imposed capital requirements and maintains strong and healthy capital ratios in order to support its business and maximise shareholder value. The Bank aims to ensure adherence to the CBK's requirements by monitoring its

capital adequacy and adopting both a capital forecasting process that ensures that pro-active action is taken where necessary and a strategy that ensures that a sufficient capital buffer above minimum required levels is maintained at all times. 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 Bank's regulatory capital comprises:

- Common Equity Tier 1 (CET1) which demonstrates the Bank's underlying strength and includes share capital, reserves, and share premium according to applicable rules and regulations.
- Additional Tier 1 (AT1) which comprises the AT1 Sukuk issued by the Bank.
- Tier 2 Supplementary Capital which comprises the allowed portion of general provisions (1.25% of the risk weighted assets).

The Bank's capital does not include either structured instruments or complex equity instruments.

As at 31 December 2018, the Bank's Tier 1 Core Capital (comprising its CET1 and AT1 capital) amounted to KD 270.9 million, KD 177.0 million as at 31 December 2017 and KD 94.8 million as at 31 December 2016. The Bank's Tier 2 Supplementary Capital amounted to KD 13.8 million as at 31 December 2018, KD 9.7 million as at 31 December 2017 and KD 6.6 million as at 31 December 2016, as detailed below:

	As at 31 December		
	2018	2017	2016
	<i>(KD '000s, except percentages)</i>		
Common equity Tier 1 "CET1" capital.....	194,565	100,596	94,772
AT1 Sukuk.....	76,363	76,363	-
Total Tier 1 capital.....	270,928	176,959	94,772
Total Tier 2 capital.....	13,803	9,700	6,591
Total capital available	284,731	186,659	101,363
CET1 capital adequacy ratio	16.58%	12.17%	16.83%
Total Tier 1 capital adequacy ratio	23.09%	21.41%	16.83%
Total capital adequacy ratio	24.26%	22.58%	18.00%

The Bank is also subject to a CBK Basel III minimum leverage ratio requirement of 3 per cent. The Bank's leverage ratio was 11.96 per cent. as at 31 December 2018, 9.68 per cent. as at 31 December 2017 and 8.17 per cent. as at 31 December 2016.

Commitments and Contingent Liabilities

The Bank has irrevocable financing commitments as well as contingent liabilities in relation to acceptances, letters of credit and letters of guarantees issued by it. The table below shows these contingent liabilities as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	<i>(KD '000s)</i>		
Acceptances and letters of credit	33,210	39,788	9,140
Letter of guarantees	91,209	62,865	41,156
Capital commitments	223	232	238
	124,642	102,885	50,534

Related Party Transactions

The Bank's principal related party transactions are with its major shareholders, directors and executive officers, their close family members and companies controlled by them or their close family members. 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 Bank in the ordinary course of business. Transactions with related parties are made on substantially the same terms, including profit rates and 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.

The Bank adheres to CBK guidelines on lending 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 Board members must be approved, renewed or modified only at the Board level and this authority cannot be delegated to a committee of 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.

Further 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 Bank's related party transactions in 2018, 2017 and 2016 is set out in note 18 in the 2018 Financial Statements, note 16 in the 2017 Financial Statements and note 13 in the 2016 Financial Statements.

DESCRIPTION OF THE BANK

Overview

History, core businesses and financial performance

The Bank is a Kuwaiti public shareholding company that was incorporated on 17 February 2010 in Kuwait by virtue of Amiri Decree No. 289/2009, and was officially enrolled in the CBK's Register of Islamic Banks on 7 April 2010. The State of Kuwait, represented by the Kuwait Investment Authority (**KIA**), directly and indirectly owns 25.630 per cent. of the Bank's total shares, the Public Institution for Social Security (**PIFSS**) indirectly owns 8.30 per cent., Al Sayer Holding Company indirectly owns 10.006 per cent. and Mr. Abdullah Saleh Al-Shalfan directly owns 7.354 per cent. as of 31 December 2018.

The Bank has been listed on the Boursa Kuwait since September 2013. It was listed as part of the Kuwaiti government's strategy to distribute funds to Kuwaiti citizens through the promotion of the Bank by virtue of Amiri Decree No. 289/2009. Its total market capitalisation as at 31 December 2018 was KD 315 million.

In 2018, the Bank increased its share capital by 50 per cent. from KD 100 million to KD 150 million with a share premium of 80 per cent., leading to a total capital increase of KD 90 million. The increase in share capital was important for the Bank as it supported its aim of accelerating sustainable and profitable growth, and was one of its strategic initiatives for 2018.

The Bank offers a range of banking and investment services in compliance with the principles of Islamic Sharia. As at 31 December 2018 and based on published financial statements for that year, the Bank was the second smallest, newest and fastest growing (in terms of assets) Islamic bank in Kuwait (see further "*Competition*" below).

The Bank's core businesses are corporate banking, retail banking, treasury and investment banking. See "*Selected Financial Information – Segmental Analysis*" for details of the contribution of each business to the Bank's results.

In the second half of 2018, the Bank launched its new corporate identity in line with its strategy of positioning the Bank as a distinctive brand with a modern look and solutions oriented. As part of its rebranding the Bank launched a new logo with new colours along with new internal values which are "Can do", "Ambitious" and "Winning team spirit".

The Bank achieved a net profit of KD 12,738 thousand in 2018 compared to KD 7,454 thousand in 2017, an increase of 71 per cent. The Bank's customer financing portfolio grew by 27 per cent. in 2018, amounting to KD 1,607 million compared to KD 1,263 million as at 31 December 2017. The Bank's assets exceeded KD 2 billion for the first time since its incorporation, reaching KD 2,193 million as at 31 December 2018 compared to KD 1,775 million as at 31 December 2017, an increase of 24 per cent. The Bank's combined depositors' accounts and due to banks and other financial institutions amounted to KD 1,888 million as at 31 December 2018, compared to KD 1,579 million as at 31 December 2017, an increase of 20 per cent.

As at 31 December 2018, the Bank's total equity was KD 271 million compared to KD 177 million as at 31 December 2017.

As at 31 December 2018, the Bank's total and tier 1 capital adequacy ratios, calculated in accordance with the Basel III methodology adopted by CBK Circular 2/BS, IBS/336/2014 dated 24 June 2014, were 24.26 per cent. and 23.09 per cent., respectively, and its leverage ratio, calculated in accordance with CBK Circular number 2/BS/343/2014 dated 21 October 2014, was 11.96 per cent. as at 31 December 2018.

The Bank's registered office is at Sanabil Tower, 26th-28th Floor, Abdullah Al Ahmed Street, P.O. Box 1220, Safat 13013, Kuwait and its telephone number is +965 1825 555. Its commercial registration number with the Kuwaiti Ministry of Commerce is 334402.

The Bank carries out its principal banking operations directly (rather than through operating subsidiaries). As at the date of this Base Prospectus, its branches are located solely in Kuwait. The Bank, in common with its peers, is subject to extensive regulation in Kuwait (see further "*Overview of Banking and Finance Regulations in Kuwait*").

Awards and recognition

The Bank was the recipient of the following ten awards in 2018:

- Fastest Growing Bank - Middle East *CPI Financial*

- Fastest Growing Bank – Kuwait *CPI Financial*
- Best Investment Bank – Kuwait *CPI Financial*
- Best Corporate Bank – Kuwait *CPI Financial*
- Fastest Growing Islamic Bank *CPI Financial*
- Best Corporate Advisory – Kuwait *CPI Financial*
- Fastest Growing Bank (Asset Growth) *World Islamic Banking Conference*
- Advertising Creativity Award *Arab Media Forum*
- Elite Quality Recognition award for commercial payment (MT103) *JP Morgan Chase*
- Elite Quality Recognition award for Banking payment (MT202) *JP Morgan Chase*

The Bank also won a number of awards in 2017 including:

- Fastest Growing Bank – Kuwait *The Banker Middle East*
- Best Investment Bank – Kuwait *The Banker Middle East*
- Best Corporate Bank – Kuwait *The Banker Middle East*
- Financial Institutions Deal of the Year *Bonds, Loans & Sukuk Middle East*
- Best Ijara Deal of the Year *Islamic Finance News*
- Best Kuwait Deal of the Year *Islamic Finance News*
- Most Innovative Deal of the Year *Islamic Finance News*
- Real Estate Deal of the Year *Islamic Finance News*

Strategy

Vision, Mission and Objectives of the Bank

The Bank's vision is to be an Islamic Corporate and Investment Banking Champion in Kuwait with a lean digitally enabled Retail business.

This vision is underpinned by the Bank's mission to:

- help customers fulfil their life ambitions and grow their businesses by providing innovative financial solutions and outstanding experience;
- provide its staff with rewarding growth opportunities and a healthy work environment; and
- deliver steady, growing returns to shareholders.

In line with this vision and mission, the Bank's Board of Directors (the **Board**) approved a five-year strategic business plan (the **Strategic Plan**) on 31 January 2017, covering the period to 31 December 2021. The Strategic Plan involves the following core objectives:

- restoring profitability and repositioning the Bank's Retail Banking business;
- accelerating the Bank's income growth and deepening market penetration in its Corporate Banking business;
- growing its Investment Banking business;
- building digital capabilities within a short timeframe;
- enhancing the customer experience and speed of service, together with competitive pricing to deliver an expansive value proposition for customers of various sizes and industries;
- effectively managing capital;
- acquiring strong capabilities to compete successfully in the markets in which it operates, whilst at the same time managing risk effectively; and
- improving organisational health.

In relation to the Bank's core business segments, the Strategic Plan envisages that:

- The Corporate Banking Group (**CBG**) will re-align its product mix based on customer profiles and the industries in which they operate and create a range of segment-driven offerings. The CBG will also focus on cross-selling additional fee-based products such as cash management and treasury products to its customers. In addition, the CBG intends to diversify its customers and products and increase its asset portfolio, enhance its distribution network, increase customer satisfaction, and enhance its profitability, in order to enhance market share and income. In particular, the CBK recently published guidelines on the SME sector which define which customers fall into this category, and in line with the new guidelines, the Bank is setting up a dedicated unit to target and manage such customers. Processes (including approval and risk assessment) will be revised as necessary to provide the faster turn-around times usually required by such clients. See further "*Corporate Banking Group (CBG)*".
- The Retail Banking Group (**RBG**) will focus on launching a range of unique customer-focussed products and services, while leveraging the Bank's end-to-end digital capabilities to drive innovation and customer experience, with the expansion of its distribution network supported by efficient physical infrastructure, direct distribution and digital self-service channels. See further "*Retail Banking Group (RBG) – Boosting customer acquisition and revenue from customers by:*", "*Retail Banking Group (RBG) – Reducing costs by:*" and "*Retail Banking Group (RBG) – Building digital capabilities by:*".
- The Investment Banking Group (**IBG**) will continue to pursue investment and financing opportunities in various asset classes in accordance with the Bank's risk and return objectives. It will also focus on developing an originate-to-distribute model in order to grow and support its business.
- The Treasury Group's (**TG**) focus will be to maintain an optimal funding strategy for the Bank to ensure cost efficiency while being compliant with applicable regulatory and statutory requirements. The TG will also continue to grow its revenue generation activities and focus on expanding its client base. To support these initiatives and provide more depth to the banking services offered by the Bank, the TG is developing innovative products (including certain currency swaps and risk hedging products) that are designed to suit the increasingly sophisticated needs of the Bank's customers and market in general.

As part of the Bank's Strategic Plan, the Bank is also aiming to increase both retail and corporate deposits in order to diversify its funding sources and to reduce concentration risks; and to proactively manage its cost-of-funds by optimizing the mix of the Bank's deposits. As at 31 December 2018, the Bank's top 10 depositors accounted for 68.5 per cent. of total funding, compared to 71.92 per cent. as at 31 December 2017. See also "*Risk Factors – The Bank is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business*".

The Bank also intends to focus on the following five key pillars: expansion, product innovation, customer experience, efficiency and people in pursuing its strategy. The expansion pillar will be supported through a series of initiatives related to the introduction of new business lines namely asset management and private banking, the enhancement of the digital operating model, the opening of five new branches (one of which was opened in April 2019, with two further branches expected to be opened in each of 2019 and the first quarter of 2020), and leveraging the capital increase to grow the Bank's financing portfolio along with effective capital allocation and management. In terms of product innovation, the Bank plans to deliver a number of innovative initiatives (including funds, leasing products and a new suite of deposit products) during 2019 to further enrich its product offerings for its corporate, investment and retail banking customers. In relation to the efficiency pillar, a series of initiatives will be undertaken in the areas of process optimisation and digitisation to support the sustainable growth of the Bank. The Bank will also place a strong focus on customer experience through a variety of initiatives (including digital value propositions and loyalty programmes for retail customers) in order to deliver a best-in-class experience. Finally, for its people pillar, several initiatives (including employee experience programmes and a talent development programme) will be undertaken to bolster human resources, culture and staff engagement, in order to position the Bank as the best employer amongst banks in Kuwait.

Corporate Banking Group (CBG)

The CBG is a key income generating area of the Bank. The group is headed by the Acting Chief Corporate Banking Officer. The CBG has been divided into Domestic Corporate Banking (**DCB**) and Corporate Support and Market Analysis. Within the DCB group there are five teams each handling customers across the spectrum of business sectors which the CBG focuses on namely, oil and gas; real estate financing for trading and investment purpose; financing contracting business and government projects; financing independent projects; and financing working capital each managed by dedicated and experienced unit heads with the support of relationship managers to service customer needs professionally and efficiently. Within the Corporate Support

and Market Analysis group, there are three teams namely the Financial Analysis, MIS reporting, and Corporate support officers teams.

The CBG's strategic focus is on:

Re-aligning its product mix:

- based on customer profiles and the industries in which they operate, and creating a range of segment-driven offerings.

Cross-selling:

- cross-selling additional fee-based products such as cash management and treasury products to its customers.

Achieving diversification of customers and products and increasing its asset portfolio by:

- raising capital to allow CBG to target large new top-tier corporate borrowers and to provide enhanced facilities (such as higher exposure limits, in the case of a borrower which is able to meet stringent criteria) to existing top-tier clients;
- continuing to target both the large commercial segment as well as medium-sized and selected small-sized businesses across a number of industry sectors, such as oil and gas, services, trading and contracting, helping the Bank to effectively manage concentration risk and maximise profitability;
- strengthening the current product mix of cash and non-cash credit facilities, such as murabaha, ijara, letters of guarantee and letters of credit, and its deposit products, such as its current, call and wakala deposits, in order to meet the requirements of various classes of customers (large corporates and SME) to a greater extent; and
- creating short-term temporary financing through an Islamic overdraft product. This was implemented during the last quarter of 2017. The utilisation of the Islamic overdraft facility was KD17.4 million as at 31 December 2018.

Enhancing its distribution network by:

- improving accessibility to its corporate customers in key areas in conjunction with and facilitated by the RBG's strategy of increasing the number of branches (*See also "Business – Retail banking group" below*); and
- enhancing user friendly online banking for CBG customers, in line with the current market demand for better access to electronic facilities.

Increasing customer satisfaction by:

- offering competitive pricing, subject to CBK instructions, on its products and services;
- ensuring faster decision making and approvals by streamlining existing processes, and automating credit applications and appraisals; and
- increasing staff strength by hiring more experienced staff, in addition to improving and developing existing staff through appropriate internal and external training and workshops.

Enhancing profitability by:

- cross-selling in coordination with other departments, such as retail and treasury, to promote the Bank's products, such as call and deposit accounts, consumer financing and credit cards; and
- expanding the Bank's network of wholesale correspondent banking arrangements in major financial centres to support client needs in trade finance and money transfer segments.

Retail Banking Group (RBG)

Within its retail banking business, the Bank's strategic focus is to bring retail banking on a profitable growth path by:

Boosting customer acquisition and revenues from customers by:

- tailoring the value proposition for sub-segments (such as a ladies-only branch) and launching "hook" product offerings (such as the Sanbula draw account providing prizes of KD 1 million per year. Under

the Sanbula product, customers with a savings account or fixed deposits have the opportunity to win weekly and quarterly draws. This is further supported by customers (current and new) being able to open a Sanbula savings account through a mobile application);

- optimising branch footprint and design (for instance, where appropriate, using smaller branches, and digital enhancements such as interactive teller machines which provide customers with the ability to perform various transactions in self-service mode, with a direct video link to a call centre if assistance is required (these machines are already used in three branches)); and
- launching a sales forces effectiveness programme to instil commercial drive
- (using an enhanced incentive scheme, together with sales coaching and formal training to improve performance).

Reducing costs by:

- Making back-end processes more efficient (for example by consolidating business control and automating workflows); and
- prioritising marketing spend and focussing on key segments including for high-salaried customers (**Al-Safwa**) and private banking (**Al-Masi**).

Building digital capabilities by:

- digitising the customer acquisition processes;
- implementing in-house agile operating models (whereby the Bank's employees across different departments, such as business, IT and marketing, work effectively together) and recruiting small teams of digital talent (such as information technology experts and agile developers); and
- digitising payment and financing processes.

Developing distinctive capabilities in sales, distribution and analytics by:

- launching a sales forces effectiveness programme as referred to above; and
- analysing emerging client needs, behaviours and competition.

Evolving organisational and operating models by:

- redesigning back-end processes;
- conducting detailed diagnosis and defining target process design based on benchmarks (such as time-to-market, process time and customer feedback), with processes refined as necessary to ensure efficiency; and
- re-assigning roles and responsibilities within the Bank as necessary, depending on the outcome of the diagnosis and benchmarking process referred to above for particular projects..

Investment Banking Group (IBG)

The IBG team has a strong combination of investment, financing and portfolio management capabilities with a proven ability to source, execute and manage financing and investment transactions locally in Kuwait, as well as regionally in the GCC and globally. IBG will continue to focus on growing the Bank's proprietary investment book through investments across multiple asset classes, sectors and geographic jurisdictions, and provide the Bank's corporate clients with comprehensive financing solutions and access to the international syndicated financing and debt capital markets products. The Bank is also seeking (through IBG) to increase its fees and commission income through the provision of non-cash products such as letters of credit and letters of guarantee as well as through its participation in syndicated financings.

Strengths

The Bank benefits from a number of business strengths, in particular:

Growing market position and strong growth record

The Bank's rapid growth is evidenced by the awards received by the Bank, such as the 'Fastest Growing Bank in Kuwait for 2018'. The Bank's total assets grew by 24 per cent. in 2018 compared to 57 per cent. in 2017 and its market share in terms of total Islamic financings increased to 9 per cent. as at 31 December 2018 from 7 per

cent. as at 31 December 2017. As a relatively young institution, the Bank believes that the potential for growth in all of its core businesses remains significant.

Robust quality of financing assets

Despite the rapid growth of its overall financing portfolio, the Bank has also successfully maintained the high quality of its financing assets. Its overall non-performing financings receivables ratio as at 31 December 2018 was 1.39 per cent. compared to 1.45 per cent as at 31 December 2017.

Sound and consistent financial performance

The Bank has a history of profitability and has remained profitable since the year ended 31 December 2014, growing its total assets at 9 times the rate of the Kuwaiti market (Islamic and conventional) between 2016 and 2018. Between 2014 and 2018, the Bank's operating profit before provisions for credit losses and impairment losses grew at a compound annual growth rate (CAGR) of 99 per cent., its total assets grew at a CAGR of 39 per cent. and equity attributable to shareholders of the Bank grew at a CAGR of 31 per cent. In addition, the Bank 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 ratio of non-performing financings, amounting to 1.39 per cent. as at 31 December 2018. As at 31 December 2018, the Bank's regulatory liquidity coverage ratio was 166 per cent. compared to 160 per cent. and 127 per cent. as at 31 December 2017 and 31 December 2016, respectively. As at 31 December 2018, the Bank's regulatory NSFR was 111.03 per cent. compared to 96.8 per cent as at 31 December 2017.

Shareholders' support/stable shareholder base

KIA, which directly owns 24 per cent., and indirectly owns 1.20 per cent., of the shares in the Bank, is the fifth largest sovereign wealth fund in the world. Subject to KIA discretion and endorsement, the Bank can leverage its relationship with KIA in terms of both ongoing funding support as well as opportunities to participate in transactions in which KIA is also involved in the future. KIA's ownership in the Bank is similar to its ownership in the share capital of the Bank's competitors.

Experienced Board and strong management

The Bank is steered by an experienced management team comprising of strong banking professionals in their respective fields. The Bank's Board brings several years of professional experience to the Bank. The management team's collective domestic, regional and international experience, both in conventional and Islamic banking space, has proven instrumental in the successful establishment, positioning and continuous improvement in the operations of the Bank. The Bank's ability to leverage their experiences in establishing the Bank and fostering an internal culture which is vital for the rapid but sustainable growth and evolution of the Bank is a significant strength of the Bank. See "*Management and Employees*" for further information on the Bank's Board and management.

Smart distribution network

The Bank has built a robust and efficient distribution network combines strategically located retail branches, digital self-service channels, and direct sales force. Identification of suitable branch locations is achieved through analysis of the demographics of the resident population and matching this to the Bank's targeted segments. A relatively small, but cost effective, branch network is then complemented by a growing direct sales force which effectively "takes the Bank to the customer". This is already being supplemented by the Bank's enhancement of its mobile and internet distribution network, which is intended to enable clients to achieve most of their requirements through such channels.

Customer satisfaction

The Bank currently employs third parties to independently monitor service levels, which provide mystery shoppers and conduct customer surveys to provide an overall quality score for the retail division of the Bank and individual scores for each customer-facing employee. Service quality is an integral part of employees' balanced scorecard, based on which they are incentivised and rewarded. The employees' scorecards consist of a combination of financial and non-financial metrics, and the actual metrics used will vary dependent on the relevant employee's role. Financial metrics could include asset sales, deposits (with separate metrics for low cost funds and fixed deposits), customer acquisition and credit card sales. Non-financial metrics could include documentation quality, service quality, product knowledge and audit scores. The Bank currently achieves service quality scores exceeding 95 per cent. (as independently assessed by the third party marketing research company, Ipsos), which management believes positions the retail division of the Bank well relative to its competition. The Bank's corporate division also offers high quality products and services to its clients, due to its

ability to provide boutique services because of its size and its ability to quickly adapt to market needs and to structure and shape available products to fit client needs.

Reputable Shari'a Board

The Shari'a Board comprises well-regarded Shari'a scholars who have significant experience in Islamic finance and serve on the Shari'a advisory boards of many other Islamic financial institutions. The Shari'a Board has played a key role in assisting the Bank in developing Shari'a-compliant banking products and services which are innovative as well as suitable for the particular customer segments to which they are addressed.

Shareholders

The table below shows the Bank's key shareholders (5 per cent. and above) and their shareholdings as at 31 December 2018.

Shareholder	Number of shares	Percentage of issued share capital
KIA	384,447,096	25.630
PIFSS	124,463,075	8.298
Al Sayer Holding Group	150,082,614	10.006
Abdullah Saleh Al-Shalfan	110,305,752	7.354

Business

Reporting segments

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

- *Corporate Banking Group* which provides a range of banking services and investment products to corporate customers, in addition to providing commodity and real estate murabaha finance and ijara facilities;
- *Retail Banking Group* which provides a diversified range of products and services to individual customers. The products and services include consumer finance, credit cards, deposits and other branch-related services;
- *Treasury Group* which comprises the Bank's foreign exchange operations, funding and liquidity management through domestic and international markets;
- *Investment Banking Group* which comprises structured finance and syndication, and investments globally across various asset classes; and
- *Other* which comprises the Bank's Operations Group, Information Technology Group and cost centre assets and expenses.

The table below is derived from note 21 to the 2018 Financial Statements and note 19 to the 2017 Financial Statements and shows certain financial information in relation to each reporting segment for each of the years ended 31 December 2018, 31 December 2017 and 31 December 2016.

	Corporate	Retail	Treasury	Investment	Other	Total
	<i>KD '000</i>					
2018						
Segment operating income ...	30,613	7,682	3,557	7,700	—	49,552
Segment result	14,816	81	3,583	5,784	(11,526)	12,738
Segment assets	1,278,293	328,249	256,486	265,450	64,591	2,193,069
	Corporate	Retail	Treasury	Investment	Other	Total
	<i>KD '000</i>					
2017						
Segment operating income ...	24,670	6,361	2,171	4,910	—	38,112
Segment result	13,165	(1,498)	1,880	3,829	(9,922)	7,454
Segment assets	1,004,046	259,277	246,484	222,191	42,547	1,774,545

	<u>Corporate</u>	<u>Retail</u>	<u>Treasury</u>	<u>Investment</u>	<u>Other</u>	<u>Total</u>
	<i>KD '000</i>					
2016						
Segment operating income ...	13,467	4,484	801	4,181	—	22,933
Segment result	8,358	(1,649)	622	3,716	(8,472)	2,575
Segment assets	655,687	172,185	166,940	114,640	17,510	1,126,962

Each of the corporate, retail, treasury, investment, operations and information technology groups is described separately below.

Corporate banking group

The Bank seeks to achieve its objectives as a banking institution by contributing to the growth and stability of the domestic economy in Kuwait while achieving profit. Despite the economic challenges experienced in the past years, management believes that CBG has succeeded in overcoming the challenges and achieving positive results in 2018 and 2017. CBG grew its financing receivables portfolio by 27.07 per cent. in 2018 while maintaining high asset quality standards, mitigating and diversifying risks by allocating CBG business across key economic sectors, which provide safer and more profitable operational revenues for the Bank. CBG aims to reduce exposure to the real estate sector following the introduction of CBK regulations that revise the risk weighting on collateralised real estate exposure. CBG expanded its customer base in the domestic market from 303 customers as at 31 December 2017 to 378 customers as at 31 December 2018 and enhanced relations with existing customers. A key feature of that success was the participation in syndication deals of U.S.\$80 million and KD 26 million during 2017 and 2018 by CBG in cooperation with the IBG, which had a positive impact on the Bank's market profile.

CBG was awarded the 'Best Corporate Bank – Kuwait' by CPI Financial in 2018.

With the Bank's increase in capital following the rights issue in December 2018, the CBG is in a position to increase its exposure to existing customers in target sectors in which the Bank focusses namely, oil and gas; real estate financing for trading and investment purposes; contracting business and government projects; financing independent projects and financing working capital requirements.

CBG offers its customers a variety of services and banking solutions based on Islamic Shari'a, including cash and non-cash trade financing services (such as working capital and long-term murabaha, real estate ijara, letters of credit and letters of guarantees). The Bank provides complete banking services that serve corporate customers including POS machines, foreign exchange transactions, credit cards, online corporate cash management services, a range of current, call and wakala deposit accounts and other products and services. The Bank offers its products and services to large, medium and small-sized corporate customers as well as governmental institutions and individuals.

The industry sectors served by CBG include real estate, financial institutions, oil and gas, industry and manufacturing, retail and wholesale trade and civil construction and engineering, procurement and construction contractors. The Bank's credit risk exposure is concentrated in the construction and real estate sector, which as at 31 December 2018 accounted for 34.15 per cent. of the Bank's total credit risk exposure compared to 33.01 per cent. as at 31 December 2017 and 34.85 per cent. as at 31 December 2016. The Bank seeks to reduce its credit risk exposure by establishing internal risk appetite limits approved by the Board in relation to sector concentration and by monitoring such concentration. In the real estate segment specifically, the Bank finances asset acquisition and development for high net worth clients and corporates engaged in real estate management, development and investment. The commercial segment comprises large business groups, including family-run businesses, and local or regional conglomerates and medium-sized players, thus enabling the Bank to mitigate asset concentration risks.

The Bank's corporate internet banking tool "Warba Online Corporate", which was previously limited to enquiries only, extended its services in 2018. As at 31 December 2018, the Bank had 618 active online banking customers.

CBG's customers utilise trade financing facilities made available by the trade finance division. This division uses its extensive knowledge of international trade mechanisms to help corporate clients enhance their global competitiveness and reduce risk. The trade finance division offers the Bank's customers a wide range of services, including:

- letters of credit, including the extension of cash financing under letters of credit (Murabaha);

- letters of guarantee, including bid bonds, performance, advance payment, retention, purchase and counter guarantees; and bills for collections, both documentary and clean with payment at sight/acceptance, settlement and remittance proceeds; and
- Operational Murabaha Commodity, the Islamic equivalent of overdraft facilities granted by conventional banks.

CBG recently introduced residential financing in line with regulations by the CBK and is planning to introduce a usufruct financing and equipment leasing product later in 2019.

The Bank launched more than seven new services for its Corporate and non-individual clients in 2018 including access management, limit management, trade finance and salary disbursements.

Retail banking group

The provision of services by RBG commenced in 2012, prior to which the Bank was only a corporate and investment bank. Through RBG, the Bank continues to provide innovative products and services across its targeted segments in terms of new account types and credit card services, which have been well received by the market, with a 58 per cent. growth in new accounts acquired in 2018 alone. As at 31 December 2018, the Bank had 52,000 registered account holders. The Bank currently has defined segments for high-salaried customers ('Al Safwa'), Kuwaiti women, Kuwaiti government employees and students ('Shabab Warba' for students aged 15-21 and 'Tala' for students aged 14 and under). The Bank is focusing on these segments due to their potential for future business. The Bank is also focusing on additional business which has resulted from retail customer refinancings following the CBK's instruction on consumer financings issued in July 2015 that provides that any consumer financings granted to a bank's customers can be utilised for the purpose of paying an existing financing with another bank in Kuwait. In order to qualify for such financing, a customer is required to repay at least 30 per cent. of the original financing. These initiatives are supported by a strong customer service ethic which is achieved through continuous training and assessment programs. This has resulted in our service quality scores across all channels exceeding 95 per cent (according to Ipsos Kuwait market research)

Despite the increasingly competitive retail banking market, 2018 has been another year of significant growth for the RBG. The RBG's balance sheet has shown strong growth both in terms of financing and deposits. During 2018, the Bank attracted 19,000 new customers. Whilst assets have grown, the Bank's NPL ratio is being maintained well below the market average and reflects a prudent lending policy and highly effective collections process. The combination of asset and low-cost deposit growth and a carefully managed cost base has seen the RBG move into sustained profitability during the year. Whilst all the sales channels have performed well during the year, the Bank saw particular success in the auto finance market where it forged closer relationships with the major auto dealerships participating in many joint promotions. The introduction of a new auto cash product and the introduction of leasing capabilities as well as sponsoring the auto-financing exhibition that is held in Kuwait on an annual basis, have established the Bank as a recognised market leader in this segment. The Auto Cash product allows a cash customer to establish a fixed deposit and then finance a car against the deposit for up to five years.

In line with the Bank's vision of being a "Lean digitally enabled Retail Bank" there have been a number of new initiatives rolled out during 2018. The most significant of these was the introduction of the first mobile onboarding application in the Kuwait market. Launched in the first quarter of 2018, the application facilitates the opening of accounts with no need to visit a branch. This has resulted in an increase of 15 per cent. of new customers being acquired through this new digital channel as at 31 December 2018. This not only enhances and enriches the customer experience but also significantly lowers the cost of acquisition. This initiative was then followed by the launch of a mobile application allowing customers to apply for financing using their mobile phone. During 2018 several functional enhancements were introduced to the Bank's services, contributing to its rich offering in the market. For example, specific to the Bank's retail banking customers, the Bank introduced more than 20 services including: the Family Accounts service (which makes it convenient for the customer to manage and operate their accounts); term deposits and prepaid cards for the customer's children using the online banking channel; "Shegardi" the Chatbot (an automated customer responses service based on Artificial Intelligence technology); Express salary (an innovative service that gives the customer the convenience to move cash from their credit card to their bank account without any fees); Cashback charity in partnership with Kuwait Food Bank (this product gives credit card holders the ability to donate the cashback they earned on their credit card spending, in part or whole, to charity); and Express requests (which allows the Bank's customers to request a range of pre-defined and standard customer requests from mobile banking platforms).

The Bank launched its private banking service in late 2018 under the sub-brand "Al Masi", targeting high networth clients. Located in Shuhada, the service is initially focused on providing deposit-based services, along with high-end debit and credit cards. Its relationship managers aim to provide the highly personalised service

that this sector demands. The private banking service has attracted new customers, as well as enhanced the experience of qualifying customers already with the Bank. The Bank is satisfied with the deposit acquisition it has seen so far, and intends to broaden the service offering in the future to include residential financing and investment products.

The Bank's branch network has undergone a complete refurbishment in line with the Bank's rebranding. This has enhanced the customer experience and has been well received by the Bank's clients. Whilst the Bank will continue to introduce new digital solutions, branches still have an important role to play and the Bank has identified several strategic locations for new branches. Towards the end of 2018 the Bank won the tender for a 24-hour-seven-day-a-week branch in the new Kuwait Airways Terminal at Kuwait International Airport which opened in April 2019. In addition to this, the Bank will open a further two new branches in 2019. In addition, three more branches are under consideration to be opened in 2020. The new branches will be located in residential areas.

During 2018, RBG entered into a strategic relationship with Diebold to completely overhaul the Bank's ATM network, replacing all ATMs with the latest ATM technology. This lease-based approach was the first of its type in the market and has allowed the Bank to grow its ATM network at a reduced cost. The Bank has 15 in-branch ATMs and 39 offsite ATMs in high footfall locations.

The Bank offers a wide range of retail banking products and related services in Kuwait through its integrated distribution network, comprising branches, ATMs and other remote banking platforms. In addition, the Bank has a direct sales force, including sales staff at car dealerships, who market its retail products and services to new and existing customers. The Bank's retail customers principally comprise Kuwaiti residents of various nationalities.

The Bank's retail banking products principally include a range of deposits, financing products and cards.

- *Deposits:* The Bank has a range of retail deposit products, including demand, savings and deposit accounts. The Bank's saving accounts include profit-bearing investment accounts offered to Kuwaitis and expatriates and a savings account that offers both an annual profit distribution and an opportunity to participate in monthly prize draws. The Bank's deposit accounts are profit-bearing, can be denominated in Kuwaiti dinar, U.S. dollars, British pounds sterling or euros and have terms of one, three, six, nine or 12 months, depending on the account. The opening balances required for the Bank's savings and deposit accounts vary based on the type of account.
- *Financing:* The Bank's retail financing products include housing, consumer and auto financing products based on a range of Shari'a-compliant structures. The Bank's housing financing is available to customers who seek to purchase building or construction materials to build or renovate a home. The financing is advanced for a maximum term of 15 years and in a maximum amount of KD 70,000. The financing is available to Kuwaitis and GCC and other expatriates. In accordance with CBK regulations, these financings cannot exceed 15 years in tenor or KD 70,000 in amount (on a per customer basis across all banks), which requirements apply to both Kuwaiti nationals and expatriates. Consumer and auto financing is advanced for a maximum term of five years and up to KD 25,000 (which requirements apply to both Kuwaiti nationals and expatriates) in accordance with CBK regulations. Consumer financing can be only be used for the purpose of paying medical and education expenses, purchasing furniture and cars or paying other personal expenses. All financing customers taking housing loans must provide proof of debt in accordance with CBK requirements. The Bank's retail financing is only offered in Kuwaiti dinar. The Bank's retail financing products are provided against the assignment of salaries. In order to attract salaried customers, the Bank offers an incentive to potential clients by allowing them to choose from a range of rewards including cash gifts, or profit free financing up to KD10,000.
- *Express Bank Machine (EBM):* The Bank is also introducing EBMs, through which it intends to provide a wide array of services to customers, on a 24/7 basis. These machines over time will reduce the number of tellers required and support the strategy of deploying small footprint branch engines which will result in the provision of services beyond ordinary transactional services.
- *Cards:* The Bank provides various Visa and Master Card credit cards such as Visa Signature, Visa Platinum, Visa Prepaid and Master Card World. Different card types are focused on different customer segments with a range of services and benefits attached to each card. Various relationships with merchants in the Kuwait market provide a range of discounted shopping offers for the Bank's cardholders. In the near future the Bank plans to issue multiple Master Card products such as Prepaid, Platinum, Elite and multi-currency cards to fulfil all customers' needs. Amounts outstanding on the Bank's credit cards may be repaid in full or in part at the end of every monthly credit period based on

the option selected by the cardholder. As at 31 December in each of 2018, 2017 and 2016, the total outstanding balance on the Bank's credit cards was KD 1.81 million, KD 1.36 million, KD 1.32 million, respectively. As at the same dates, the Bank had 9,900, 7,100 and 5,700 active cards in issue, respectively.

Applications for both financing and credit cards can be made through the Bank's branch network, direct sales force, telebanking or through the Bank's internet banking platform. Consistent with its credit risk management strategy, the Bank prioritises attracting financing and credit card customers with a good credit standing. Financing and credit card applicants are screened and credit limits are assessed according to the Bank's credit policy based on demographic and financial factors and the past credit history of the customer, while ensuring strict adherence to relevant CBK regulations.

The Bank's principal distribution channels in Kuwait comprise:

- *Branch network:* The Bank currently has a network of 13 strategically located branches in Kuwait that cater to all demographics and customer needs, including residential and commercial branches with afternoon shifts, and an ATM and customer deposit-machine network of 15 machines. In addition, the bank had 39 offsite ATMs placed in various locations.
- *Telebanking:* The Bank provides automated banking services by telephone to its customers and also operates a call centre on a 24/7 basis. These services can be used by customers in Kuwait to conduct a variety of transactions, including making enquiries about financing, deposits and credit cards, requesting balances and statements, reporting lost or stolen cards, instructing bill and credit card payments and making other enquiries or complaints. In 2018, the Bank's call centre in Kuwait handled 247,000 calls, and in 2017 it handled 148,000 calls. Sales leads generated from the call centre's activities are routed through the Bank's leads management system to sales channels depending on customer preference. In addition, the call centre plays an active role in the Bank's customer acquisition and customer retention processes.

The Bank has undertaken a full transformation of the call centre implementing new systems and introducing a dedicated team to handle customer interactions through all social media channels. This has successfully enhanced the customer experience and ensured that the Bank's service quality is maintained at the highest levels

- *Online banking:* The Bank's internet banking platform had 22,900 registered online banking customers as at 31 December 2018 compared to 12,750 as on 31 December 2017 representing an increase of 80 per cent. The services provided to accountholders through the platform include the provision of account balances, history and transaction details, funds transfers, bill payments and a secure channel for customer to request other products and services.
- *SMS:* The Bank's customers may use its SMS banking services to receive regular account updates and SMS alerts. The Bank had 49,500 registered SMS subscribers as at 31 December 2018 representing 94 per cent. of the Bank's customer base.
- *Direct sales force:* The Bank's direct sales force brings the Bank's products and services to the homes or offices of its clients throughout Kuwait. The Bank has a direct sales force comprising 40 members as at 31 December 2018, including 13 members who are located within car dealerships. The direct sale force focuses on customer acquisition and makes a significant contribution to the retail business. The strategic relationships with major auto showrooms have significantly contributed to the Bank's strong growth in consumer finance.

The Bank's retail strategy is rigorously managed through the application of a balanced scorecard which is cascaded down to each member of staff in the Bank. This enables each individual to monitor their performance against targets on a monthly basis. The balanced scorecard approach is supported by a performance-related incentive scheme which encourages the required behaviour to meet the Bank's strategic goals.

In support of the Bank's growing credit card business the bank has implemented FALCON a market leading real time fraud management system. This provides the Bank's customers with the assurance and comfort that their cards are fully protected at all times.

The table below sets out a breakdown of the Bank's retail financing portfolio by product type (all such financing is within Kuwait) for the years 2018, 2017 and 2016:

Breakdown of Retail Financing by Product Type

	KD'000		
	2018	2017	2016
Murabahah	130,492	115,719	80,351
Musawamah	184,540	135,674	92,758
Credit cards	909	741	496
AlWafi	5,619	4,485	121
Qardh Hasan	11,761	7,275	1,063
Total	333,320	263,895	174,789

Treasury group

The TG manages the Bank's assets and liabilities and liquidity requirements under the supervision of the Assets and Liabilities Committee, which meets periodically to review and approve strategies relating to the management of assets and liabilities, including liquidity, profit rate, foreign exchange, cost of funds, cost allocation, deposit pricing matrix and strategic trading positions.

In addition, the Bank:

- monitors and maintains its regulatory ratios in line with CBK guidelines and requirements;
- undertakes a range of foreign exchange business, across both spot and forward markets, on behalf of the Bank's customer base, and conducts a limited amount of proprietary foreign exchange trading within the constraints of what the Bank considers to be prudent risk guidelines;
- manages foreign exchange risk on the Bank's overall currency positions and its strategic foreign exchange exposures;
- identifies counterparties for executing Islamic contracts to deploy excess liquidity; and
- updates private banking clients and senior management on market fundamentals.

TG's core clientele comprises government and semi-government institutions and corporate customers. TG also plays an active role in supporting other business units within the Bank and the branch network.

While the external environment continued to be volatile in 2018, TG continued to progress in alignment with the Bank's strategy and two new products were deployed, being a profit rate swap to hedge against the rise in market rates and a collateralised murabaha to broaden the Bank's access to liquidity.

A dedicated Corporate Sales Desk was established in 2018 to serve the needs of the Bank's customers with better focus and to support the relationship managers in deepening their customer reach. As the flow and diversity of business grew, the need to enhance risk mitigation measures increased in 2018 which led to the establishment of a Treasury Middle Office whose role is to act as a 'checker' as well as provide real time analytical support to the front office. In the fourth quarter of 2018, the Treasury automation project commenced and it is expected to go live by the end of April 2019. This project involves the implementation of a front-end system to capture Treasury deals and provide straight-through processing capabilities.

TG's business continued to grow in 2018, with deposits growing by more than 55 per cent. and foreign exchange volumes by 10 per cent. translating into a 30 per cent. increase in foreign exchange profits, a 100 per cent. increase in operating income and a 119 per cent. increase in Treasury net income. Proactive management of the funding portfolio ensured that the Bank's cost-of-funds remained contained and the various CBK mandated regulatory ratios and limits were complied with at all times.

TG continues to focus on the training and upskilling of its personnel. During 2018, TG personnel attended numerous courses locally and regionally.

The Bank successfully achieved ratings of A+ and Baa2 by Fitch and Moody's respectively, which were affirmed in October 2018, along with the addition of a new classification of "counterparty risk rating" (CRR) of Baa1 by Moody's based on the Bank's capital increase, all of which helped the establishment of more

relationships with both domestic and international financial institutions, as well as an increase in counterparty limits by existing customers.

Investment banking group

In 2018, IBG witnessed significant growth and achievements in: (i) structured finance and syndications; and (ii) fixed income securities, funds, and international real estate.

Structured Finance and Syndications

The Bank made a concerted effort to lead transactions regionally and globally and was successful in securing multiple mandated lead arranger and bookrunner roles in notable transactions. During 2018, the Bank was appointed as a joint lead manager on a USD 500 million Noor Bank Sukuk issuance, sole initial mandated lead arranger and bookrunner for a KD 76 million facility to National Industries Group, mandated lead arranger and bookrunner on a U.S.\$246 million facility for Vakif Participation Bank and mandated lead arranger and investment agent in a debut syndicated facility of KD 140 million for Kuwait Oil Tanker Company, a wholly owned subsidiary of Kuwait Petroleum Company. In addition, the Bank was successful in participating in several cross-border financing opportunities, which resulted in IBG's structured finance and syndications books growing by 43 per cent. in value during 2018 compared to 2017, from KD 224.06 million as at 31 December 2017 to KD 321.52 million as at 31 December 2018.

As at 31 December 2018, according to Bloomberg's EMEA Islamic Finance Bookrunner league tables, the Bank had a market share of 1.3 per cent. of the global syndicated finance market and was ranked 23 out of 42 underwriters.

A significant strategy of the Bank is to form alliances with other smaller Kuwaiti banks to offer large ticket products that are competitive with the larger banks. The Bank acted as mandated lead arranger, together with Kuwait International Bank and Ahli United Bank, to successfully close a KD 140 million inaugural murabaha syndicated facility (with a participation) for Kuwait Oil Tanker Company (KOTC), in support of its programme to renew its fleet by purchasing eight new oil tankers. In addition, Warba acted as investment agent for Kuwait National Petroleum Company's KD 1.25 billion syndicated facility for its clean fuel project, which closed in April 2016, with a participation of KD 54 million.

Investments

IBG invests globally across multiple asset classes and diversified sectors. In 2018, ING's investment activities were able to enhance the quality of its assets whilst maintaining a healthy risk adjusted return from its investment portfolio despite turbulent global market conditions and regional economic volatility.

In addition, IBG:

- acquires sukuk in the primary and secondary markets both on an own-account basis to manage liquidity; and
- partners with a global asset manager in relation to management of the Bank's investment securities portfolio, with the objective of realising income while minimising the risk of default. ING's teams combine a bottom-up fundamental credit research-driven investment process with a top-down macro-economic analysis. The portfolio is diversified, investing in sukuk issued by emerging and developed markets' corporates and sovereigns. The sukuk are denominated in selected leading currencies and carry investment-grade ratings. The investment unit is also responsible for the management and administration of securities acquired in the process of debt settlement.

By adopting an expansionary but cautious approach considering the market environment, IBG was able to grow the Bank's fixed income portfolio (comprised of sukuk investments) by 2 per cent in value during 2018 as compared to 2017, from KD140.0 million to KD 143.1 million respectively.

IBG operates through three departments: Real Estate Investment Department, Direct Investment and Capital Market Department and Financial Institutions Department.

The Bank's Real Estate Investment Department grew its real estate investment portfolio by 40 per cent. from KD 49.4 million as at 31 December 2017 to KD 69.4 million as at 31 December 2018. A total of nine real estate properties were acquired and/or committed to be acquired in the multifamily sector in the United States by the Bank and internationally reputed joint venture partners, with a total gross acquisition value of KD 135.7 million. The Bank has deployed KD 19.7 million out of its total equity commitment amount of KD 40.9 million. These properties are geographically diversified across various states and gateway cities in the USA, namely, Dallas,

Houston, Austin, Atlanta, Phoenix and Pittsburgh, and are strategically located in suburban markets that are supported by strong demographic fundamentals.

The Direct Investment and Capital Market Department (**DICM**) manages the Bank's strategic investments and proprietary investments across multiple asset classes. DICM follows a disciplined approach in managing the Bank's proprietary investment portfolio. A risk budget for the portfolio is developed periodically based on goals, time horizon and tolerance for volatility. Subsequently, the IBG frames an allocation strategy that diversifies across asset classes and geographies while monitoring total factor exposures. This allows for a better structuration of the investment process from an asset-liability risk management perspective and aims at increasing the Bank's return on assets.

The Financial Institutions Department (**FID**) supports the Bank's institutional brand awareness and standing in the local and international banking industry. FID, which manages banking and non-banking financial institutions relationships, focused on increasing its correspondent banking network in targeted regions and countries in 2018 to increase the business volumes across all banking operations and to satisfy customers' international Shari'a-compliant banking needs through its diversified global correspondent network.

In line with its strategic aspirations and its mission to provide improved financial solutions to its customers, the Bank is working on fulfilling CMA licensing requirements for investment portfolio manager, collective investment scheme manager, investment advisor, subscription agent and custodian activities. The Bank is set to launch its fiduciary investment management services towards the end of 2019.

Competition

The Bank is the newest and fastest growing Islamic bank in Kuwait in terms of total assets, customer deposits and financing assets according to annual reports for the year ended 31 December 2018 published by Kuwaiti Islamic banks.

The Kuwaiti commercial banking sector (excluding foreign banks that operate in Kuwait) comprises five banks operating according to the requirements of Islamic Shari'a (Kuwait Finance House, the Bank, Boubyan Bank, Kuwait International Bank and Ahli United Bank) and five banks with a conventional banking licence.

The tables below show rankings for these 10 banks by total assets, by customer deposits and by customer loans and advances as at 31 December in each of 2018, 2017 and 2016.

	As at 31 December		
	2018	2017	2016
	<i>(KD million)</i>		
Ranking by total assets⁽¹⁾			
National Bank of Kuwait.....	23,083	22,064	20,757
Kuwait Finance House.....	17,770	17,358	16,499
Burgan Bank.....	7,312	7,415	7,269
Gulf Bank.....	6,016	5,683	5,467
Al-Ahli Bank of Kuwait.....	4,548	4,362	4,285
Commercial Bank of Kuwait.....	4,468	4,395	4,125
Boubyan Bank	4,345	3,970	3,482
Ahli United Bank.....	3,914	3,666	3,692
The Bank	2,193	1,775	1,128
Kuwait International Bank.....	2,169	1,916	1,846

⁽¹⁾ Total assets are based on consolidated figures and include international assets.

Source: 31 December 2018 and 31 December 2017 annual financial statements for each bank (in the case of National Bank of Kuwait, excluding Boubyan Bank).

As at 31 December 2018, the Bank's total assets represented 7 per cent. of the total assets of the Kuwaiti Islamic commercial banking sector and 3 per cent. of the Kuwaiti total commercial banking sector.

	At 31 December		
	2018	2017	2016
	<i>(KD million)</i>		
Ranking by customer deposits⁽¹⁾			
National Bank of Kuwait	19,457	18,608	17,475
Kuwait Finance House.....	14,968	14,355	13,588
Burgan Bank	6,089	6,336	6,208
Gulf Bank	5,255	4,971	4,800
Boubyan Bank	3,818	3,478	3,021
Al-Ahli Bank of Kuwait	3,766	3,686	3,635
Commercial Bank of Kuwait	3,578	3,572	3,421
Ahli United Bank.....	3,343	3,135	3,194
The Bank	1,888	1,579	1,022
Kuwait International Bank	1,836	1,598	1,543

⁽¹⁾ Total deposits are based on consolidated figures and include international customer deposits and Tier 2 Sukuk.
Source: 31 December 2018 and 31 December 2017 annual financial statements for each bank (in the case of National Bank of Kuwait, excluding Boubyan Bank).

As at 31 December 2018, the Bank's customer deposits represented 7 per cent. of the total customer deposits of the Kuwaiti Islamic commercial banking sector and 3 per cent. of the Kuwaiti total commercial banking sector.

	At 31 December		
	2018	2017	2016
	<i>(KD million)</i>		
Ranking by customer financings and advances⁽¹⁾			
National Bank of Kuwait	12,241	11,626	11,095
Kuwait Finance House.....	9,385	9,216	8,176
Burgan Bank	4,472	4,667	4,545
Gulf Bank	4,094	3,938	3,583
Boubyan Bank	3,262	2,877	2,517
Al-Ahli Bank of Kuwait	3,026	3,075	3,029
Ahli United Bank.....	2,800	2,673	2,706
Commercial Bank of Kuwait	2,355	2,310	2,293
The Bank	1,607	1,263	828
Kuwait International Bank	1,606	1,304	1,268

⁽¹⁾ Customer loans and advances are based on consolidated figures and include international customer deposits. Figures for National Bank of Kuwait include Islamic financing.
Source: 31 December 2018 and 31 December 2017 annual financial statements for each bank.

As at 31 December 2018, the Bank's customer financings and advances represented 9 per cent. of the total customer financings and advances of the Kuwaiti Islamic commercial banking sector and 3 per cent. of the Kuwaiti total commercial banking sector.

The Islamic banking sector in Kuwait is attracting a growing customer base, in particular among local cooperative and other similar bodies. The principal competitive advantage enjoyed by Islamic banks is their ability to offer residential property financing, (which the Bank is currently considering expanding on) and which conventional banks are not permitted to engage in. Regulatory restrictions relating to profit rates and ratios for personal lending typically favour Islamic banks over conventional banks. In particular, whereas the interest rates that can be charged by conventional banks are subject to caps, Islamic banks in Kuwait are able to earn higher margins than conventional banks on their financing portfolios, as the CBK permits Islamic banks, subject to CBK limits, to charge customers higher margins to compensate for the fixed nature of profit on financings.

Information Technology

The Bank's information technology group (**ITG**) is working on both development and business continuity. In relation to development, and in line with the ongoing implementation of the Strategic Plan, ITG is focussing on three key factors: governance, business transformation and infrastructure. In relation to governance, several

projects have been implemented and enhancements made to various systems in line with instructions and regulations issued by regulatory authorities. In relation to business transformation, ITG has managed to implement key projects which contribute in providing better service for both the Bank's customers as well as relevant departments through several systems and electronic channels. ITG increased the efficiency of operational services in terms of infrastructure and technical support, in addition to information systems management and providing relevant departments with periodic reports and data. ITG has also achieved high standards of business continuity and availability of technical systems and services.

ITG continued to provide new services and deliver solutions for addressing the most critical business needs. These services and solutions are aligned with the Bank's digital and information strategy, and planned and reviewed on an annual basis through the various working committees and the Board.

ITG made significant progress in the enhancement of several business applications and systems in 2018. With the adoption of agile development and project management methodologies, ITG played a vital role in the development and deployment of leading digital and smart banking solutions that directly benefit customers.

ITG also continued to strengthen its data security and cyber-defence strategy by enhancing technologies and investigative capabilities to thwart and deter cyber security attacks.

Operations Group

The Operations Group (**OG**) provides extensive back-end support to all business areas (including CBG, IBG, Treasury front office and RBG).

OG's capabilities are aligned with the overall business objectives and goals of the Bank. OG is responsible for existing and new business products, timely execution of critical transactions, applying regulatory and operations controls and maintaining a high level of accuracy. There was an overall increase of about 60 per cent. in transactional volume as at 31 December 2018.

OG focuses on identifying, optimising, enhancing and automating major processes to achieve cost and time savings including, in 2018, automation of exchange house transactions, retail customer clearance certificates, implementing reconciliation processes, online salary processing, letter of credit contract generation, Bloomberg integration with core banking systems and an initiative towards paperless banking.

OG conducts cross-training sessions for business group staff to enhance their skills and knowledge about operations processes and systems awareness.

RISK MANAGEMENT

Overview

Risk is inherent in all activities of the Bank and is managed through a process of ongoing identification, measurement, mitigation and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's financial health and continuing profitability. The Bank's business generates exposure to the following broad risk types from its financial transactions, use of financial instruments and its operations: credit risk, market risk, liquidity risk and operational risk. In addition, there are other risk areas that need to be monitored and controlled. The following presents information about the Bank's exposure to each of the risks, the Bank's objectives, framework of policies, models and quantification techniques, and processes for identifying, measuring, mitigating and managing risks, and the management of Bank's capital.

Risk Management Structure

The Board has overall responsibility for the establishment and oversight of Bank's Risk Management function. The Board has established a Board Risk Committee (the **BRC**) comprising of four members from the Board, to set the framework and monitor the Bank's risks and control-related requirements.

For specific types of risk such as credit, market and liquidity risks, the Board has further set up a Board Credit and Investment Committee (the **BCIC**), also comprising four Board members. At the management-level, the following committees assist the Board in fulfilling its responsibilities: the Executive Credit and Investment Committee (the **ECIC**), the Assets and Liabilities Management Committee (the **ALCO**), and the Provisioning Committee.

An independent Risk Management Group (the **RMG**) headed by the Chief Risk Officer (the **CRO**) reports to the BRC. The CRO is responsible for enterprise-wide risks and assists the Board and BRC in carrying out their risk oversight responsibilities.

Risk Management Framework

The BRC sets the framework and monitors the risks and control functions of the Bank. The Board has also established a Board Audit Committee (the **BAC**), as required by the CBK, which amongst other functions is required to monitor adherence with the Bank's risk management principles, policies and procedures, and to review the adequacy of the risk management framework.

The ECIC is the executive level decision making body which is empowered to consider all financing and investment proposals for approval within its delegated authorities and/or recommendations to the BCIC for final approval.

The Provisioning Committee is responsible for reviewing the entire financing and investment portfolio of the Bank on a periodic basis, to assess against actual delinquency or potential impairment and recommend the required level of provisioning in accordance with the Central Bank of Kuwait (CBK) regulations and financial/accounting standards.

The ALCO is responsible for all matters related to the Bank's balance sheet management including all assets and liabilities, asset allocation, liability structure, funding diversification and cost-effectiveness, asset and liability maturity profile, net return margin, as well as all other issues related to capital adequacy with respect to market and liquidity risk management.

Risk Appetite

The Bank's risk appetite defines the maximum limit of risk that the Bank is willing to accept in relevant business categories to achieve an optimal balance of risk and return which will enable the achievement of its strategic objectives and is approved at the Board level. Any risk which breaches the Bank'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 BRC to the Board for approval and periodic updates. This ensures the risk appetite statements are consistent with the Bank's strategy and business environment. Through the risk appetite statements, the Board communicates to management the acceptable level of risk for the Bank, determined in a manner which meets the objectives of shareholders, depositors and regulators. RMG aims to identify early warning signs of risk limit and risk appetite breaches, and is responsible for notifying them to the BRC and the Board.

Risk Management Systems

In order to manage risks in a holistic manner and to measure risks on a consolidated basis, the Bank has a formal Risk Governance Framework, which provides detailed guidelines for a sound framework for enterprise-wide

risk management. The objectives of risk management are supported by various risk policies that are reviewed and updated regularly. The risk policies, in general, contain detailed planning for various risks based on business strategies, past performance, future expectations, economic conditions, and internal as well as external events. The policies also require comprehensive analysis of a set of pre-determined parameters prior to the introduction of new products or instruments. The policies have put in place internal limits (nominal as well as risk-based) for continuous monitoring and ensuring that risks are maintained within the Bank's risk appetite. Periodical reporting of risks to various authorities including the ALCO, ECIC, BCIC and the BRC ensures that the Board and the executive management are continuously kept aware of positions thereby enabling informed decision-making. The risk management policies are established to identify, quantify, control, mitigate, and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and ensure adherence to the risk appetite limits. Risk management policies and systems are subject to review regularly, on an ongoing basis, to reflect changes in the economic environment, market conditions, and products and services offered by the Bank.

The Bank performs semi-annual stress tests under three scenarios: mild, medium and severe. These tests are based on two sets of assumptions: one based on CBK-prescribed parameters, 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) on top of those prescribed by the CBK. These parameters cover stress scenarios for profitability parameters, assets and liabilities structures, financing exposures, capital adequacy, profit income, fee income, foreign exchange income, and falls in collateral value and stock market declines resulting in additional impairment losses etc. The Bank also undertakes scenario testing at periodic intervals to quantify potential and inherent risks that the Bank faces.

Categories of Risks

The following are the main risks the Bank is exposed to:

Credit Risks

Credit risk is the risk of financial loss to the Bank if any counterparty to a financial obligation or instrument fails to or delays in meeting its contractual obligations, and arises principally from the Bank's receivables from Islamic financing activities, ijara and investments, etc. For risk management control purposes, the Bank considers and consolidates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk in one measure about riskiness of an exposure, based on models and inter-play of matrices.

Credit Risk Framework

The Bank's Board has approved financing and investment policies for various business groups and investment asset types. The Board has also approved the ECIC charter which is empowered for initial screening of proposals and approvals within its delegated authorities. The Board has also established the BCIC which by virtue of its charter is the Board level of authority which provides guiding principles and approve the various financing and investment proposals on behalf of the Board of the Bank. RMG provides independent opinion and assessment of risk for every financing and investment that is proposed and presented to the approving authorities for decision making. In addition, the Bank endeavours to manage credit exposures by obtaining security where appropriate and limiting the tenor of exposure or structures that are beneficial to the overall risk profile of the Bank's credit risk exposure.

Applicable Risk Mitigation Methods

The credit policy of the Bank lays down guidelines for collateral valuation and management which includes, haircuts, minimum coverage requirement for different categories of collateral, revaluation, frequency and basis of revaluation, documentation, takaful and custodial requirements. According to the credit policy, the frequency of revaluation of the collateral depends on the type of collateral. Specifically, daily revaluation is required for share collateral and also where the collateral is in a different currency than the exposure. This process is handled by a department independent of the business groups to ensure objectivity. Acceptable collateral includes cash, bank guarantees, shares, and real estate, subject to specific conditions on eligibility, and margin requirements laid down in the credit policy. The credit risk mitigation used for capital adequacy computation includes collateral in the form of cash and shares as well as guarantees in accordance with the CBK's rules and regulations on capital adequacy standards.

Excess Risk Concentrations

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or are exposed to similar economic environment that would cause their

ability to meet contractual obligations to be similarly impacted by changes in economic, political and/or other conditions. See further "*Market Risks*" below for details on how concentration risk is managed.

Note 20 to the 2018 Financial Statements (incorporated by reference into this Base Prospectus) provides details of the Bank's concentration exposures by type, geography, industry sector and credit quality.

Irregular and past due credit facilities

Specific and general provisions are computed in accordance with CBK regulations on provisioning as well as the applicable accounting standards (IAS 39 before 1 January 2018 and IFRS 9 after that date), with the highest outcome being adopted by the Bank. The CBK regulations pertaining to specific provisioning differentiate between facilities for corporate, retail and sovereign counterparties and specific rules and principles are accordingly applied for performing and non-performing facilities. In addition, a minimum general provision has to be carried at 1 per cent. of all funded credit exposures and 0.5 per cent. of non-funded credit exposures, where no specific provision has been taken, in accordance with these regulations.

As at 31 December 2018, the value of the Bank's impaired financing facilities, including accounts receivable, amounted to KD 26,557 thousand compared to KD 18,649 thousand as at 31 December 2017. See further Note 4 to the 2018 Financial Statements (incorporated by reference into this Base Prospectus).

As of 31 December 2018, the Bank's provisions were KD 34,642 thousand (including a general provision of KD 21,769 thousand) compared to KD 20,890 thousand as at 31 December 2017(including a general provision of KD 15,437 thousand).

Market Risks

Market risk emanates from the process of fair valuing, or assessing the future cash flows of, a financial instrument and reflects the fact that the outcomes of these processes fluctuate because of changes in market prices. Market risk may arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market or prices such as profit rates, credit spreads, foreign exchange rates and equity prices. The Risk Management Group is responsible for the development of detailed market risk management policies and for the periodic review of their implementation, while it is the responsibility of IBG and TG to proactively manage and control the market risk generated from various market positions in investments, financial instruments and over-the-counter deals.

Market Risk Frameworks

The Bank uses market practice for the valuation of its positions and receives regular market information in order to regulate market risk. The market risk framework comprises of the following elements:

- Limits for all market risk parameters and regular limits monitoring to ensure that the Bank does not exceed aggregate risk and concentration parameters set by CBK limits and internal limits.
- Mark-to-market valuation based on independently published market data, and continuous review of all open positions.

The policies and procedures and market risk limits are periodically set and reviewed to ensure the implementation of the Bank's market risk appetite. The Bank is required to comply with the guidelines and regulations of the CBK, in addition to its internal policies and procedures.

Profit Rate Risk

Profit rate risk arises from the changes in profit rates affecting future cash flows and/or the fair value of the underlying financial exposure or instrument. The Bank is susceptible to profit rate risk as the value of the Bank's fixed income investments and/or return on financing are inversely related to rising rates. Moreover, changes in profit rates might also impact the Bank's net earnings or earnings spread. The Bank conducts stress testing and scenario analyses regularly to manage profit rate risk that is inherent in the Bank's balance sheet. Earnings-at-risk analysis is also conducted monthly, to determine the impact of changes in the cost of funds, and the yield on assets on profitability. Such analysis is also monitored by the senior management of the Bank through the ALCO.

Equity Risk in the Banking Book

Investments are held for the purpose of generating income through dividends as well as capital gains that may arise due to improving valuations. These investments are fair valued periodically. For equity investments quoted in organised financial markets, fair value is determined by reference to quoted bid prices. Fair values of unquoted equity investments are determined by reference to the market value of a similar investment, or the expected discounted cash flows, or other appropriate valuation models.

Prepayment risk and currency risk

For a discussion of prepayment risk and currency risk, see Note 20 the 2018 Financial Statements (incorporated by reference into this Base Prospectus).

Liquidity Risk

Liquidity risk is the risk of the Bank being unable to meet its financial liabilities when they fall due. Liquidity risk management is one of the vital components of the management of day-to-day banking business. In order to meet any eventuality, the Bank's liquidity strategy is to maintain a healthy level of liquid assets in the form of cash, cash equivalents and readily marketable securities. The Bank continuously monitors liquidity risk by measuring the maturity profile of its assets and liabilities on a daily basis and the liquidity gaps position is reviewed by ALCO on a monthly basis. Furthermore, the liquidity coverage ratio, liquidity reserve position and the ratio of financing facilities to eligible deposits are monitored on a daily basis.

The Bank has in place a Contingency Funding Plan (**CFP**) to be followed during any liquidity contingencies. The CFP establishes a framework for handling liquidity stress as it emerges due to systemic or non-systemic situations. It identifies trigger events that could potentially cause a liquidity crisis, details the actions to be taken to manage the crisis, and also lays down the administrative structure and responsibilities to ensure accountability in handling an emergency. The CFP supplements the existing Liquidity Risk Policy of the Bank and will be operative only in case of an adverse/ stress liquidity situation, actual or perceived.

See Note 20 to the 2018 Financial Statements (incorporated by reference into this Base Prospectus) for details regarding the maturity profile of the Bank's assets and liabilities.

Operational Risks

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, systems failure, human error or from external events including losses resulting from failure to comply with Islamic Shari'a regulations. When controls fail to perform, it can have legal or regulatory implications, or lead to financial or reputational loss.

Operational Risk Framework

The Bank has a set of policies approved by the Board that are applied to identify, assess and supervise operational risk in addition to other types of risk relating to the banking and financial activities of the Bank. Operational risk is managed by the RMG. The RMG ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk in accordance with the Bank's Risk Management Framework.

The Bank manages operational risks in line with CBK instructions regarding 'General Guidelines for Internal Control Systems' and directives regarding 'Sound Practices for the Management and Control of Operational Risks'. The Bank pays special attention to operational risks that may arise from non-compliance to Islamic Shari'a principles and any possible failure in fiduciary responsibilities.

The Bank has established its Business Continuity Management policy to meet any internal or external failures and eventualities enabling smooth functioning of the Bank's operations. The Bank has established a Disaster Recovery site for its IT infrastructure, to ensure that operational risks do not adversely impact the Bank's business.

Legal and Compliance

Overview

Legal risks represent the possibility of incurring a monetary loss as a result of an inability to enforce contracts signed by the Bank due to faulty documentation or improper drafting. As a general rule, the Bank aims to ensure that its counterparties and customers are authorised to engage in contracts with the Bank and that the obligations arising from these contracts are enforceable.

The Bank's compliance function is responsible for overseeing and managing compliance aspects through a robust compliance framework. It also ensures the Bank's compliance with applicable laws and regulations and CBK and CMA guidelines and internal instructions. The compliance framework consists of compliance policies and procedures and compliance is monitored through timely reports. The compliance department applies best international standards and sound practices to enhance compliance culture across the Bank, improve compliance control over the banking systems and maintain full compliance with the instructions of the regulatory authorities.

The Bank's compliance programme is built on a foundation of a sound understanding of the appropriate regulatory requirements, communicating internally compliance requirements and advising deviations through effective monitoring and review mechanisms, and escalating breaches for remedial action.

In line with the regulatory bodies' instructions in respect of the fundamental principles of compliance, the Bank has given due care for the independence and required staffing, skills and experience of the compliance department. The Bank has in place comprehensive policies and procedures to ensure full compliance with CBK's instructions and other regulatory authorities.

Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF)

The Bank is fully committed to its responsibility as a financial institution in mitigating and controlling threats and risks of money laundering and other financial crimes including financing of terrorism. The Bank complies with all laws and regulations issued by the CBK on Anti-Money Laundering and Combatting the Financing of Terrorism. The Bank also applies international risk assessment standards relevant to anti-money laundering, financing of terrorist activities and the identification of risk factors associated with customers and banking transactions.

The Bank undertakes risk assessment of its customers and their transactions with respect to possible money laundering and/or financing of terrorism. Additionally, Know-Your-Customer (KYC) measures are adopted throughout all stages of the customer relationship. The Bank also endeavours to conform to other international guidelines (such as FATF) and processes on AML/CFT to monitor and control financial risks to the Bank and thereby also protecting the interests of its customers and shareholders. In order to effectively implement related policies and procedures the Bank ensures that its personnel and systems operate effectively in identifying any unusual or suspicious transactions. To support this, all staff members of the Bank receive annual training to familiarise with the patterns used in AML/CFT transactions. These take the form of quarterly awareness training sessions delivered by external experts. Attendance by all staff is compulsory.

Annually, an independent audit of the Bank's compliance with the instructions of the CBK is carried out by the Internal Audit Group. Furthermore, an international audit firm analyses the AML and CFT internal control systems within the Bank.

Adequacy of Internal Controls

The Board is responsible for reviewing and approving the effectiveness of the Bank's system of internal control, for the purpose of ensuring effective and efficient operations, quality of internal and external reporting, internal control, and compliance with laws and regulations. Senior management is responsible for establishing and maintaining the system of internal control designed to manage the risk of failure to achieve the Bank's objectives. The system of internal control can only provide reasonable but not absolute assurance against the risk of gross loss.

The Board, through its committees, reviews regularly the effectiveness of the internal control systems as assessed by the various internal control functions. The Board also ensures that these functions are properly positioned, staffed and resourced. The Board also reviews the management letters issued by the external financial auditors and reviews the report on Accounting and other Records and Internal Control System issued by the external auditor (**ICR report**).

The Board believes that the internal control systems as of 31 December 2018 are adequate to provide reasonable assurance regarding the achievement of the Bank's objectives.

Based on CBK's instructions, the Bank engaged an independent external auditor in 2018 to conduct an independent review of the Bank's internal controls for the year ended 31 December 2017. The report was presented to the BAC and the Board in a meeting held on 21 June 2018. The report, submitted to the CBK on 21 June 2018, indicated that the Bank has set internal controls and processes in accordance with the Kuwaiti regulatory requirements. The issues raised in the report have no material impact on the fair presentation of the Bank's financial statements for 2018. The actions taken by the Bank to remedy the issues raised in the report including issues from previous years were satisfactory. A further external auditors' report sent to the CBK on 2 January 2019 concluded that all findings in the report had been resolved.

MANAGEMENT AND EMPLOYEES

Management

Corporate governance framework

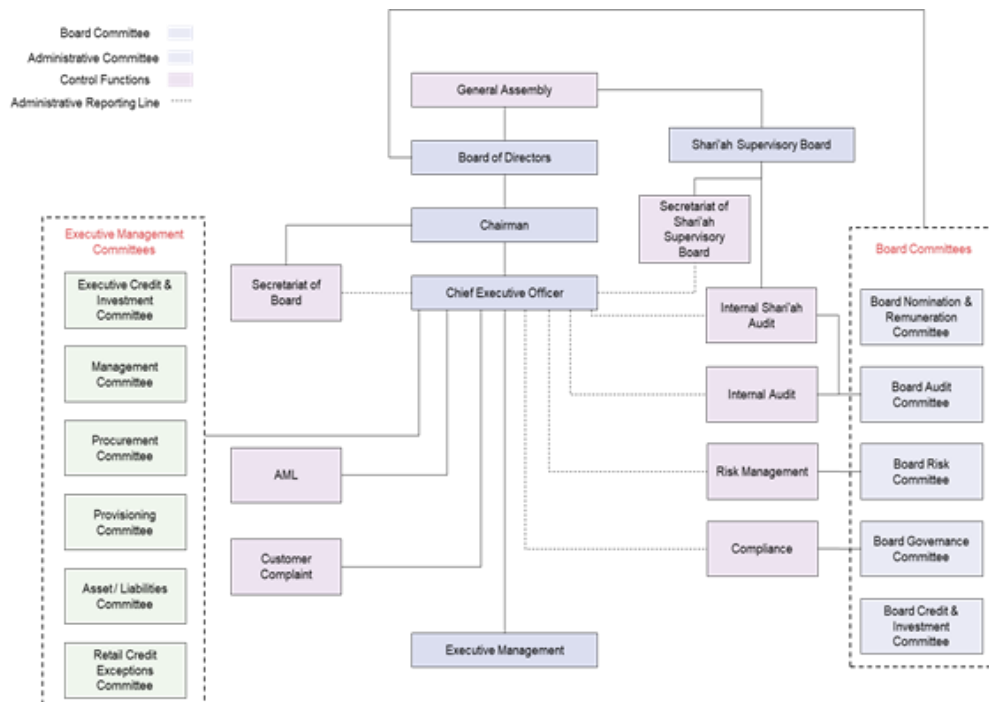
The Bank's corporate governance framework is based on principles and standards defined by leading professional bodies and regulatory authorities and is embedded into the Bank's business and practices. The framework is designed to secure effective oversight of the Bank's strategy and business operations with a robust risk management approach, transparency and accountability.

The Board reviews and updates its corporate governance framework on an annual basis, senior management ensures that it is implemented through policies and procedures, and employees follow the corporate governance requirements in their day-to-day business.

The 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.

Organisational structure

The Bank's organisational structure has been designed taking into consideration transparency and clarity to facilitate the decision-making process, achieving sound corporate governance and defining authority limits that clearly set key responsibilities and duties of the Board, Executive Management and heads of supervisory and control functions in the Bank. The chart below shows the Bank's organisational structure, which was last updated on 10 October 2018.



Board of Directors

The Bank operates under the direction of the Board which comprises of 10 non-executive directors, none of which are independent. Each member of the Board is elected during a shareholders' general assembly meeting for a period of three years and each member can be re-elected for an unlimited number of additional three-year terms. The Board meets as often as it deems necessary, subject to a minimum of six times a year. In line with CBK requirements, the Board must convene at least once each quarter. The Board convened 17 times in 2018, 12 times in 2017 and 16 times in 2016.

The Board has overall responsibility for the Bank, including approving and overseeing the implementation of its strategic objectives, risk strategy, corporate governance and corporate values. The Board is also responsible for

providing oversight of the Bank's Executive Management, including the Chief Executive Officer (the **CEO**). The Board assumes ultimate responsibility for the Bank's business and its financial soundness, the fulfilment of CBK requirements, the protection of the legitimate interests of shareholders, depositors, creditors, staff and stakeholders and ensuring that the Bank is managed in a prudent manner and within applicable laws and regulations and internal policies and procedures. The Board, in cooperation with the Executive Management, reviews the Bank's policies and regulatory controls on regular basis, including internal control and supervisory functions, in order to identify and tackle weaknesses and areas for improvement; and ensures that control and supervision functions operate effectively and independently and have the required functional support.

The Board appoints the CEO and approves the appointment of most senior management positions reporting to the CEO.

The roles of the Board Chairman and the CEO are separate and independent of each another and there is a clear segregation of duties and responsibilities. The Chairman's responsibilities include ensuring the proper functioning of the Board and maintaining a relationship of trust with the other Board members. The Chairman ensures that Board decisions are taken on a sound and well-informed basis through proper discussion ensuring that dissenting views can be expressed and discussed within the decision-making process. The Chairman is also responsible for establishing a constructive relationship between the Board and Executive Management and ensuring that the Bank has sound corporate governance standards in place. Elections for the Board members are held every three years.

The Bank ensures that appropriate training is provided for members of the Board . For example, during 2018, the Bank in coordination with external specialised training and advisory institutes, held various training programmes covering AML/CFT and advanced risk oversight.

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

Name	Position
Abdulwahab Abdullah Al Houti	Chairman (elected)
Hamad Musaed Bader Al Sayer	Vice Chairman (elected)
Abdulaziz Abdullah Saad Al Jaber	Board Member (elected)
Hisham Sayed Abdulrazzaq Sayed Al Razzuqi	Board Member (elected)
Mohamed Abdulredha Hussein Saleem.....	Board Member (elected)
Mohamad Riyad Faisal Al Mutawa	Board Member (elected)
Musaab Omar Sulaiman Al Fulaij	Board Member (elected)
Yousef Ibrahim Yousef Al Ghanim.....	Board Member (elected)
Bader Khaled Abdulaziz Al Shalfan.....	Board Member (elected)
Mohamad Hamed Abdulaziz Al Shalfan	Board Member (elected)

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

Abdulwahab Abdullah Al Houti

Mr. Al Houti has been the Chairman of the Board since March 2016, and a Board Member at the Bank since 2013.

Qualification: Mr. Al Houti holds a Bachelor of Arts degree in Business Administration from Kuwait University, and a Master of Business Administration degree from the University of New Haven, USA.

Experience: Mr. Al Houti has been the advisor to the chairman of the International Islamic Charity Organization since 2009. He commenced his career as a teacher of commercial subjects at the Ministry of Education from 1979 to 1983, then assumed the position of Department Director and Assistant Undersecretary in the Ministry of Awqaf and Islamic Affairs from 1983 to 1994. Mr. Al Houti then became the deputy secretary-general of Waqfi Channels at the General Secretariat of Awqaf from 1994 until 2004. He has been a board member in Boubyan Bank, Islamic Bank of Bangladesh, Capinvest Investment Bank and Real Estate Asset Management Company (**REEM**).

Hamad Musaed Bader Al Sayer

Mr. Al Sayer has been a Board Member since March 2019.

Qualification: Mr. Al Sayer holds a Bachelor of Finance Degree from Seattle University in the USA in 1997 and an MBA from Maastricht University of Business Administration in 2006.

Experience: Mr. Al Sayer has served as Chief Executive Officer of Al-Sayer Imtiazat General Trading and Contracting Company W.L.L, the investment arm of Al Sayer Group, since 2003. He started his career in the corporate finance sector at the National Bank of Kuwait from 1998 to 2003. He has been a chairman and member of the board of directors in a number of local and regional companies and financial institutions including, but not limited to, Al-Dhow Investment Company, United Securities Brokerage company in Egypt, Vision Securities Company in the Sultanate of Oman and FIMBank in Malta.

Abdulaziz Abdullah Saad Al-Jaber

Mr. Al Jaber has been a Board Member since March 2016.

Qualification: Mr. Al Jaber holds a Bachelor of Science degree in Electrical Engineering from Washington University in the USA.

Experience: Mr. Al Jaber began his career with Kuwait Oil Company from 1979 to 2004, where he held several positions including executive assistant to the Managing Director for Administration Affairs. He then moved to Kuwait Petroleum Corporation as executive assistant for Privatisation Affairs from 2004 to 2005. He then joined Kuwait Finance House in 2005 as Assistant General Manager of the Support Services Sector, after which he was appointed General Manager of the Human Resources and General Services Sector, and finally he became a consultant until 2014. He has been a member of the board of directors, and in some cases chairman, in a number of companies, including Petrochemical Company, Gulf Oil Company and Human Investment Corporation.

Hisham Sayed Abdulrazzaq Sayed Al Razuqi

Mr. Al Razuqi has been a Board Member since 2013.

Qualification: Mr. Al Razuqi holds a Bachelor's degree in Public Administration from the American University of Beirut, obtained in 1973, and participated in a senior management programme organised by Harvard University in 1988.

Experience: Mr. Al Razuqi commenced his career in Kuwait Foreign Trading and Contracting Investment Company (**KFTCIC**) from 1974 to 1984, assuming several positions, the last of which was Deputy General Manager. He then joined Gulf Investment Corporation as Deputy CEO from 1984 to 1995, was promoted to General Manager from 1995 to 2001, and then to CEO from 2001 to 2012. He has worked as a consultant to the International Business Conference Board, and as a faculty member of the Solaiman Alolayan School of Business Administration - American University of Beirut. He has served as a board member and, in some cases, chairman in more than 19 local and regional companies, banks and financial institutions, including the Bahrain Steel Company, National Industrialization Company, Burgan Bank, Kuwait Investment Company, Tawasul Telecom Company, Kuwait Reinsurance Company and Global Investment House.

Mohammed Abdulredha Hussein Saleem

Mr. Saleem has been a Board Member since March 2016.

Qualification:

Mr. Saleem holds a Bachelor of Business Administration degree in Finance from Kuwait University.

Experience: Mr. Saleem has gained professional experience from his service of over 30 years at KIA, where he has held various positions including the Treasury Department Manager from 2006 to date. He has been a member of the board of directors, and in some cases chairman, in a number of companies , including Egyptian-Kuwaiti Company for Real Estate Development, Kuwait Flour Mills Company, Kuwait Investment Company and Generations Investment Fund Holding Company in Morocco. He has also participated in many theoretical and practical courses with leading banks and global financial institutions in the areas of portfolios management, investment and capital markets.

Mohammed Riyad Faisal Al Mutawa

Mr. Al Mutawa has been a Board Member since March 2016.

Qualifications: Mr. Al Mutawa holds a Bachelor's degree in Finance from Kuwait University.

Experience: Mr. Al Mutawa has been an Investment Manager at KIA since 2001. He has been a member of the board of directors, and in some cases chairman, in a number of companies, including Pakistani Investment Company, Kuwaiti-Moroccan Development Group and Arabian Sea Enterprises Limited. He has participated in training courses, programmes and seminars in various fields.

Musaab Omar Sulaiman Al Fulajj

Mr. Al Fulajji has been a Board Member representing KIA since September 2017.

Qualification: Mr. Al Fulaj holds a Bachelor of Science degree in Business Administration, Finance Major from Saint Louis University USA, 1997.

Experience: Mr. Al Fulaj started his career in EQUATE Petrochemical Company from 1997 to 2001. In 2001, he moved to Kuwait Investment Authority where he is currently serving as Senior Investment Manager. He has been a member of the board of directors in several companies, including International Civil Company in France, and has been a member of the Advisory Committee of the Agricultural Portfolio at Kuwait Industrial Bank since 2010. He has also participated in many courses, training programmes and seminars in various fields.

Yousef Ibrahim Yousef Al Ghanim

Mr. Al Ghanim has been a Board Member since March 2019.

Qualification: Mr. Al Ghanim holds a bachelor's degree in accounting from the College of Business Administration at Kuwait University in 2006 and the General Manager Program from the University of Chicago in 2017.

Experience: Mr. Al Ghanim began his career at the Real Estate Investment Department of the Real Estate Activities Company until 2007. He moved to Abu Dhabi First Bank - Kuwait Branch from 2007 to 2010, then assumed the position of Chief Investment Officer at Al Misaila World Gen. Trad. Co. from 2010 to 2014 and then joined Al-Aman Investment Company in 2014 till date, where he held several key positions, most recently, the Chief Executive Officer. He has been a member of the board of directors for several financial and banking institutions such as Al-Aman Investment, Gulf Commercial Bank in Bahrain, GFH Capital Limited in Dubai and GFH Financial Group in Bahrain.

Bader Khaled Abdulaziz Al Shalfan

Mr. Al Shalfan has been a Board Member since March 2019.

Qualification: Mr. Al Shalfan holds a Bachelor of Business Administration from Kuwait University in 2000.

Experience: Mr. Al Shalfan joined the Ministry of Finance in 2001 as an officer and researcher in the Procurement Systems Department. He founded Health Company with a group of partners, holding the position of the general manager for over ten years. He then founded Bond International Real Estate Company with a group of partners in 2013 and continues to serve as the General Manager of the company, that provides advisory services and studies in the real estate and investment market.

Mohamad Hamed Abdulaziz Al Shalfan

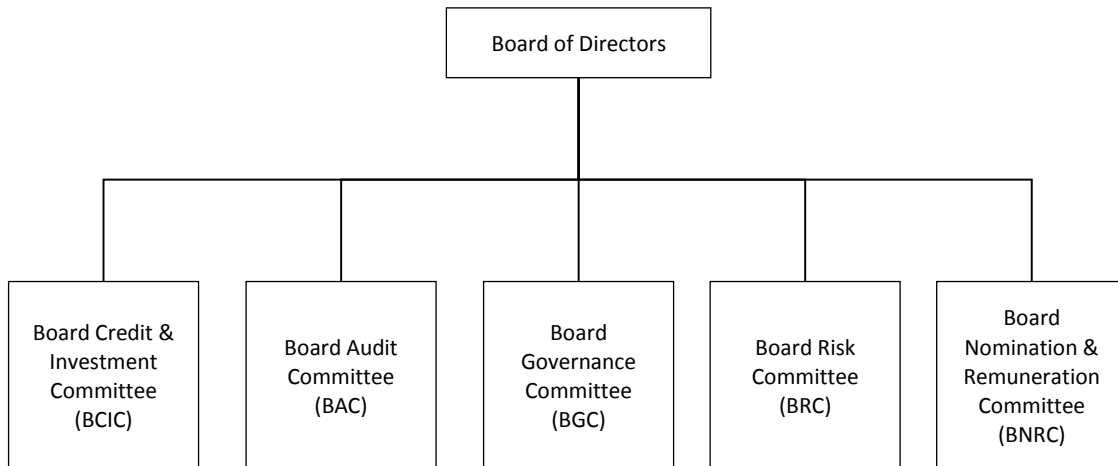
Mr. Mohamad has been a Board Member since March 2019.

Qualification: Mr. Mohamad holds a Bachelor of Science in Civil Engineering from the University of Colorado in 2002 and a Master of Business Administration "MBA" from DePaul University in the USA in 2008.

Experience: Mr. Mohamad started his career at Kuwaiti Manager Holding Company from 2003 to 2017, holding the position of Deputy General Manager for Operations in 2010, then the company's General Manager in 2013. Since 2017 till date, he has been the Executive Partner of Sama Project Management Company. He has been a member of the board of directors of several local and regional companies, most importantly, Kuwaiti Manager Holding Company, Kuwaiti Manager Ready Mix for Concrete Production, Kuwaiti Manager- Bahrain, Kuwaiti Manager - Oman, Gulf Manager-Saudi Arabia and KFH Real Estate Company in Saudi Arabia.

Board committees

The Board has established five Board committees which are described below. The roles and authority of the Board committees are defined and delegated by the Board and are described in each committee's charter. The Board committees submit reports to the Board depending on the nature of the tasks assigned to them.



Board Credit and Investment Committee

The BCIC reviews, evaluates, develops and recommends for the Board's approval all issues related to financing and investment proposals, fees and commissions, financing portfolio performance, investments and legal action taken against defaulting customers. The committee has certain delegated approval authority for credit financing and investment decisions. The BCIC met twenty eight times in 2018.

The members of the BCIC are:

- Hisham Sayed Abdulrazzaq Al Razuqi,, Committee Chairman
- Yousef Ibrahim Yousef Al Ghanim, Committee Vice Chairman
- Bader Khaled Abdulaziz Al Shalfan, Member
- Abdulaziz Abdullah Saad Al Jaber, Member
- Nasser Homoud Al Homoud, Committee Secretary

Board Audit Committee

The BAC reviews and monitors the Bank's financial performance, external auditors' reports on periodic financial disclosures, internal auditor reports and the adequacy of internal control systems, evaluates the performance of the Chief Internal Auditor, considers recommendations from the executive management relating to the appointment and termination of external auditors and determines their fees. The BAC met eleven times in 2018.

The members of the BAC are:

- Mohamad Abdulredha Hussein Saleem, Committee Chairman
- Mousab Omar Sulaiman Al Fulajj, Committee Vice Chairman
- Mohamad Hamed Abdulaziz Al Shalfan, Member
- Mohamad Riyad Faisal Al Mutawa, Member
- Nasser Homoud Al Homoud, Committee Secretary

Board Governance Committee

The BGC assists the Board in fulfilling its governance responsibilities. In addition, it prepares and updates the Bank's governance list and has responsibility for ensuring that the Bank's related parties comply with corporate governance requirements. The Committee also reviews the corporate governance report to be published in the annual report. The BGC met five times in 2018.

The members of the BGC are:

- Abdulwahab Abdullah Al Houti, Committee Chairman
- Mohamad Abdulredha Hussein Saleem, Committee Vice Chairman
- Hamad Musaed Bader Al Sayer, Member

- Bader Khaled Abdulaziz Al Shalfan, Member
- Wafi Abboud Dandashi, Committee Secretary

Board Risk Committee

The BRC assists the Board in discharging its oversight responsibilities relating to present and emerging risk issues, strategies and the risk appetite associated with the Bank's banking and financing activities, including the investment portfolio. The BRC recommends to the Board the risk management policies, risk appetite and framework, ensures adherence to the risk appetite policy and provides oversight on major risk categories and the adequacy of provisions and reserves. The BRC met ten times in 2018.

The members of the BRC are:

- Mohamad Hamed Abdulaziz Al Shalfan, Committee Chairman
- Mohamad Riyad Faisal Al Mutawa, Committee Vice Chairman
- Hisham Sayed Abdulrazzaq Sayed Al Razzuqi, Member
- Yousef Ibrahim Yousef Al Ghanim, Member
- Rashed Al AbdulGhafour, Committee Secretary

Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (the **BNRC**) assists the Board in discharging its oversight responsibilities relating to managing the Bank's compensation arrangements, including short- and long-term performance-related remuneration and recommending to the Board the remuneration of Directors in line with Islamic Shari'a principles and international best practice. In addition, the BNRC identifies individuals qualified to become members of the Board and the Bank's senior management; recommends which Board members should serve on each Board committee and assesses the performance of the Board, its members and its committees. The BNRC met seven times in 2018.

The committee has engaged Mercer Management Consulting as an external consultant to advise in relation to the Bank's long and short-term incentive programmes, the performance management framework, the salary structure, the remuneration policy for senior management and all Bank staff, and the commission system for staff of profit centres.

The members of the BNRC are:

- Hamad Musaed Bader Al Sayer, Committee Chairman
- Abdulaziz Abdullah Saad Al Jaber, Committee Vice Chairman
- Musaab Omar Sulaiman Al Fulaij, Member
- Nasser Homoud Al Homoud, Committee Secretary

Executive Management

The Bank's executive management team is responsible for day-to-day supervision and control of the Bank's business, particularly with respect to ensuring functionality of compliance and risk control, independence of functions and separation of duties. Business policies, accounting policies and operations procedures and controls are documented and communicated through policies and standard operating procedures manuals which cover all areas and activities of the Bank. All significant policies are reviewed and approved by the Board.

The Bank's executive management team as of the date of this Base Prospectus comprises:

Name and Position

Brief CV

Shaheen Hamad Al Ghanem

Chief Executive Officer

Mr. Al Ghanem has broad experience in banking and investment. He began his career in the oil sector from 1988 to 1999, then moved to the financial and investment services sector where he served as Assistant Chief Financial Officer at International Investor Company in 1999. He then moved to the Kuwait Finance House in 2001 where he held several positions in various departments, the last of which were as General Manager of the International Banks Department in

Name and Position

Brief CV

2012 and Acting Chief Investment Officer in 2013. He has been a board member, and in some cases chairman, in a number of banks and companies inside and outside Kuwait. Mr. Al Ghanem moved to the Bank in March 2014 as Deputy CEO for Investment and Treasury and has been CEO since May 2016.

He holds a Master's degree in Business Administration from Maastricht University, a Bachelor's degree in Accounting from Kuwait University and is a Certified Management Accountant from the Institute of Management Accountants in the United States. He has also completed a course on executive management from Harvard University.

Mazen Khaled Mandani

Acting Chief Corporate Banking Officer

Mr. Mandani holds a Bachelor degree of Science in Public Business Administration from the University of Arizona, USA, with more than 20 years of experience in the field of credit and corporate finance. He started his career at Gulf Bank in 1998 and then moved to Al Ahli Bank of Kuwait, where he worked as Assistant General Manager in the corporate division, Mr. Mandani has held several positions, including board member of Ahli Capital Investment Co. and chairman of the same board from 2010 to 2014, and board member and vice chairman in KIC Financial Brokerage. He has attended several professional courses in the field of banking from different institutions and universities, including Harvard University. He moved to the Bank in 2014 and holds the position of Acting Chief Corporate Banking Officer.

Khaled Hasan Hafez

Chief Financial Officer

Mr. Hafez obtained his Bachelor's degree in accounting from Cairo University - Egypt and acquired a Masters Diploma in Islamic Economy from the Faculty of Shari'a – Kuwait University. In addition, he is a fellow member of the Chartered Accountants Association in the USA, and holder of a certified public accountant qualification from the Accounting Board of California. Mr. Hafez has over 25 years of experience in the area of Islamic Banks, financial institutions and auditing. He has previously worked at Ernst & Young and PricewaterhouseCoopers and has held an executive position at Kuwait Finance House. He has also worked as a lecturer for a number of professional and academic certificates and has participated in conferences and forums on banking business and Islamic economy. He has also worked as a consultant, offering advisory services on restructuring, acquisitions and asset assessment.

He has been with the Bank since its incorporation. He holds the position of the Chief Financial Officer.

Mahmoud Mohamed Yousef

Chief Internal Auditor

Mr. Yousef graduated from Brooklands Technical College, Weybridge, Surrey, England and holds a High National Certificate in Computer Studies in addition to an 'A' Level in Computer Science. He is certified in Risk and Information Systems Control from the Information Systems Audit and Control Association (ISACA), USA.

He is also Chartered Internal Auditor holding the designation Chartered Member Institute of Internal Auditors from the Chartered Institute of Internal Auditors (IIA) and the highest Qualification in Internal Audit Leadership from the Institute of Internal Auditors Global (IIA Global). He has more than 38

Name and Position**Brief CV*****Dr. Paul Quigley****Chief Risk Officer*

years' experience in internal auditing. He worked at National Bank of Kuwait from 1983 for 28 years in the positions of Assistant General Manager and Deputy Chief Internal Auditor. He joined the Bank as the Chief Internal Auditor in 2011.

Dr. Quigley holds a PhD in Accounting and Finance from the University of Birmingham, a Master of Science Degree in Investment and Treasury and a Bachelor of Business Studies Degree from Dublin City University. He was a Fulbright scholar at the University of Illinois in Urbana - Champaign. He has more than 40 years experience in banking, academia and public administration. He worked for Allied Irish Bank's as General Manager (Risk Measurement and Architecture) for 12 years and for Kuwait Finance House as Chief Risk Officer for 4 years. Previously he worked at the Irish Department of Finance and the Revenue Commissioners. He joined the Bank as Chief Risk Officer in August 2018.

Haytham Abdulazeez Al Terkait*Chief Information Technology Officer*

Mr. Al-Terkait holds a Bachelor of Science degree in Mechanical Engineering from Metro State, Denver, Colorado, USA. He has attended many specialised training courses on IT sciences. Mr. Al Terkait has over 30 years of experience in IT acquired throughout his career. He worked for Kuwait Institute for Scientific Research from 1989 to 2002 and Kuwait Finance House from 2002 to 2012 as Infrastructure Services manager. He joined the Bank in 2012 as Chief Information Technology Officer and played significant role in setting up the infrastructure of Information Technology Group in the Bank.

Simon Larby Clements*Chief Retail Banking Officer*

Mr. Clements holds a Bachelor's degree in Business Administration from the United Kingdom. He has over 43 years of experience in financial services in Europe, Asia and the Middle East region. He has previously held senior executive positions at several leading banks where he headed the operations and technology group. He has also successfully managed the retail business of two mid-sized Kuwaiti banks in recent years. As a senior executive, Mr. Clements has developed and implemented strategies at several institutions with significant success. He joined the Bank in 2014 as Chief Operations Officer and now serves as the Chief Retail Banking Officer.

Mohamed El Shareef*Chief Strategic Planning Officer*

Mr. El Shareef holds a Bachelor's degree in Electrical and Electronics Engineering from the Middle East Technical University and a Master's degree in Information Systems and Technology Management from Barrington – Atlanta University – USA. He has more than 19 years of experience in the banking industry, where he held several positions in National Bank of Kuwait, including Executive Manager, Head of Performance Analysis and Reporting Division from 2001 to 2012. He then moved to Boubyan Bank where he served as Assistant General Manager, Head of Business Performance and Planning Division until 2015. He joined the Bank as Chief Strategic Planning Officer in 2015.

Thuwaini K. Al Thuwaini*Chief Investment Banking Officer*

Mr. Al Thuwaini holds a Bachelor's degree in Economics from the University of Maryland, College Park. He has 13 years of experience in banking and finance. He started his

Name and Position

Brief CV

Zahid Rasheed Abdul Rasheed
Acting Chief Operations Officer

career at The International Investor in 2005 and then moved to Boubyan Bank in 2006 as senior financial analyst. In 2007, he moved to Al-Imtiaz Company - International Investment Division. He moved to Rasameel Structured Finance Company in 2008 where he held several positions, including Vice President - Head of Deal Structuring and Analytics, until 2015. Finally, he joined the Bank in 2015 as Acting Chief Investment Banking Officer.

Mr. Rasheed holds a Bachelor's degree of Science from University of the Punjab, Pakistan (1990) and a Master of Business Administration in Banking and Finance from Preston University, Islamabad, Pakistan (2006). He has more than 25 years of banking experience. He held several key positions in banking operations with well-known Islamic banks, at Kuwait Finance House as Banking Supervisor (1994-2005) and Manager Central Operations (2015), at Boubyan Bank Senior Business Analyst (2005 – 2008), Head of Section - Investment Operations Department (2008 – 2011), at the Bank as Head of the Central Operations / Head of Change Management Department (2011 – 2015), at Al Ahli United Bank as Head of the Central Operations Division (2015-2017). He re-joined the Bank in 2017 and now holds the position of Acting Chief Operations Officer.

Mohamed Iqbal Bin Mohamed Iqbal
Treasurer

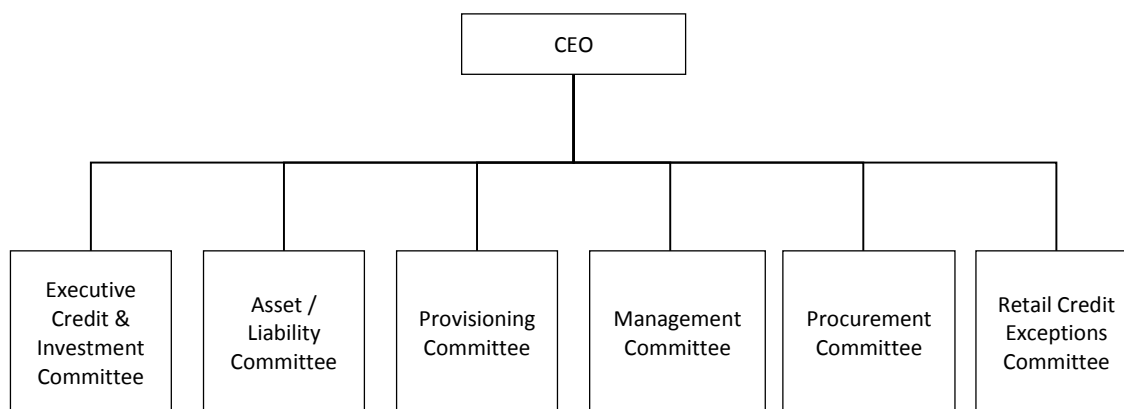
Mr. Iqbal is a Malaysian and holds a Bachelor of Science degree in Business Administration (Management Science and Computer Systems) from Oklahoma State University, USA. He has 30 years' experience in the banking and finance industry. He has held a number of senior leadership positions including Assistant General Manager, AmBank Berhad; General Manager, Employees Provident Fund, Malaysia; and Chief Officer, Kuwait Finance House Malaysia Berhad. Mr. Iqbal joined the Bank in May 2016 as Treasurer.

Abdullah Jassem Hamada
Acting Human Resources and General Services Officer

Mr. Hamada holds a Bachelor's degree of Science in Management Information Systems from Kuwait University. He joined the National Project for Leaders of Development Program (Thukhur) in 2012 under the supervision of Johnson College of Business, Cornell University in the United States. He has also obtained certificates from the Executive Directors and Leadership Development Program at the Banking Sector from Harvard Business School and Chicago Booth College. He has 13 years of experience, starting his career in the public sector in 2005. He then moved to the private sector and worked in human resources for EQUATE Petrochemical Company (2006-2010), the Bank during the foundation stage (2011 -2013) and Al-Ghanim Industries Company (2013-2015). He re-joined the Bank in 2015 and currently holds the position of Acting Chief Human Resources and General Services Officer.

Management Committees

The Board has formed executive level committees for performing specified tasks and responsibilities to assist the CEO in the efficient administration of the Bank as set out in the chart below and described below. All committees are chaired by the Chief Executive Officer, Mr. Shaheen Hamad Al Ghanem.



Executive Credit and Investment Committee (ECIC)

The ECIC is authorised to consider all credit financing and investment proposals. The committee is delegated with appropriate authority to approve such proposals or refer them to the BCIC. The ECIC is responsible for monitoring the Bank's financing and investment portfolio, reviewing the portfolio and taking appropriate action to ensure performance of the financing and investment assets of the Bank.

Assets and Liability Management Committee (ALCO)

ALCO is responsible for all matters related to managing and controlling the balance sheet including all aspects of assets and liabilities, asset allocation, liabilities structure, liquidity requirements and all other matters in respect of capital adequacy and managing market risks and liquidity risk to which the Bank is exposed. ALCO is also responsible for ensuring the optimal balance of assets and liabilities in the short, medium and long term to ensure business growth and profitability while maintaining compliance with regulatory and financial requirements.

Provisioning Committee

The Provisioning Committee is responsible for analysing and evaluating all outstanding exposures under approved financing facilities and investments, for determining whether an exposure is impaired or has any signs of irregularity, warranting provisions in accordance with IFRS and CBK regulatory requirements. In addition, the Provisioning Committee has delegated authority for reviewing debt write-offs and providing relevant recommendations to the Board.

Management Committee

The Management Committee is responsible for developing and implementing the Bank's vision and strategy. It convenes regularly to ensure information flow as well as consensus with the views of the Executive Management on decisions affecting the organisation of the Bank. The committee's scope of work includes, but is not limited to matters relating to the Bank's business plans, policies, processes and procedures, new products and services programmes, special projects, human resources, and information technology. It also manages all other issues which do not fall within the remit of any specific committee.

Procurement Committee

The Procurement Committee was established to ensure that the procurement process for all goods, services, contracts and works necessary for the Bank's business are undertaken properly in a transparent, effective and timely manner, taking into account best practices in the field of procurement.

Retail Credit Exceptions Committee (RCEC)

The RCEC reviews all proposed personal finance transactions that fall outside the set parameters for automated approval, and recommends whether to grant exceptions based on specific credit grounds and rationale in the best interest of the Bank's long-term business objectives under acceptable risk tolerance parameters.

Business address and conflicts

The business address of each member of the Board and each member of the executive management is Sanabil Tower, 26-28 Floor, Abdullah Al Ahmed Street, P.O. Box 1220, Safat 13013, Kuwait. No member of the Board or executive management has any actual or potential conflict of interest between his duties to the Bank and his private interests and/or other duties.

Shari'a Board

The Shari'a Board is a group of scholars with comprehensive knowledge of Islamic laws, economics and banking. In accordance with Kuwaiti law, an independent Shari'a board must be established in each Islamic bank to supervise its business. The number of members of the Shari'a board must not be less than three, and shall be appointed by the Bank's General Assembly.

The Shari'a Board reviews all products, contracts, transactions, investments, accounts, policies and manuals and periodically reviews financial accounts to ensure their compliance with Shari'a rules and principles.

The table below shows the names and positions of the current members of the Shari'a Board:

Name	Position
Sheikh Dr Issa Zaki Issa	Chairman
Sheikh Dr. Mohammad Oud Al Fuzaie	Member
Sheikh Dr Issam Khalaf Al Enezi	Member
Sheikh Dr. Ali Ibrahim Al Rashed	Member
Sheikh Dr. Mutlaq Jasser Al Jasser	Member

Detailed below is brief biographical information on the members of the Shari'a Board:

Sheikh Dr. Issa Zaki Issa

Dr. Issa holds a Ph.D. in Fiqh major from the Islamic University, Al Madina Al Monawar in Saudi Arabia. He is assistant professor at the Shari'a and Islamic Studies College of Kuwait University.

He is a member of the Fatwa and Shari'a Supervision body in many Islamic banks and financial institutions, both in Kuwait and abroad. He is the author of many research studies in Islamic Fiqh.

Sheikh Dr. Mohammad Oud Al Fuzaie

Dr. Al Fuzaie holds a PhD in Comparative Jurisprudence from the Faculty of Sharia and Law at Al-Azhar University. He is a member of the teaching staff of the Faculty of Sharia and Islamic Studies at Kuwait University. He is a member of Fatwa and Shari'a Supervision body of Zakat House, Boubyan Bank and the Bank. He has published many studies and researches about Shari'a supervision of the activities of Islamic financial institutions.

Sheikh Dr. Issam Khalaf Al Enezi

Dr. Al Enezi holds a Ph.D. in Shari'a from the Jordanian University (Fiqh Major). He is a faculty member at Kuwait University, Comparative Fiqh Section - Shari'a and Islamic Studies College. He is a member of the Shari'a Council at the Accounting and Audit Board for Islamic Financial Institutions and a member of the Fatwa and Shari'a Supervision body in a number of Islamic banks and financial institutions. He is the author of several studies and research works.

Sheikh Dr. Ali Ibrahim Al Rashed

Mr. Al Rashed holds a PhD in law (University of Cairo - Arab Republic of Egypt), Bachelor of Shari'a (College of Shari'a and studies - Kuwait University) and Master of Law (University of Cairo - Arab Republic of Egypt). He is a member of the faculty in the College of Shari'ah – Kuwait University, a member of different Fatwa authorities in many Islamic investment institutions inside and outside Kuwait, a member of the Shariah Committee in The Ministry of Awkaf – Kuwait, a member of the Shariah Committee in Accounting and Auditing Organization for Islamic Financial Institutions (AIAAOIFI), a member of the Fatwa and Shari'a Supervisory Board at Boubyan Bank, a member of the Fatwa and Shari'a Supervisory Board of Ahli United Bank, and a member of the Fatwa and Shari'a Supervisory Board at the Bank.

Sheikh Dr. Mutlaq Jasser Al Jasser

Mr. Al Jasser holds a PhD in Islamic Economics, and the thesis "The Theory of Changing Fatwa and Its Applications in Islamic Banking Jurisprudence", from Yarmouk University, Jordan and holds a master's degree in Islamic law, and the thesis entitled: "Ijara Sukuk and its rulings in Islamic Jurisprudence, Comparative Study of Islamic Economics", Cairo University, Faculty of Dar Al-Ulum, Excellent grade. He is the Assistant Dean for Student Affairs at the Faculty of Shari'a and Islamic Studies, Kuwait University and a member of the faculty of the Department of Comparative Jurisprudence and Shari'ah Policy, and a preacher in the Ministry of Awqaf and Islamic Affairs.

Employees

The Bank's human resources policies are designed to attract, retain and motivate high-calibre, professional, skilled and knowledgeable employees. The Bank provides its employees with a transparent working environment; employee talent-management schemes; a transparent remuneration and compensation structure; and access to a whistle blowing policy (which enables employees to raise concerns in good faith and confidence directly up to the level of the Chairman).

As at 31 December 2018, the Bank employed 404 full-time staff compared to 349 full-time staff at 31 December 2017 and 346 full-time staff at 31 December 2016.

The Bank is committed to identifying, attracting and developing Kuwaiti nationals in its workforce. The Kuwaiti government's required 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 31 December 2018 was 72.3 per cent. and it is currently in compliance with all other applicable employment regulations.

The Bank is working with local and international companies to design specific and intensive development plans to assist young Kuwaitis to undertake managerial and executive positions.

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 of 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 (**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 Bahrain, Oman, Qatar, 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 Organisation of the Islamic Conference, the Multilateral Investment Guarantee Agency and the United Nations Educational, Scientific and Cultural Organisation (UNESCO).

Economic Overview

According to data from the IMF's World Economic Outlook Database April 2019, Kuwait's real GDP increased by 2.9 per cent. in 2016, decreased by 3.5 per cent. in 2017, and is estimated to have increased by 1.8 per cent. in 2018 and to increase by 2.5 per cent. in 2019. Kuwait has posted a budget surplus for each of the last 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 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 (OPEC 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.\$33.7 billion as at 31 December 2017 (source: the CIA). 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 through 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.
- **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

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. The membership of the board, in addition to the Governor, comprises the Deputy Governor, a representative from each of the Ministry of Finance and the Ministry of Commerce and Industry (the **MOCI**) and four additional members, each of whom must be a Kuwaiti national and must be nominated by the Minister of Finance (after obtaining the approval of the Council of Ministers). Each of the four additional board members is drawn from expert practitioners in economics, finance or banking and is appointed by an Amiri Decree for three years. The Governor of the CBK and the Deputy Governor are each appointed by decree for a five-year renewable term.

The CBK 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 "*Certain Banking Regulations*" below). The CBK may impose penalties on any institution that fails to comply with an instruction.

The National Assembly passed Law No. 30 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 macro-economic 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 the 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 the **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.

The CBK has also issued instructions containing guidelines relating to, among other matters: (i) post-dated cheques; (ii) banks' credit policy ratios; (iii) verification of the purpose of credit facilities granted to customers; (iv) collateral to be granted by customers against credit facilities; (v) the provision of facilities for trading in shares listed on the Boursa Kuwait; (vi) the protection of customers; (vii) special needs of customers and (viii) anti-money laundering and combating the financing of terrorism.

Corporate Governance

During June 2012, the CBK issued instructions for the 'Rules and Standards 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.

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 "*Management and employees*".

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 1 January 2014 and expires on 16 May 2021. 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 28 August 2018 and the CBK issued its final report in relation to that inspection on 10 January 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 the Boursa Kuwait and conducts some of the "Securities Activities" listed in Module 5 article 1-2 of 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 to Kuwaiti residents of those banks 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).

	Cost to income ratio	Return on average assets	Return on average equity	Earnings per share	Growth in Total Assets**	Growth in Customer Deposits ***
	(%)	(%)	(%)	(fils*)	(%)	(%)
Ahli United Bank	30.8	1.265	11.45	27.1	6.8	(0.1)
Al-Ahli Bank of Kuwait	38.9	0.915	7.01	26.0	4.3	6.0
Boubyan Bank	40.9	1.229	12.99	21.4	9.4	9.1
Burgan Bank	42.2	0.988	10.25	31.0	(1.4)	(9.3)
Commercial Bank of Kuwait	29.7	1.473	9.39	35.4	1.7	4.0
Gulf Bank	34.5	0.972	9.37	20.0	5.9	7.0
National Bank of Kuwait	31.3	1.387	11.97	58.0	5.4	4.4
Kuwait International Bank	54.5	1.029	7.94	22.4	13.2	9.6
Kuwait Finance House	39.3	1.510	12.45	36.4	2.4	1.6
The Bank	38.5	0.395	7.20	7.1	23.6	4.6

* 1000 fils equals one Kuwaiti dinar.

** Growth in total assets for 2018 minus total assets for 2017 divided by total assets for 2017

*** Growth in customer deposits for 2018 minus customer deposits for 2017 divided by customer deposits for 2017. Customer deposits does 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 saving accounts and current accounts.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection from the registered office of the Trustee and the specified office of the Principal Paying Agent. Words and expressions defined elsewhere in this 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 18 July 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 Asset Portfolio and (ii) (on each date on which any additional Certificates are issued) the relevant Additional Assets.

Wakala Agreement

The Wakala Agreement will be entered into on 18 July 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 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 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 service the Wakala Portfolio relating to each Series in accordance with Shari'a principles as laid down by the Shari'a Supervisory Board of the Wakeel.

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 Wakeel 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*, the Wakeel will pay into the relevant Transaction Account 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*, any amounts still standing to the credit of the Income Collection Account immediately following payment of all of the above amounts shall be debited from the Income Collection Account and credited to the Reserve Account.

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 towards such Shortfall by payment of the same into the Transaction 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, it 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 18 July 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, on behalf of itself and 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 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 18 July 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 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 18 July 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 18 July 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) the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;
 - (c) 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 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 irrevocably and unconditionally appoint the Delegate to be its 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. Each of the Obligor and the Trustee will confirm in the Master Trust Deed that the Delegate may consult with or request and rely on (without liability to any person for so doing) the advice of any lawyer, valuer, banker, broker, accountant or other expert in exercising the rights, powers or actions delegated to it under the Master 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 the occurrence of a Dissolution Event or a Potential Dissolution Event, 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 as follows:

- (a) to comply with 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 the terms of the Transaction Documents to which it is a party; 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, as the case may be, is not paid in accordance with the provisions of 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 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 issued, declaring that the relevant Additional Assets transferred to the Trustee (in respect of the issuance of the additional Certificates), 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) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

Agency Agreement

The Agency Agreement will be entered into on 18 July 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 Warba Sukuk Limited and Warba 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) any 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 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 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 has been originated or 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 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 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) any 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) any 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 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 publicised 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.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. The issuance and subscription of Certificates should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the **Programme Agreement**) dated 18 July 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

The Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Accordingly, the Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S. Until 40 days after the completion of the distribution of all Certificates of the Tranche of which such Certificates are a part, an offer, delivery or sale of Certificates within the United States or to, or for the account or benefit of, U.S. persons by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, 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 under the Securities Act.

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver 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 to the Principal Paying Agent by the relevant Dealer (or, in the case of a Tranche of Certificates sold to or through more than one Dealer, by the relevant lead manager), within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act, and it will have sent to each dealer to which it sells Certificates during the distribution compliance period a confirmation or other notice setting out the restrictions on offers, delivery and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) 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 Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) 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 3(2) of the Prospectus Directive,

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 Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression: (i) an **offer of Certificates to the public** in relation to any Certificates in any Relevant 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 the Certificates, as the same may be varied in that Member State by any measure

implementing the Prospectus Directive in that Member State; and (ii) **Prospectus Directive** means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

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 any 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 and/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 Module of the Dubai Financial Services Authority (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 3-45-2018 dated 23 April 2018 (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; 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 (c) 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 **CWUMPO**) or which do not constitute an offer to the public within the meaning of the CWUMPO; 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 any 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

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) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA 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.

General

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 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 such sale.

GENERAL INFORMATION

Listing of the Certificates

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. 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 requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

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 18 July 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 8 July 2019, a resolution of the board of directors of the Bank dated 10 April 2019 and a resolution of the shareholders of the Bank dated 20 March 2019.

Significant or Material Change

There has been no significant change in the financial or trading position, or material adverse change in the financial position or prospects, of the Trustee since the date of its incorporation.

There has been no significant change in the financial or trading position of the Bank or the Group since 31 March 2019 and there has been no material adverse change in the financial position or 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, physical copies 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 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 European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive 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 three months ended 31 March 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.

Auditors

The auditors of the Bank are Ernst & Young Kuwait and KPMG Kuwait. The business address of Ernst & Young Kuwait is P.O. Box 74, 18 – 21st Floor, Baitak Tower, Ahmed Al Jaber Street, Safat Square 13001, Kuwait and the business address of KPMG Kuwait is Al Hamra Tower, 25th Floor, Abdulaziz Al Saqr Street, Kuwait. Each of Ernst & Young Kuwait and KPMG 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.

Ernst & Young Kuwait and KPMG 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.

Ernst & Young Kuwait and KPMG Kuwait have also reviewed the interim condensed consolidated financial information of the Bank as at and for the three months ended 31 March 2019 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as stated in their report incorporated by reference herein.

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.

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. 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

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Cayman Islands

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