KFH TIER 1 SUKUK LIMITED

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

U.S.$750,000,000
Tier 1 Capital Certificates

Pages K-1 to K-4 (the **"K-Pages"**) *relate to placements in the State of Kuwait to supplement the enclosed prospectus* (the **"Prospectus"**). *In case of discrepancy between the Prospectus and the K-Pages, the K-Pages shall have precedence. Investors in the State of Kuwait should refer to the attached Prospectus for additional information pertaining to the issuance, and the terms and conditions thereof. Unless otherwise stated herein, defined terms shall have the same meanings ascribed to them in the attached Prospectus.*

The U.S.$750,000,000 Tier 1 Capital Certificates (the "**Certificates**") of KFH Tier 1 Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") entered into between the Trustee, Kuwait Finance House K.S.C.P. (the "**Bank**") and Citibank, N.A., London Branch as the delegate of the Trustee (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the conditional right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined in the Prospectus) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

NOTICE TO RESIDENTS OF THE STATE OF KUWAIT

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

This 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 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 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 Prospectus so as to determine the suitability of purchasing the Certificates.

IT IS RECOMMENDED THAT A PROSPECTIVE HOLDER OF CERTIFICATES TO SEEK ADVICE OF AN APPROPRIATELY QUALIFIED CMA LICENSED PERSON REGARDING THE CONTENTS OF THIS PROSPECTUS (AND, WHERE APPLICABLE, ITS FORM OF PRICING SUPPLEMENT) BEFORE DECIDING TO TAKE PART IN THE SUBSCRIPTION. THIS IS A NOTICE TO COMPLY WITH ARTICLE 5-11(14) OF MODULE 11 OF THE EXECUTIVE BYLAWS OF LAW NO. 7 OF 2010 (EACH AS AMENDED).

PRIVATE PLACEMENT IN THE STATE OF KUWAIT

This Prospectus has been prepared in accordance with the CML Rules, together with the various resolutions, regulations, practices, and instructions issued pursuant thereto, or in accordance therewith. This Prospectus has been approved by the CMA on 16 June 2021.

The approval of the Central Bank of Kuwait for the issuance of the Certificates (the "**Issuance**") was obtained on 26 May 2021. The approval of the CMA on the Issuance was obtained on 7 June 2021.

SELLING RESTRICTIONS

Each Joint Lead Manager has represented and agreed, and each further Joint Lead Manager appointed under the Issuance 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 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 offering, marketing and/or sale, of the Certificates.

QUALIFIED INVESTORS

The Certificates are intended to be promoted and offered in Kuwait on a Private Placement basis to Professional Clients (both as defined in the CML Rules). It is to be noted that the Certificates, while being promoted in Kuwait, are not intended to be placed in Kuwait as the clearing, order processing, allocation and settlement thereof will take place outside of Kuwait.

DECLARATION BY LEGAL ADVISER

The legal adviser to the Trustee as to the laws of the State of Kuwait declares to KFH Capital Investment Company K.S.C.C. and Boubyan Capital Investment Company K.S.C. (each a designated "**Licensed Person**" (as defined in the CML Rules)) to market, and where applicable offer and/or sell, the Certificates in the State of Kuwait) (*and to no other entity or regulatory body*), subject to the customary assumptions and qualifications provided to managers in legal opinions as to Kuwaiti law, and (*having made reasonable inquiries and based on the documents provided by the Trustee*), that the Prospectus materially contains all the necessary legal requirements by the CMA and that the Trustee has obtained all the necessary Kuwait related approvals to render their obligations valid and enforceable. The legal adviser to the Trustee as to Kuwaiti law does not accept any responsibility for the contents of this Prospectus or any information incorporated by reference into this document or for any other statement made in connection with the Trustee or the issue and offering of the Certificates.

DECLARATION BY LICENSED PERSON

Each Licensed Person confirms that it has made reasonable inquiries as to the content of the Prospectus and disclosure by the Trustee and Bank therein, and only to the extent of such inquiry and due diligence being performed in the customary course being correct, accept responsibility for the information contained therein being correct and not materially misleading.

CONFIRMATION BY THE BOARD OF DIRECTORS OF THE TRUSTEE

The Trustee (as represented by its board of directors under applicable law) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Trustee (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information which is disclosed to potential investors for this purpose of deciding whether to subscribe in the Certificates or not and that all the provisions of the CML Rules (including, in particular, Module 11 of the executive bylaws) and the Companies Law No. 1 of 2016 and its executive bylaws (each as amended) and the laws and instructions issued by the CMA are complied with.

CONFIRMATION BY THE BOARD OF DIRECTORS OF THE BANK

The Bank (as represented by its board of directors under applicable law (see "*Board*")) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Trustee (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information which is disclosed to potential investors for this purpose of deciding whether to subscribe in the Certificates or not and that all the provisions of the CML Rules (including, in particular, Module 11 of the executive bylaws) and the Companies Law No. 1 of 2016 and its executive bylaws (each as amended) and the laws and instructions issued by the CMA are complied with.

SUBSCRIPTION PERIOD

The subscription period for the Certificates shall commence and end on dates to be notified by the Trustee and/or the Joint Lead Managers.

TYPE AND DATE OF VALUATING THE SUKUK ASSETS

For more details see "*Trust Assets*", "*Mudaraba Assets*", "*Mudaraba Capital*" and "*Summary of the Principal Transaction Documents – Mudaraba Agreement*". The capital amount, which constitutes the initial Mudaraba Capital, contributed by the Trustee to the Bank shall be an amount designated on or around the date of Issuance and which may be subject to change after such date (the "**Mudaraba Capital**"). Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* without any preference or priority with all other Certificates (see "*Status of the Certificates*" under "*Overview of the Programme*").

ASSETS LOCATION AND APPLICABLE LAWS RELATED TO THE ASSETS

For more details see "*Trust Assets*", "*Mudaraba Assets*", "*Investment Plan*" and "*Summary of the Principal Transaction Documents – Mudaraba Agreement*" and the above "*Type and date of valuating the sukuk assets"* in page K-3. The Transaction Documents are governed by English law. The Trust Assets (as defined) will comprise (i) the cash proceeds of the Issuance; (ii) all the Trustee's rights, title, interest, benefit and entitlements, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets; (iii) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee by the Bank pursuant to the Declaration of Trust); and (iv) all amounts standing to the credit of the Transaction Account from time to time (see "*Structure Diagram and Cash Flows – Payments by the Certificateholders and the Trustee*").

SECURITIES PREVIOUSLY ISSUED BY THE BANK

Previous securities issuances of the Bank are listed below:

1. The Bank has not previously guaranteed a sukuk issuance.
2. All share capital issuance of the Bank during the last five years are listed below:

Issue Date	Issue Type	Value (KD)	Total Number of Shares	Increase (Per cent)	Share Capital Post Issuance (KD)	Type of Shares
2017	Bonus shares	52,415,395.900	5,765,693,556	10%	576,569,355.600	Common
2018	Bonus shares	57,656,935.500	6,342,262,911	10%	634,226,291.100	Common

2019	Bonus shares	63,422,629.100	6,976,489,202	10%	697,648,920.200	Common
2020	Bonus shares	69,764,892.000	7,674,138,122	10%	767,413,812.200	Common
2021	Bonus shares	76,741,381.200	8,441,551,934	10%	844,155,193.400	Common

CORPORATE SERVICE PROVIDER FEES

Maples FS Limited acts as the corporate service provider of the Trustee (the "**Corporate Service Provider**"). The fees payable to the Corporate Service Provider in consideration for the provision of services are not expected to exceed U.S.$10,000 per annum. For the avoidance of doubt, the Corporate Service Provider's fees will not be deducted from the proceeds of any envisaged issuance of the Certificates.

PRICING MECHANISM

Pricing takes place after a book-building process whereunder the Trustee and its advisors will go on a series of investor meetings to discuss the issuance. The Certificates will be priced based on a benchmark plus a market-driven margin.

IMPORTANT NOTICE

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

IMPORTANT: **You must read the following notice before continuing.** The following notice applies to the attached Prospectus, whether received by e-mail, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of this Prospectus. In reading, accessing or making any other use of this Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in this Prospectus, including any modifications made to them from time to time, each time you receive any information from KFH Tier 1 Sukuk Limited (the "**Trustee**"), Kuwait Finance House K.S.C.P (the "**Bank**") or the Joint Lead Managers (as defined below) as a result of such access. You acknowledge that this electronic transmission and the delivery of the Prospectus is confidential and intended only for you and you agree you will not reproduce or publish this electronic transmission or forward the Prospectus to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION OF AN OFFER TO BUY IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. RECIPIENTS OF THIS PROSPECTUS ARE REMINDED THAT ANY PURCHASE MAY ONLY BE MADE ON THE BASIS OF THE INFORMATION CONTAINED IN THIS PROSPECTUS. THE CERTIFICATES DESCRIBED IN THIS PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. 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 AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) 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 OR LOCAL SECURITIES LAWS.

THIS PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE JOINT LEAD MANAGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS 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 LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The distribution in the United Kingdom (the "**UK**") of this Prospectus and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates is being effected by a person who is not an authorised person under the Financial Services and Markets Act 2000, as amended (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(2) (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 distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"); (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order (all such persons together being referred to as "**Relevant Persons**"). Persons of any other description in the UK may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the UK in the Certificates are advised that all, or most, of the protections afforded by the UK regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the UK Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

CONFIRMATION OF YOUR REPRESENTATION: By accepting this e-mail and accessing, reading or making any other use of this Prospectus, you shall be deemed to have represented to each of Boubyan Bank K.S.C.P., Dubai Islamic Bank PJSC, Dukhan Bank Q.P.S.C., Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, KFH Capital Investment Company K.S.C.C., Mizuho International plc and Standard Chartered Bank (the "**Joint Lead Manager**s") that: (i) you understand and agree to the terms set out herein; (ii) you are a Relevant Person; (iii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of a U.S. person, and, to the extent that you purchase the Certificates described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including the State and District of Columbia), its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands); (iv) you are a person who is permitted under applicable law and regulation to receive this Prospectus; (v) you consent to delivery of such Prospectus and any supplements thereto by electronic transmission; (vi) you will not transmit this Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; (vii) if you are a person in Hong Kong, you are a "professional investor" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO and (viii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, Shariah, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this 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 or disclose the contents of this Prospectus, electronically or otherwise, to any other person and in particular to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

This Prospectus does not constitute, and may not be used in connection with, an offer to sell or solicitation to buy in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of the Certificates described herein be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Bank, the Trustee or holders of the applicable Certificates in such jurisdiction.

Neither the Joint Lead Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the Prospectus or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the Trustee, the Bank or the offer of the Certificates. The Joint Lead Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Lead Managers or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the Prospectus and none of the Joint Lead Managers or their respective affiliates accepts any responsibility for any acts or omissions of the Trustee, the Bank or any other person in connection with the Prospectus or issue and offering of the Certificates.

This 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 Joint Lead Managers, the Trustee, the Bank nor any person who controls or is a director, officer, employee or agent of any Joint Lead Manager, the Trustee, the Bank nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Bank, the Trustee or the Joint Lead Managers. If you received this 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 e-mail software, will be ignored or rejected. If you receive this Prospectus by e-mail, your use of this e-mail 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.

Notification under Section 309(B) of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") - 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 Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) 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).

UK MIFIR product governance / professional investors and ECPs only target market: Solely for the purposes of 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); 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 manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

EU MIFID II product governance / professional investors and ECPs only target market: There are no manufacturers for the purposes of Directive 2014/65/EU (as amended) ("**MiFID II**"). Any person offering, selling or recommending the Certificates (a "**distributor**") should consider (i) the target market for the Certificates to be eligible counterparties and professional clients only, each as defined in MiFID II, and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients to be appropriate. 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) and determining appropriate distribution channels.

PRIIPS regulation / prohibition of sales to EEA retail investors: The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors: The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA, and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Joint Lead Managers, the Trustee and the Bank to inform themselves about, and to observe, any such restrictions.

KFH TIER 1 SUKUK LIMITED

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

U.S.$750,000,000 Tier 1 Capital Certificates

The U.S.$750,000,000 Tier 1 Capital Certificates (the "**Certificates**") of KFH Tier 1 Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 30 June 2021 (the "**Issue Date**") entered into between the Trustee, Kuwait Finance House K.S.C.P. (the "**Bank**" or "**KFH**") and Citibank, N.A., London Branch as the delegate of the Trustee (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the conditional right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the "**Conditions**").

If a Non-Viability Event occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down Date (each as defined in the Conditions), as more particularly described in Condition 11 (*Write-down at the Point of Non-Viability*). In such circumstances, the Certificates shall be cancelled (in the case of a Write-down in whole) or written-down in part on a *pro rata* basis (in the case of a Write-down in part) by the Trustee in accordance with the prevailing Capital Regulations (as defined in the Conditions) and the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets (as defined herein)) shall automatically be deemed to be irrevocably and unconditionally cancelled or written-down in the same manner as the Certificates. See "*Risk Factors – Risks relating to the Certificates - Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be cancelled or permanently written-down* (*in whole or in part*) *upon the occurrence of a Non-Viability Event*".

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 30 December 2026 (the "**First Reset Date**") at a rate of 3.600 per cent. per annum from amounts of Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (each as defined in the Conditions and as further described below). If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Reset Date, Periodic Distribution Amounts shall be payable from (and including) the First Reset Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Reset Date and every five years thereafter, equal to the Relevant Five Year Reset Rate (as defined in the Conditions) *plus* a margin of 2.629 per cent. per annum. Periodic Distribution Amounts will, if payable pursuant to the Conditions, be payable semi-annually in arrear on 30 June and 30 December in each year, commencing on 30 December 2021. Payments on the Certificates will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction (as defined in the Conditions) (the "**Taxes**") to the extent described under Condition 13 (*Taxation*). Each payment of a Periodic Distribution Amount will be made by the Trustee **provided that** the Bank (in its capacity as Mudareb (as defined in the Conditions)) shall have paid Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (as applicable) equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement (as defined in the Conditions). Payments of such profit amounts under the Mudaraba Agreement are subject to mandatory cancellation if a Non-Payment Event (as defined in the Conditions) occurs, and are otherwise at the sole discretion of the Bank (as Mudareb). Any Periodic Distribution Amounts not paid as aforesaid will not accumulate and neither the Trustee nor the Certificateholders shall have any claim in respect thereof.

The payment obligations of the Bank under the Mudaraba Agreement (including all payments which are the equivalent of principal and profit) (the "**Relevant Obligations**") will rank in priority to all Junior Obligations (as defined in the Conditions).

The Certificates are perpetual securities and have no fixed or final redemption date. Unless the Certificates have previously been redeemed or purchased and cancelled as provided in the Conditions, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem all but not some only of the Certificates on 30 June 2026 (the "**First Call Date**") and on any date thereafter up to and including the First Reset Date, and or on any Periodic Distribution Date (as defined in the Conditions) thereafter in accordance with Condition 10.1(b) (*Trustee's Call Option*). In addition, upon the occurrence of a Tax Event or a Capital Event (each as defined in the Conditions), the Certificates may be redeemed in whole (but not in part), or the terms thereof may be varied (by the Trustee (but only upon the instructions of the Bank (acting in its sole discretion)), in each case at any time on or after the Issue Date in accordance with Conditions 10.1(c) (*Redemption or Variation due to Taxation*) and 10.1(d) (*Redemption or Variation for Capital Event*). Any redemption or variation is subject to the conditions described in Condition 10.1 (*Redemption and variation*).

The Bank has been assigned long term ratings of "A+" with a negative outlook by Fitch Ratings Limited ("**Fitch**") and "A2" with a stable outlook by Moody's Investors Service Cyprus Ltd. ("**Moody's**"). Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 as amended (the "**EU CRA Regulation**"). As such, 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 EU CRA Regulation. The rating issued by Moody's to the Bank is endorsed by Moody's Investors Service Ltd., which is established in the United Kingdom and registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK CRA Regulation**"). Fitch is established in the United Kingdom and registered under the UK CRA Regulation. Fitch appears on the list of registered credit rating agencies (as of 27 June 2021) on the United Kingdom Financial Conduct Authority's Financial Services Register. The rating issued by Fitch to the Bank is endorsed by Fitch Ratings Ireland Limited, which is established in the European Union and registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by ESMA on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the EU CRA Regulation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of any rating assigned to the Certificates may adversely affect the market price of the Certificates.

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see "*Risk Factors*".

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**") as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the EUWA (the "**UK Prospectus Regulation**"). This Prospectus constitutes a prospectus for the purposes of the UK Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Trustee, the Bank or the quality of the Certificates that are the subject of this Prospectus and investors should make their own assessment as to the suitably of investing in the Certificates. Application has been made to the FCA for the Certificates to be admitted to its official list (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Certificates to be admitted to trading on the main market of the London Stock Exchange (the "**Regulated Market**"**)**. The Regulated Market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK MiFIR**"). References in this Prospectus to the Certificates being "**listed**" (and all related references) shall mean that such Certificates have been admitted to the Official List and have been admitted to trading on the Regulated Market.

Amounts payable under the Certificates, following the First Reset Date, will be calculated by reference to rates for United States of America ("**U.S.** " or "**United States**") Treasury securities which are published by the U.S. Federal Reserve System. As of the date of this Prospectus, the U.S. Department of the Treasury does not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). As far as the Trustee is aware, the U.S. Department of the Treasury does not fall within the scope of the Benchmarks Regulation by virtue of article 2 of the Benchmarks Regulation.

The Certificates will be represented by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or before the Issue Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus will be valid for a year from 28 June 2021. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. For this purpose, "valid" means valid for admissions to trading on a regulated market by or with the consent of the Trustee and the obligation to supplement this Prospectus is only required within its period of validity between the time when this Prospectus is approved and the closing of the offer period for the Certificates or the time when trading on a regulated market begins, whichever occurs later.

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

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Fatwa & Shari'a Supervisory Board of the Bank**,** the Emirates NBD Islamic Internal Shariah Supervision Committee, the Global Shariah Supervisory Committee of Standard Chartered Bank and the Internal Shariah Supervisory Committee of Dubai Islamic Bank PJSC. 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.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Joint Global Co-ordinators

KFH Capital Investment Company K.S.C.C.

Standard Chartered Bank

Joint Lead Managers

Boubyan Bank K.S.C.P.	**Dubai Islamic Bank PJSC**	**Emirates NBD Capital**
First Abu Dhabi Bank PJSC	**KFH Capital Investment Company K.S.C.C.**	**Mizuho Securities**

Standard Chartered Bank

Dukhan Bank

The date of this Prospectus is 28 June 2021

This Prospectus comprises a prospectus for the purposes of the UK Prospectus Regulation.

The Trustee and the Bank accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Trustee and the Bank, the information contained in this Prospectus is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

The Prospectus should be read and construed together with any amendments or supplements hereto and with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Trustee and the Bank are honestly held by the Trustee and the Bank, have been reached after considering all relevant circumstances and are based on reasonable assumptions and are not misleading in any material respect.

None of the Joint Lead Managers, the Delegate or the Agents (as defined in the Agency Agreement), or any of their respective directors, affiliates, advisers or agents, has independently verified the information contained or incorporated by reference herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them (i) as to the accuracy, adequacy, reasonableness or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Trustee or the Bank in connection with the Certificates or (ii) for any acts or omissions of the Trustee, the Bank or any other person in connection with this Prospectus or the issue and offering of the Certificates.

To the fullest extent permitted by law, the Joint Lead Managers, the Delegate and the Agents accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Joint Lead Manager, the Delegate or any Agent or on its behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each Joint Lead Manager, the Delegate and each Agent 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 Prospectus or any such statement.

No person is or has been authorised by the Trustee, the Bank, the Delegate or the Agents to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the offering of the Certificates and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, the Bank, the Delegate, the Agents or any of the Joint Lead Managers. None of the Joint Lead Managers, the Delegate or the Agents, or any of their respective directors, affiliates, advisers or agents make any representation or warranty or accept any liability as to the accuracy or completeness of the information contained in this Prospectus.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Certificates shall, in any circumstances, constitute a representation or create any implication that the information contained in this Prospectus is correct subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Trustee or the Bank since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Certificates is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No comment is made, or advice given, by the Trustee, the Delegate, the Agents, the Bank or the Joint Lead Managers, or any of their respective directors, affiliates, advisers or agents, in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

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 and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) 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 may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Fatwa & Shari'a Supervisory Board of the Bank, the Emirates NBD Islamic Internal Shariah Supervision Committee, the Global Shariah Supervisory Committee of Standard Chartered Bank and the Internal Shariah Supervisory Committee of Dubai Islamic Bank PJSC. 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.

Each prospective investor is advised to consult its own Shari'a adviser, tax adviser, legal adviser and business adviser as to Shari'a, tax, legal, business and related matters concerning the purchase of any Certificates.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Joint Lead Managers, the Trustee, the Delegate, the Agents or the Bank makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, the Bank, the Joint Lead Managers, the Delegate or the Agents, or any of their respective directors, affiliates, advisers or agents represents that this Prospectus may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the Bank, the Joint Lead Managers, the Delegate or the Agents, or any of their respective directors, affiliates, advisers or agents, which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

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

Persons into whose possession this Prospectus comes are required by the Trustee, the Bank and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Certificates in the United States, the United Kingdom (the "**UK**"), the European Economic Area (the "**EEA**"), the Cayman Islands, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Kuwait ("**Kuwait**"), the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), Japan, Hong Kong, Malaysia, Singapore and Switzerland.

For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*".

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Certificates, is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Trustee, the Bank, the Delegate, the Agents or the Joint Lead Managers, or any of their respective directors, affiliates, advisers or agents that any recipient of this Prospectus or any other information supplied in connection with the issue of the Certificates should subscribe for, or purchase, the

Certificates. Each recipient of this Prospectus should make, and shall be taken to have made, its own independent investigation and appraisal of the condition (financial or otherwise) and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Bank. None of the Joint Lead Managers, the Delegate or any Agent undertakes to review the financial condition or affairs of the Trustee or the Bank during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers, the Delegate or any Agent. None of the Joint Lead Managers, the Delegate or the Agents, or any of their directors, affiliates, advisers or agents, accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Trustee or the Bank in connection with the Certificates.

The Certificates may not be a suitable investment for all investors. Each potential investor in Certificates must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should, either on its own or with the help of its financial and other professional advisers:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate 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. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments 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 the 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 the 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: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of financing; and (c) 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.

STABILISATION

In connection with the issue of the Certificates, Standard Chartered Bank (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager shall act as principal and not as agent of the Trustee or the Bank. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Issue Date and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. Any stabilisation action conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) must be conducted in accordance with all applicable laws and rules.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Group's plans, objectives, goals, strategies and future operations and performance as well as the assumptions underlying these forward-looking statements. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in "*Risk Factors*", "*Description of Kuwait Finance House K.S.C.P.*" and other sections of this Prospectus. KFH has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although KFH believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties related to such expectations, estimates and projections materialise (including those identified below or which KFH has otherwise identified in this Prospectus) or if any of KFH's underlying assumptions prove to be incomplete or inaccurate, the Group's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- macroeconomic and financial market conditions generally, including the impact of volatility in international oil prices and challenging conditions in the international debt and equity capital markets;
- political and economic conditions in Kuwait and the Middle East;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, the Group's ability to successfully re-price and restructure financings, the impact of provisions and impairments of credit facilities and concentration of the Group's portfolio;
- liquidity risks, including the inability of the Group to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in profit rates and other market conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

These forward-looking statements speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws, the Trustee and KFH expressly disclaim any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based. Given the uncertainties of forward-looking statements, the Trustee and KFH cannot assure potential investors that projected results or events will be achieved and the Trustee and KFH caution potential investors not to place undue reliance on these statements.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

This Prospectus contains the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 (with comparative data for the year ended 31 December 2019) (the "**2020 Consolidated Financial Statements**") and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 (with comparative data for the year ended 31 December 2018) (the "**2019 Consolidated Financial Statements**" and, together with the 2020 Consolidated Financial Statements, the "**Financial Statements**").

Except where explicitly disclosed, the financial data relating to the Group and its financial position presented in this Prospectus and relating to the financial information as at and for the year ended 31 December 2020 is derived from the 2020 Consolidated Financial Statements and relating to the financial information as at and for the year ended 31 December 2019 is derived from the comparative financial information as at and for the year ended 31 December 2019 included in the 2020 Consolidated Financial Statements. The financial data relating to the Group and its financial position presented in this Prospectus and relating to the financial information as at and for the year ended 31 December 2018 is derived from comparative financial information as at and for the year ended 31 December 2018 included in the 2019 Consolidated Financial Statements.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted for use in the State of Kuwait for financial services institutions regulated by the CBK, as further described in Note 2.1 (*Basis of Preparation*) to the 2020 Consolidated Financial Statements and Note 2.1 (*Basis of Preparation*) to the 2019 Consolidated Financial Statements. The Financial Statements have been jointly audited by Ernst & Young Al Aiban, Al Osaimi & Partners with license no. 68A ("**EY**") and Deloitte & Touche Al Wazzan & Co. with license no. 62A ("**Deloitte**") in accordance with International Standards on Auditing ("**ISAs**") as stated in their audit reports included therein. The CBK regulations, including the recently issued CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, require banks, including KFH, and other financial institutions regulated by the CBK to adopt IFRS with the following amendments: (i) expected credit loss ("**ECL**") on credit facilities is to be measured at the higher of the ECL amount computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by the CBK instructions; and (ii) in the case of the 2020 Consolidated Financial Statements only, the recognition of modification losses on financial assets arising from payment holidays to customers in response to COVID-19 are recognised in retained earnings instead of the consolidated statement of income as required by IFRS 9. For further information, see Note 2.1 (*Basis of Preparation*) to the 2020 Consolidated Financial Statements and Note 2.1 (*Basis of Preparation*) to the 2019 Consolidated Financial Statements.

The Group's financial year ends on 31 December and references in this Prospectus to any specific year are to the 12-month period ended on 31 December of such year.

The Group publishes its financial statements in Kuwaiti dinars.

Any financial information regarding the Group in this Prospectus labelled as "unaudited" has not been extracted from the Financial Statements, but has been extracted or derived from interim financial statements or from KFH's, the Group's or any subsidiaries' unaudited management accounts based on accounting records of the relevant entity, as applicable, or is based on calculations of figures from interim financial statements and/or unaudited management accounts. This Prospectus contains the interim condensed consolidated financial information (unaudited) of the Group as at and for the three months ended 31 March 2021 and the notes thereto set forth elsewhere herein (the "**2021 Interim Financial Statements**").

Certain numerical figures set out in this Prospectus, including financial and operating data have been subject to rounding adjustments and some of these and other figures are also presented in KD millions or KD billions rather than in KD thousands as in the Financial Statements. Therefore, the sums of amounts given in some columns or rows in the tables and other lists presented in this Prospectus may slightly differ from the totals specified for such columns or rows. Similarly, some percentage values presented in the tables in this Prospectus have been subject to rounding adjustments and the totals specified in such tables may not add up to 100 per cent. Percentages and amounts reflecting changes over time periods relating to financial and other data are calculated using the numerical data in the relevant Financial Statements and not using the numerical data in the narrative description thereof.

Alternative Performance Measures

Certain financial measures included in this Prospectus are not defined in accordance with IFRS accounting standards because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. KFH believes that these non-IFRS measures and alternative performance measures (as defined in the European Securities and Markets Authority guidelines (the "**ESMA Guidelines**") on Alternative Performance Measures ("**APMs**")) provide useful supplementary information to both investors and to KFH's management as they facilitate the evaluation of underlying operating performance and financial position across financial reporting periods. However, investors should note that, since not all companies calculate non-IFRS financial measurements (such as the APMs presented by KFH in this Prospectus) in the same manner, these are not always directly comparable to performance metrics used by other companies.

Such non-IFRS measures should not be considered in isolation and are not measures of financial performance or liquidity under IFRS. Accordingly, these non-IFRS measures should not be considered as an alternative to revenues, profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of liquidity derived in accordance with IFRS. Non-IFRS measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of actual results of operations. In addition, the APMs presented by KFH in this Prospectus may not be comparable to other similarly titled measures used by other companies. Because of the discretion that KFH and other companies have in defining these measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other companies.

Additionally, the APMs presented by KFH in this Prospectus are unaudited and have not been prepared in accordance with IFRS or any other accounting standards. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. KFH considers that the following metrics (which are set out below along with their reconciliation with the Financial Statements (to the extent that such information is not defined according to IFRS and not included in the Financial Statements included elsewhere in this Prospectus)) presented in this Prospectus constitute APMs for the purposes of the ESMA Guidelines:

APM	***Method of Calculation***	***Reconciliation with Financial Statements***
Return on average assets	Profit for the year *divided by* average assets for the year.	Profit for the year (as set out in the consolidated statement of income in the Financial Statements) *divided by* the average assets for the year. Average asset is the sum of total assets at the beginning of the year and at the end of each quarter *divided by* five. Refers to the same concept/figure as total assets (as set out in the consolidated statement of financial position in the Financial Statements).
Return on average equity	Profit for the year attributable to shareholders of KFH *divided by* average shareholders' equity for the year.	Profit for the year attributable to shareholders of the bank (as set out in the consolidated statement of income in the Financial Statements) *divided by* the average shareholders' equity for the year. Average shareholders' equity is the sum of total equity attributable to the shareholders of the bank at the beginning of the year and at the end of each quarter *divided by* five. Refers to the same concept/figure as total equity attributable to the shareholders of the bank (as set out in the consolidated statement of financial position in the Financial Statements).
Cost to income ratio	Total operating expenses for the year *divided by* the total operating income for the year.	Total operating expenses for the year (as set out in the consolidated statement of income in the Financial Statements) *divided by* the total operating income for the year (as set out in the consolidated

APM	*Method of Calculation*	*Reconciliation with Financial Statements*
		statement of income in the Financial Statements).
Net profit margin	Profit for the year *divided by* the total operating income for the year.	Profit for the year (as set out in the consolidated statement of income in the Financial Statements) *divided by* the total operating income for the year (as set out in the consolidated statement of income in the Financial Statements).
Impaired ratio	Non-performing financing (net of deferred and suspended profit) *divided by* net financing receivables (net of deferred and suspended profit).	Non-performing cash finance facilities before impairment (net of deferred and suspended profit) (as set out in Note 10 (*Financing Receivables*) to the 2020 Consolidated Financial Statements and Note 10 (*Financing Receivables*) to the 2019 Consolidated Financial Statements) *divided by* financing receivables (net of deferred and suspended profit) (as set out in Note 10 (*Financing Receivables*) to the 2020 Consolidated Financial Statements and Note 10 (*Financing Receivables*) to the 2019 Consolidated Financial Statements).
Provision coverage ratio	Impairment for financing receivables *divided by* non-performing finance facilities before impairment (net of deferred and suspended profit).	Impairment for financing receivables (as set out in Note 10 (*Financing Receivables*) to the 2020 Consolidated Financial Statements and Note 10 (*Financing Receivables*) to the 2019 Consolidated Financial Statements) *divided by* non-performing finance facilities before impairment (net of deferred and suspended profit) (as set out in Note 10 (*Financing Receivables*) to the 2020 Consolidated Financial Statements and Note 10 (*Financing Receivables*) to the 2019 Consolidated Financial Statements).
Liquidity coverage ratio	Calculated and disclosed as daily averages of the ratio components for the corresponding quarter-end in accordance with the requirements of CBK Circular number 2/IBS/346/2014 dated 23 December 2014.	Calculated as stipulated in accordance with the requirements of CBK Circular number 2/IBS/346/2014 dated 23 December 2014.

APM	*Method of Calculation*	*Reconciliation with Financial Statements*
Financings to total deposits ratio	Total financing receivables *divided by* total depositors' accounts.	Financing receivables for the year (as set out in the consolidated statement of financial position in the Financial Statements) *divided by* depositors' accounts for the year (as set out in the consolidated statement of financial position in the Financial Statements).
CET 1 capital adequacy ratio	CET 1 capital *divided by* risk-weighted assets at a given date. Calculated in accordance with the requirements of the CBK and the capital adequacy regulations issued by the CBK as stipulated in CBK Circular number 2/RB, RBA/A336/2014 dated 24 June 2014.	CET 1 capital calculated in accordance with the requirements of the CBK and the capital adequacy regulations issued by the CBK as stipulated in CBK Circular number 2/RB, RBA/A336/2014 dated 24 June 2014 *divided by* risk-weighted assets (as set out in Note 33 (*Capital Management*) to the 2020 Consolidated Financial Statements and Note 33 (*Capital Management*) to the 2019 Consolidated Financial Statements).
Tier 1 capital adequacy ratio	Tier 1 capital resources *divided by* risk-weighted assets at a given date. Calculated in accordance with the requirements of the CBK and the capital adequacy regulations issued by the CBK as stipulated in CBK Circular number 2/RB, RBA/A336/2014 dated 24 June 2014.	As set out in Note 33 (*Capital Management*) to the 2020 Consolidated Financial Statements and Note 33 (*Capital Management*) to the 2019 Consolidated Financial Statements. Calculated in accordance with the requirements of the CBK and the capital adequacy regulations issued by the CBK as stipulated in CBK Circular number 2/RB, RBA/A336/2014 dated 24 June 2014.
Total capital adequacy ratio	Total capital resources *divided by* risk-weighted assets at a given date. Calculated in accordance with the requirements of the CBK and the capital adequacy regulations issued by the CBK as stipulated in CBK Circular number 2/RB, RBA/A336/2014 dated 24 June 2014.	As set out in Note 33 (*Capital Management*) to the 2020 Consolidated Financial Statements and Note 33 (*Capital Management*) to the 2019 Consolidated Financial Statements. Calculated in accordance with the requirements of the CBK and the capital adequacy regulations issued by the CBK as stipulated in CBK Circular number 2/RB, RBA/A336/2014 dated 24 June 2014.
Financial leverage ratio	"Capital" measure (being Tier 1 capital) *divided by* the "exposure" measure (being the sum of on-balance	Tier 1 capital (as set out in Note 33 (*Capital Management*) to the 2020 Consolidated Financial Statements

APM	Method of Calculation	Reconciliation with Financial Statements
	sheet assets, derivative exposures and off-balance sheet exposures). Calculated in accordance with the requirements of CBK Circular number 2/BS/342/2014 dated 21 October 2014.	and Note 33 (*Capital Management*) to the 2019 Consolidated Financial Statements) *divided by* total exposure (as set out in Note 33 (*Capital Management*) to the 2020 Consolidated Financial Statements and Note 33 (*Capital Management*) to the 2019 Consolidated Financial Statements). Calculated in accordance with the requirements of CBK Circular number 2/BS/342/2014 dated 21 October 2014.

Presentation of Statistical Information

Certain statistical information included in this Prospectus (including in "*Overview of Kuwait*" and "*Banking Industry and Regulation in Kuwait*") has been derived from official public sources, including the CBK, the IMF, OPEC and the Statistics Bureau. 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 KFH to investors who have purchased any Certificates.

The statistical information in this Prospectus, including in relation to GDP and revenues of Kuwait, have been obtained from public sources identified in this Prospectus. All statistical information provided in this Prospectus, and the component data on which it is based, may not have been compiled in the same manner as data provided, and may be different from statistics published, by other sources. Accordingly, the statistical data contained in this Prospectus should be treated with caution by prospective investors.

Where information has not been independently sourced, it is KFH's own information.

Presentation of Other Information

Certain Definitions

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

- "**Bank**" and "**KFH**" means Kuwait Finance House K.S.C.P.;
- "**Boursa Kuwait**" means the Kuwait Stock Exchange;
- "**CBK**" means the Central Bank of Kuwait;
- "**CMA**" means the Kuwait Capital Markets Authority;
- "**EU**" means the European Union;
- "**GCC**" means the Gulf Co-operation Countries;
- "**GDP**" means the gross domestic product;
- "**Government**" means the government of Kuwait;

- "**Group**" means KFH and its consolidated subsidiaries (taken as a whole);
- "**IMF**" means the International Monetary Fund;
- "**KFH Bahrain**" means Kuwait Finance House B.S.C. (as a wholly-owned subsidiary of KFH);
- "**KFH Capital**" means KFH Capital Investment Company K.S.C.C. (as a wholly-owned subsidiary of KFH);
- "**KFH Malaysia**" means Kuwait Finance House (Malaysia) Berhad (as a wholly-owned subsidiary of KFH);
- "**Kuwait**" means the State of Kuwait;
- "**LCR**" means liquidity coverage ratio;
- "**Member State**" means a Member State of the European Economic Area;
- "**MENAT region**" means the Middle East, North Africa and Turkey region;
- "**NSFR**" means net stable funding ratio;
- "**OPEC**" means the Organization of the Petroleum Exporting Countries;
- "**PRC**" means the People's Republic of China;
- "**Statistics Bureau**" means the Central Statistics Bureau of Kuwait;
- "**Turkey**" are to the Republic of Turkey;
- "**U.S.**" and "**United States**" mean the United States of America; and
- "**WTO**" means the World Trade Organisation.

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

Certain Conventions

All references in this Prospectus to:

- "**Bahraini dinar**" are to the legal currency for the time being of the Kingdom of Bahrain;
- "**dinar**" and "**KD**" refer to Kuwaiti dinar being the legal currency for the time being of Kuwait and all references to "**fils**" are to the sub-unit of the dinar;
- "**euro**", "**EUR**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended;
- "**Malaysian ringgit**" are to the legal currency for the time being of Malaysia;
- "**renminbi**", "**CNH**" and "**CNY**" are to the currency of the PRC;
- "**TRY**" and "**Turkish lira**" are to Turkish lira being the legal currency for the time being of Turkey; and
- "**U.S. dollars**" and "**U.S.$**" refer to United States dollars being the legal currency for the time being of the United States.

The CBK's policy for the Kuwaiti dinar exchange rate aims at maintaining and enhancing the relative stability of the Kuwaiti dinar against other currencies and shielding the domestic economy against the impacts of imported inflation. Since 1975, the Kuwaiti dinar has been pegged to the Kuwaiti Dinar Basket (defined as the undisclosed weighted basket of international currencies of Kuwait's major trade and financial partner countries), except between January 2003 and May 2007, when the Kuwaiti dinar was pegged to the U.S. dollar within margins around a parity rate. The CBK has the ability to adjust the Kuwaiti Dinar Basket at its discretion.

The following table sets forth the average U.S. dollar exchange rate against the Kuwaiti dinar for the year ended 31 December 2020 and for the year ended 31 December 2019.

	High	**Low**	**Difference**	**Change (%)**
31 December 2020	3.05	3.04	0.01	0.48
31 December 2019	3.04	3.03	0.01	0.21

Source: Monthly Statistical Bulletin (December 2020 and December 2019), CBK.

Third party and market share data

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

Statistical information relating to Kuwait included in this Prospectus has been derived from official public sources, including OPEC, the IMF, the Sovereign Wealth Fund Institute, the Kuwait Public Authority for Civil Information, the CBK and the Statistics Bureau. All such statistical information may differ from that stated in other sources for a variety of reasons, including the fact that the underlying assumptions and methodology (including definitions and cut-off times) may vary from source to source. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Trustee or the Bank to investors who have purchased any Certificates.

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

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

No incorporation of website information

The Bank's website is https://www.kfh.com/en/home/Personal.html/.The information on this website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in the Article 2(1)(13A) of UK MiFIR; 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 manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

EU MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

There are no manufacturers for the purposes of Directive 2014/65/EU (as amended) ("**MiFID II**"). Any person offering, selling or recommending the Certificates (a "**distributor**") should consider (i) the target market for the Certificates to be eligible counterparties and professional clients only, each as defined in MiFID II, and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients to be appropriate. 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) and determining appropriate distribution channels.

PRIIPS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

SINGAPORE SFA PRODUCT CLASSIFICATION

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are 'prescribed capital markets products' (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 Joint Lead Managers, the Delegate or the Agents, or any of their respective directors, affiliates, advisers or agents, 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.

NOTICE TO RESIDENTS OF THE UK

The Certificates represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the FCA. Accordingly, this Prospectus is not being distributed to and must not be passed on to the general public in the UK.

The distribution in the UK of this Prospectus and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates 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(2) (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 distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"), (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the UK may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the UK in the Certificates are advised that all, or most, of the protections afforded by the UK regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the UK Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS OF 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 Prospectus shall not be construed as an invitation to the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders 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 other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Certificates, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this 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 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 Prospectus. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this 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 OF THE STATE OF QATAR

The Certificates will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Stock Exchange or the Qatar Central Bank 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 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 OF KUWAIT

Unless all necessary approvals from 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 or regulation in Kuwait, have been given in relation to the marketing of, and sale of, the Certificates (the "**CMA Approval**"), the Certificates may not be offered for sale, nor sold, in Kuwait.

This 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 pursuant to a CMA Approval, 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 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 Prospectus. Prior to purchasing any Certificates, it is recommended that a prospective holder of any Certificates seeks professional advice from its advisers in respect to the contents of this Prospectus so as to determine the suitability of purchasing the Certificates.

NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this 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 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 Prospectus.

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RISK FACTORS

The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of the Certificates should consider carefully, in light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

Each of the Trustee and the Bank believes that the following factors may affect their ability to fulfil their respective obligations under the Certificates and the Transaction Documents (as defined herein). All of these factors are contingencies which may or may not occur. Factors which the Trustee and the Bank believe may be material for the purpose of assessing the market risks associated with the Certificates are also described below.

Each of the Trustee and the Bank believes that the factors described below represent the principal risks inherent in investing in the Certificates but the inability of the Trustee and the Bank to pay any amounts on or in connection with the Certificates and the Transaction Documents may occur for other reasons and neither the Trustee nor the Bank represents that the statements below regarding the risks of holding any Certificate are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in the Conditions and "Global Certificate" shall have the same meanings in this section.

FACTORS THAT MAY AFFECT THE TRUSTEE'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THE CERTIFICATES

The Trustee has no operating history and no material assets

The Trustee is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 11 March 2021 and has no operating history. The Trustee has not as at the date of this Prospectus, and will not, engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including the right to receive amounts paid by the Mudareb under the Mudaraba Agreement. Therefore, the Trustee is subject to all the risks to which the Bank is subject to the extent that such risks could limit the Bank's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

The Certificates represent limited recourse obligations of the Trustee and the recourse of the Certificateholders against the Trustee in relation to the Certificates is limited to the Trust Assets and the proceeds from the Trust Assets.

The ability of the Trustee to pay amounts due on the Certificates will be dependent upon receipt by the Trustee from the Bank of amounts to be paid under the Mudaraba Agreement (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents). See "*—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents*".

RISKS RELATING TO THE BANK AND ITS ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE TRANSACTION DOCUMENTS

Risks Relating to the Group

The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility

The outbreak of communicable diseases on a global scale may affect investment sentiment and result in sporadic volatility in global markets. The coronavirus known as COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019 and spread to most countries around the world. In March 2020, the United States, certain EU countries and countries in the MENAT region, including Kuwait and Turkey, imposed varying levels of entry and other restrictions such as curfews and lockdowns, which aimed to reduce in-person interactions. These measures, while designed to slow the spread of COVID-19, resulted in significant reductions in economic activity globally. According to the World Bank, the COVID-19 pandemic has negatively impacted the global economy, created significant volatility and disruption in financial markets, decreased interest/profit rates and has pushed over 80 million people into extreme poverty in 2020. In addition, the pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities.

The COVID-19 pandemic is on-going and there is a significant risk of recurring outbreaks in affected countries and possible future mutations in the virus may prove difficult to contain. For example, many countries in Europe have re-introduced full or partial lockdowns in late 2020 and early 2021 in order to stem the "second wave" of higher infection rates. Since it is currently unclear how long existing restrictions will be in place, the duration of possible future restrictions and what their ultimate impact will be on global and local economies.

The COVID-19 pandemic has affected the Group (see further "*Financial Review of Kuwait Finance House K.S.C.P. – Significant Factors Affecting Results of Operations – Impact of the COVID-19 pandemic*") and the extent to which the COVID-19 pandemic continues to impact the Group's business, results of operations and financial condition, as well as the Group's regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

Any material change in the financial markets, the Kuwaiti or the Turkish economies or the global economy as a result of these events or developments could have a material adverse effect on the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party. It should be noted that the impact of COVID-19, including actions taken to contain it, might heighten many of the other risks set out in this Prospectus, including through increasing both the probability of negative impact as well as the severity of such impact.

The Group's operating income and assets are subject to credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and causes the Group to incur a financial loss. The Group is exposed to credit risk through, amongst others, its financing receivables, leased assets, wakala arrangements with financial institutions and investments in sukuk. The Group's primary exposure to credit risk arises through its financing facilities to customers. In addition, the Group is also exposed to off-balance sheet credit risk through contingent liabilities assumed by it.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk may also arise as a result of large exposures to individuals or a group of related counterparties. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

As at 31 December 2020, 42.3 per cent. of the Group's operating income and 47.8 per cent. of the Group's total assets were located in Kuwait while 42.2 per cent. of the Group's operating income and 27.9 per cent. of the Group's total assets were located in Turkey. In addition, as at 31 December 2020, 16.4 per cent. and 17.3 per cent. of the Group's gross financing receivables were from the construction and real estate sector and trading and manufacturing sector, respectively.

As a result of such concentration, the Group may be affected by the financial, political and general economic conditions prevailing from time to time in Kuwait, Turkey and/or the wider MENAT region generally. For instance, as a result of market conditions prevailing over the last few years, including the challenging economic environment in Kuwait, particularly in 2016 and 2017, together with other factors including the performance of international debt and equity markets, including political events such as the United Kingdom's secession from the European Union, the trade disputes between the United States and China, and, more recently, concerns about the spread of COVID-19, may have an adverse effect on consumer confidence levels, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, among other factors. As a result of such factors, the Group's customers and counterparties may experience decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs which may, in turn, adversely affect their ability to pay their financings or other obligations to the Group. Any such increase in customer and counterparty defaults could have a material adverse effect on the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party. For instance, primarily as a result of COVID-19 and its impact, the Group's impairment charge for the year ended 31 December 2020 was KD 284.1 million (compared to KD 196.9 million for the year ended 31 December 2019).

Moreover, if the Group is unable to effectively monitor and control the level of or, where required, successfully restructure its impaired financings with customers in financial distress, or its allowances for financing impairment are insufficient to cover financing losses, the Group's business, results of operations and financial condition may be materially adversely affected (see further "*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – Risks Relating to the Group – A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances would adversely affect the Group's results of operations and financial condition*"). Accordingly, although the Group regularly reviews its credit exposures and has in place systems for assessing the financial condition and creditworthiness of its debtors (see further "*Description of Kuwait Finance House K.S.C.P. – Risk Management*"), its failure to do so accurately or effectively may have a material adverse effect on the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances would adversely affect the Group's results of operations and financial condition

In connection with its provision of financings, the Group periodically establishes impairment allowances for financing losses, which are recorded in its income statement. Since 1 January 2018, in accordance with IFRS as adopted by Kuwait for financial services institutions regulated by the CBK, the Group is required to recognise impairment allowances for credit facilities at an amount equal to the higher of: (i) the ECL under IFRS 9 according to CBK guidelines; and (ii) the provisions as required by CBK instructions. As at 31 December 2020, the Group's total provision for financing losses for utilised and unutilised cash and non-cash financing facilities was KD 587.1 million, which exceeded the ECL for financing receivables under IFRS 9 by KD 227.6 million. In 2020, the Group was exceptionally allowed to charge losses on financial assets arising from payment holidays granted to customers in response to COVID-19 in relation to instalments due during the period 1 April 2020 to 30 September 2020 (referred to as "**modification losses**") directly against retained earnings, instead of recognising them in the consolidated statement of income as required by IFRS 9 (see further Note 2.1 (*Basis of Preparation*) to the 2020 Consolidated Financial Statements). The impact of the modification losses has been reflected in the asset values as at 31 December 2020. These payment holidays to customers and absence of delinquency experience during such period also temporarily disrupted the Group's normal procedures in assessing the risk in the portfolio. With respect to other financial assets, the Group is required to adopt IFRS 9 in compliance with the requirements of Kuwait Law No. 1 of 2016 on the Promulgation of the Companies Law. The Group's overall level of impairment allowances is based upon its assessment of prior loss experience, the volume and type of financings being conducted, collateral held, industry standards, past due financings, economic conditions and other factors related to the recoverability of various financings.

The Group also records impairments on its non-financial assets (such as real estate and investment in associate and joint ventures). The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the relevant asset's recoverable amount (which is the higher of such asset's fair value less costs to sell and its value in use). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount. Assessments of fair value less costs to sell and value in use of an asset are based on a number of metrics including market assessment, management's view of risks specific to that asset, quoted share prices for publicly traded companies and other available indicators. As at 31 December 2020, the Group's impairment charge on its non-financial assets was KD 91.8 million.

Although the Group endeavours to establish an appropriate level of impairment allowances in accordance with applicable requirements, there can be no assurance that the Group has taken sufficient impairment allowances, particularly as a result of the heightened uncertainty as a result of the ongoing impact of COVID-19. Accordingly, the Group may have to significantly increase its impairment allowances in the future as a result of increases in non-performing assets, deteriorating economic conditions (especially from the impact of COVID-19) leading to increases in defaults and bankruptcies, or for other reasons.

Any significant increase in impairment allowances or a significant change in the Group's estimate of the risk of loss inherent in its portfolio of non-impaired financings and non-financial assets, as well as the occurrence of 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.

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

The practice of pledging assets (such as securities portfolios and real estate assets) to obtain financing from a bank is subject to certain limitations and administrative restrictions under Kuwaiti law. In particular, such security over real estate mortgages will require a court order for enforcement. As a result, security over certain pledged assets may not be enforced in Kuwaiti courts. Accordingly, the Group may have difficulty foreclosing on collateral (including any real estate collateral) or enforcing guarantees or other third party credit support arrangements when debtors default on their financial obligations.

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 uneconomic for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its financing losses. As at 31 December 2020, a significant portion of the Group's financing receivables were assets having a benefit of collateral, primarily including cash, shares and real estate.

The Group typically requires additional collateral in the form of cash and/or other assets in situations where the Group may not be able to exercise rights over pledged shares or where it enters into guarantees or other third party credit support arrangements for financings made to individuals and corporations. Any decline in the value or liquidity of such collateral may prevent the Group from foreclosing on such collateral for its full value or at all in the event that a customer becomes insolvent and enters bankruptcy, and could thereby adversely affect the Group's ability to recover the full amounts advanced to the customer.

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

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

The Group is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. As was experienced in 2008 and 2009, concerns about, or a default by, one institution could also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a particular counterparty may lead to market-wide liquidity problems and losses or defaults by the Group or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom the Group interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on the Group's ability to raise new funding and on its business, financial condition and results of operations.

The Group relies on short-term demand and time deposits as a major source of funding but primarily has medium- and long-term assets, which may result in asset-liability maturity gaps

The Group is exposed to liquidity risk as a result of mismatches in maturity dates of assets and liabilities. In common with other banks in Kuwait, many of the Group's liabilities are short-term demand and time deposits, whereas its assets are generally medium- to long-term financings. Mismatches between the Group's maturities of assets and liabilities could arise if the Group is incapable of obtaining new deposits or alternative sources of finance or the cost of obtaining them becomes prohibitive (see further "*Financial Review of Kuwait Finance House K.S.C.P. – Liquidity and Funding – Maturity profile*").

The availability of customer deposits is subject to fluctuation due to factors outside the Group's control, including possible loss of confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time or may cause the Group to increase the return paid on its deposits to ensure it retains sufficient deposits. The Group may also experience outflows of deposits at times when liquidity is constrained generally in Kuwait, Turkey and the MENAT region or when its major depositors experience short- or longer-term liquidity requirements. In the past, a substantial portion of such customer deposits have been rolled over upon maturity or maintained with the Group and, as a result, such deposits have over time been a stable source of funding for the Group. The Group cannot assure, however, that customers will continue to roll over or maintain their deposits with the Group. If short-term deposits or on demand deposits are not rolled over upon maturity or maintained with Group posing a risk to liquidity, a number of contingencies are available to the Group, including raising U.S. dollar liquidity by collateralising certain of its marketable and liquid assets (such as sukuk) or raising KD liquidity by entering into repo transaction with the CBK. In addition, the Group can access wholesale funding through Interbank Money Market borrowing/funding with banks, government financial institutions and sovereign funds. However, such borrowings/funding may not eliminate asset-liability maturity gaps completely. Further, no assurance can be given that the Group will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. Accordingly, if a substantial portion of the Group's depositors, or any of its large depositors, withdraw their demand deposits or do not roll over their time deposits upon maturity, or the Group fails to refinance some of its large short- to medium-term funding, the Group may need to access more expensive sources to meet its funding requirements, which could have a material adverse effect on the Group's business, results of operations, financial condition and thereby affect KFH's ability to perform its obligations under the Transaction Documents.

In addition, there are certain unavoidable timing differences between cash payments the Group owes on its liabilities and the cash payments due to it on its investments and other assets. The Group's ability to overcome these cash mismatches may be adversely affected if the fixed income markets were to experience significant liquidity problems which could have a material adverse effect on the Group's business, results of operations, financial condition and thereby affect KFH's ability to perform its obligations under the Transaction Documents. Also, under certain market conditions, the Group could be unable to sell additional products or be unable to sell its portfolio investments in sufficient amounts to raise the required cash which could have a material adverse effect on KFH's ability to perform its obligations under the Transaction Documents.

The Group has significant off-balance sheet credit-related commitments that may lead to potential losses

As part of its normal banking business, the Group issues revocable and irrevocable commitments to extend credit, guarantees, letters of credit and other financial facilities and makes commitments to invest in securities before such commitments have been fully funded. All of these are accounted for off-balance sheet until such time as they are actually funded or cancelled. Although these commitments are contingent and therefore off-balance sheet they, nonetheless, subject the Group to related credit, liquidity and market risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as financing receivables (in the form of financings, advances and Islamic financing to customers) and commitments to extend credit are contingent on customers maintaining required credit standards. As at 31 December 2020, the Group had KD 1,867.4 million in such contingent liabilities and commitments, equal to 17.4 per cent. of its financing receivables (as compared to KD 2,053.1 million, representing 21.7 per cent. of its financing receivables as at 31 December 2019).

Although the Group anticipates that not all of its obligations in respect of these commitments will be triggered, it may have to make payments in respect of a substantial portion of such commitments, which could have a material adverse effect on its financial position and, in particular, its liquidity position. Further, the Group may need to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive, which would reduce the Group's margins and adversely impact its operating income and profitability. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and thereby affect KFH's ability to perform its obligations under the Transaction Documents.

Difficult macroeconomic and financial market conditions have affected, and may continue to affect, the Group adversely

KFH (as well as the Group), in common with other financial institutions, is susceptible to changes in the macroeconomic environment and the performance of financial markets generally. As at 31 December 2020, 42.3 per cent. of the Group's operating income and 47.8 per cent. of the Group's total assets were located in Kuwait while 42.2 per cent. of the Group's operating income and 27.9 per cent. of the Group's total assets were located in Turkey. Accordingly, the Group's business is, and will continue to be, affected by economic and political developments in or affecting Kuwait, Turkey and the wider MENAT region generally, including:

- natural disasters (such as earthquakes) and disease outbreaks (such as the COVID-19 pandemic, see further "*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – Risks Relating to the Group – The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility*");

- regional political instability, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism;

- military strikes or the outbreak of war or other hostilities involving nations in the region or natural disasters;

- sovereign events such as defaults or restructuring;

- a material curtailment of the industrial and economic infrastructure development in Kuwait, Turkey and across the wider MENAT region;

- a material increase in costs of funds in Kuwait, Turkey or the wider MENAT region resulting from a material reduction in liquidity in the financial markets;

- government intervention, including expropriation or nationalisation of assets or increased levels of protectionism;

- an increase in inflation and the cost of living;

- cancellation of contractual rights, expropriation of assets and/or inability to repatriate profits and/or dividends;

- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies and land and water use and foreign ownership;

- arbitrary, inconsistent or unlawful government action;

- changing tax regimes; and

- difficulties and delays in obtaining governmental and other approvals for operations or renewing existing ones.

As at the date of this Prospectus, following the significant fall in international oil prices in recent years, particularly following the impact of the COVID-19 pandemic, the economies of many oil producing countries in the Middle East, including Kuwait, have been adversely impacted. Despite signs of economic recovery following the lockdowns and business closure measures put in place to address the COVID-19 pandemic, the Group believes that further reforms are required to boost longer-term growth potential, given the continued macroeconomic and financial market fluctuations and downward trend in 2020. According to data published by the Kuwait Ministry of Finance, the fiscal deficit in Kuwait widened to 9.5 per cent. of GDP in the fiscal year ended 31 March 2020 from 3 per cent. of GDP in the previous fiscal year. Within the banking sector, borrowing/funding costs, which increased in 2018 as the CBK raised its benchmark interest rate by 0.25 per cent. to 3.0 per cent., decreased in October 2019 as the CBK cut its benchmark rate by 0.25 per cent. to 2.75 per cent. On 4 March 2020, the CBK lowered its benchmark interest rate by 25bps to 2.50 per cent. followed by another decrease on 16 March by 100bps resulting in a benchmark rate of 1.50 per cent which has been maintained as of January 2021. During the same period, the U.S. Federal Reserve cut resulted in benchmark interest rates ranging between 0 per cent. to 0.25 per cent.

A prolonged or further decline in economic conditions in the MENAT region including Kuwait, Turkey or the wider MENAT region (and emerging markets generally) as well as in the United States, European and international trading market conditions and/or related factors and/or a materialisation of systemic risk may have a material adverse effect on the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Group may be adversely affected by liquidity risks

Liquidity risk is the risk that the Group (or any entity within the Group, including Kuveyt Türk Katilim Bankasi A.Ş. ("**Kuveyt Türk**")) may be unable to meet its payment obligations when they fall due under normal and stressed circumstances. Liquidity risks could arise in a number of circumstances, including:

- if the Group's (or any entity's within the Group) cash flow from its operations is not sufficient to meet its short-term and medium-term contractual and contingent payment obligations coming due, the Group could experience liquidity issues. Such liquidity issues could occur if the Group's (or any entity's within the Group) available liquidity is not sufficient to enable it to service its debt, fulfil financing commitments or meet other on-balance sheet or off-balance sheet payment obligations on specific dates, even if the Group continues to receive new deposits from customers, proceeds from its current business operations and/or its future revenue streams;

- if there is an unexpected outflow from depositors' accounts;

- if there is a material decline in the value of the Group's (or any entity's within the Group) liquid investments portfolio; or

- if the Group (or any entity within the Group) is unable to anticipate and/or provide for unforeseen decreases or changes in funding sources or is otherwise unable to secure funding at commercially acceptable rates to bridge any funding gap.

Any of the foregoing may result in a default by the Group (or any entity within the Group) in respect of any of its contractual or contingent payment obligations and could, therefore, have a material adverse effect on the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

In addition, the Group is subject to the Basel III LCR as adopted by the CBK pursuant to CBK Circular number 2/IBS/346/2014 (the "**CBK Guidelines**"). The LCR is a metric introduced by the Basel Committee on Banking Supervision (the "**Basel Committee**") as part of the Basel III criteria to measure a bank's ability to manage a sustained outflow of customer funds in a liquidity stress event over a 30-day period. The ratio is calculated by taking a financial institution's stock of high quality liquid assets ("**HQLAs**") (which include low-risk, highly marketable asset classes, designed to provide significant sources of liquidity in such a stress scenario) and dividing it by its projected net cash outflows over the immediately following 30-day period. The LCR requires that banks have sufficient HQLAs in their liquidity buffer to cover the difference between expected cash outflows and expected capped cash inflows over a 30-day stressed period. Basel III requires that the minimum value of the ratio is 100.0 per cent. (*i.e.*, an institution's stock of HQLAs should at least equal projected total net cash outflows). The CBK introduced the LCR in a phased manner, setting benchmarks of 70 per cent. in 2016, 80 per cent. in 2017, 90 per cent. in 2018 and 100 per cent. from 2019. In 2020, the CBK reduced this benchmark to 80 per cent. in response to the COVID-19 pandemic (see further "*Banking Industry and Regulation in Kuwait – Banking Regulations – Liquidity regulations*"). Kuwaiti banks are required to submit, along with existing liquidity reports, their LCR reports on a monthly basis (including daily figures for the month) for monitoring purposes as well as quarterly by major currency. As at 31 December 2020, the Group held a portfolio of HQLAs valued at KD 5,465.0 million and had an LCR ratio (based on CBK Guidelines) of 208.6 per cent. (compared to a portfolio of HQLAs valued at KD 4,297.0 million and an LCR ratio of 202.5 per cent. as at 31 December 2019).

The Group's requirement to comply with the LCR and the associated requirement to maintain a significant buffer of HQLAs may affect the Group's funding structure, causing more dependency on funding from non-financial sources and longer-term deposits. Moreover, the inherent cost of maintaining a HQLA portfolio of sufficient size and quality to cover regulatory outflow assumptions embedded in the LCR may adversely impact the return on assets. Additionally, the inherent costs associated with LCR compliance may place the Group at a competitive disadvantage to its peer financial institutions based in other GCC states that have yet to fully implement Basel III.

The Group is also subject to the Basel III NSFR as adopted by the CBK. The NSFR is a metric introduced by the Basel Committee as part of the Basel III criteria to measure a bank's ability to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits over reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. The NSFR is defined as the amount of available stable funding ("**ASF**") relative to the amount of required stable funding ("**RSF**"). ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. RSF is defined as the portion of assets and off-balance sheet exposures expected to be funded on an ongoing basis over a one-year horizon. The amount of the stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures. Basel III requires the minimum value of the ratio be 100 per cent. (*i.e.*, ASF *divided by* RSF must be greater than or equal to 100 per cent.) from 2016. Kuwaiti banks are required to submit, along with existing liquidity reports, their NSFR reports on a monthly basis (including a daily report for the month) for monitoring purpose. As at 31 December 2020, the Group had an NSFR ratio of 119.5 per cent. (compared to 117.1 per cent. as at 31 December 2019).

If, as a result of insufficient liquidity, the Group defaults on any contractual or contingent payment obligation, such default would have a material adverse effect on its business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Moreover, failure by a member of the Group to comply with regulatory requirements and maintain certain capital adequacy ratios may result in actions being taken by the regulators, including imposition of sanctions by the CBK, which may have a material adverse effect on the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

A negative change in KFH's and Kuveyt Türk's credit ratings could limit its ability to raise funding and may increase its funding costs

As at the date of this Prospectus, KFH has a long-term foreign currency issuer default rating of "A+" with negative outlook from Fitch and a long-term bank deposits rating of "A2" with stable outlook from Moody's while Kuveyt Türk has a long-term foreign currency rating of "B+" with negative outlook from Fitch. These ratings, which are intended to measure KFH's and Kuveyt Türk's (as applicable) ability to meet its debt obligations as they mature, are an important factor in determining KFH's and Kuveyt Türk's (as applicable) 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 KFH's (or that of any other entity within the Group) credit ratings, or a negative change in their outlook, may:

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

each of which may have a material adverse effect on KFH's or the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party. A downgrade or potential downgrade of Kuwait's or Turkey's sovereign ratings could negatively affect the perception of each of KFH, Kuveyt Türk or any other Group member's ratings. Moreover, actual or anticipated changes in KFH's (or any entity's within the Group) credit rating may affect the market value of the Certificates.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Ratings may not reflect the potential impact of all risks related to structure, market, the risk factors discussed in this section and others that may affect the value of the Certificates.

The Group may be adversely affected by market risks

The Group's business exposes it to market risk, which is the risk that changes in market prices (such as profit rates, equity prices, commodity prices, foreign exchange rates and credit spreads) will affect the Group's income or the fair value of its holdings of financial instruments. KFH is not exposed to any risk in terms of the re-pricing of its liabilities since KFH does not provide contractual rates of return to its depositors and other financing arrangements are at fixed profit rate in accordance with *Shari'a* principles. The Group is, however, exposed to the following non-trading market risks:

- profit rate risk arising from any fluctuations in profit rates which may affect the fair value of the Group's financial assets. Such fluctuations may be caused by a number of factors beyond the Group's control, including the policies of central banks (such as the CBK and the U.S. Federal Reserve), political factors and domestic and international economic conditions;

- currency risk arising from any fluctuations in foreign exchange rates. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that the Group may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Group attempts to match the currencies of its assets and liabilities and any open currency position is maintained within the limits set by the CBK (or any other central bank which may, from time to time, exercise regulatory scrutiny over any member of the Group). However, where KFH (or any member of the Group) is not so hedged, it is exposed to fluctuations in foreign exchange rates and any above-mentioned hedging activity may not, in all cases, protect the Group against such risks. For instance, the Group has historically had significant exposure to U.S. dollars and Bahraini dinars in respect of the Group's non-trading monetary assets and liabilities as well as its forecast cash flows. As at 31 December 2020, a 1.0 per cent. increase in the exchange rate for U.S. dollars would have increased the Group's profit for the year by KD 713,000 while a 1.0 per cent. increase in the exchange rate for Bahraini dinars would have decreased the Group's profit for the year by KD 913,000; and

- equity price risk arising from any fluctuations in the levels of equity indices and/or the value of individual stocks. Such fluctuations may be caused by a number of factors beyond the Group's control (see further "*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – Risks Relating to the Group – Difficult macroeconomic and financial market conditions have affected, and may continue to affect, the Group adversely*"). The Group holds investment securities (equity and fixed income) and a decrease in the realised and unrealised fair value investment gains, together with fair value losses on such investment securities may have a material adverse impact on the Group's business, results of operations and financial condition. For instance, as at 31 December 2020, a 1.0 per cent. increase in Boursa Kuwait index would have increased the Group's fair value reserve by KD 196,000 (as a result of a change in the fair value through other comprehensive income as at 31 December 2020). In addition, the Group's income from securities operations depends on numerous factors beyond its control, such as overall market trading activity, fluctuations in currency exchange rates and general market volatility. The Group cannot predict the amount of realised or unrealised gain or loss for any future period, and variations from period to period are not indicative of future performance. Gains on the Group's investment portfolio may not continue to contribute to net income at levels consistent with those from recent periods or at all.

Adverse movements in interest and foreign exchange rates and/or equity indices may also adversely impact the revenues and financial condition of the Group's depositors and counterparties which, in turn, may impact the Group's deposit base and the quality of its exposures to certain counterparties and may therefore have a material adverse impact on the Group's business, results of operations and financial condition. The foregoing, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Group may be adversely affected by operational risks

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. The Group has established policies and control procedures that are intended to ensure that its operational risks are minimised and any incidents appropriately managed and resolved. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Some of the operational risks currently faced by the Group are:

- in the course of its business activities, the Group is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk and operational risk (see further "*Description of Kuwait Finance House K.S.C.P. – Risk Management*"). Investors should note that any failure to adequately control these risks could result in material adverse effects on the Group's business, results of operations and financial condition, as well as its general reputation in the markets in which the Group operates. In addition, there can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect it against, all credit, market, liquidity, operational and other risks or if all risks are accurately quantified by the Group's risk management systems. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant credit, market, liquidity or operational risk, which may in turn have a material adverse effect on its business, financial condition and results of operations;

- accounting policies and methods are fundamental to how the Group records and reports its financial condition and results of operations. Pursuant to IFRS rules and interpretations in effect as at the date of this Prospectus, the Group is required to make certain estimates in preparing its financial statements (see further "*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – Risks Relating to the Group – A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances would adversely affect the Group's results of operations and financial condition*" above). Management identifies the most significant judgments and estimates made by it for any particular period in the relevant financial statements (for instance, see Note 2.6 (*Summary of Significant Accounting Policies*) to the 2020 Consolidated Financial Statements and Note 2.6 (*Summary of Significant Accounting Policies*) to the 2019 Consolidated Financial Statements). The Group has established policies and control procedures that are intended to ensure that its significant accounting estimates and judgments are well controlled and applied consistently. 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 such judgments and the estimates pertaining to these matters, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future. Should the estimated values for such items prove substantially different to actual values, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future IFRS rules or interpretations, the Group may experience unexpected losses;

- the Group's ability to maintain and grow its business will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. In particular, the Group 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 Group from implementing its strategies. In addition, even after hiring its employees, the Group may face challenges in retaining such employees due to the continued recruitment efforts of its competitors and such employees moving to competitors. Further, in common with other banks in the GCC, KFH experiences a shortage of qualified employees residing in Kuwait, which requires it to recruit from outside Kuwait. In recent years, the Kuwaiti government has made a number of announcements regarding its intention to encourage a better balance of Kuwaiti and non-Kuwaiti nationals in the private sector workforce. This process, known as "Kuwaitisation", involves the establishment of suggested ratios for the numbers of Kuwaiti nationals that should be employed by respective industries, with the Government's recommended policy for financial institutions being that 70.0 per cent. of a bank's total personnel should consist of Kuwaiti nationals. KFH's Kuwaitisation level as at 31 December 2020 was 72.6 per cent. (compared to 71.3 per cent. as at 31 December 2019). If KFH is not able to meet or exceed the Government's minimum threshold for Kuwaiti employees, it may be subject to certain penalties, including an exclusion from participation in certain Government-related tender processes, the imposition of fines by the Kuwait Ministry of Social Affairs or the imposition of corrective action by the CBK;

- the Group's employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients' funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. Despite the Group instituting appropriate systems, processes and procedures aimed at preventing such practices (see further "*Description of Kuwait Finance House K.S.C.P. – Risk Management*"), it is not always possible to detect or deter employee misconduct and the precautions the Group takes to detect and prevent misconduct may not be effective in all cases. There can be no assurance that measures undertaken to combat employee misconduct will be successful. Such actions by employees could expose the Group to financial losses resulting from the need to reimburse clients who suffered loss or as a result of fines or other regulatory sanctions, and could damage the Group's reputation, which may in turn have a material adverse effect on its business, financial condition and results of operations;

- the Group operates in businesses that are highly dependent on information systems and technologies and relies heavily on its financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, the Group could suffer financial loss, a disruption to its business, liability to clients, regulatory intervention and reputational damage. In addition, the Group's current information systems and technologies may not continue to be able to accommodate the Group's growth unless it continues to invest in upgrading its operational systems. Such a failure to accommodate growth, or an increase in costs related to such information systems, would have a material adverse effect on the Group's business, results of operations and financial condition. The cost of improving or upgrading such systems and technologies may be substantial and the cost of maintaining such systems is likely to increase from its current level. Each Group member's business operations and business processes are vulnerable to damage or interruption from fires, floods, extreme weather, power loss, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters or other extreme events. These systems may also be subject to criminal damage, vandalism, theft and similar wrongdoing. If there is a disaster or other disruption and the Group's disaster recovery plans are found to be inadequate for any reason (including, for instance, due to the Group's geographically concentrated operations), there could be an adverse impact on the Group's business, financial condition and results of operations; and

- in common with other financial institutions based in the GCC, Turkey and elsewhere in the world, the threat to the security of the Group's information and customer data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could disrupt the Group's business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage the Group's reputation and/or brands, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The foregoing, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

KFH is subject to extensive regulation and changes in applicable laws or regulations, the interpretation and enforcement of such laws or regulations, or any failure by KFH to comply with these laws and regulations could have a material adverse effect on KFH

KFH is subject to many prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic, social and other objectives and limit their exposure to risk. These controls include liquidity regulations, Basel III capital adequacy and leverage regulations, credit risk regulations, concentration risk regulations and interest/profit cap regulations (see further "*Banking Industry and Regulation in Kuwait*"). These controls include laws and regulations promulgated by the CBK, the CMA and Boursa Kuwait, as well as the laws and regulations of the other countries in which the Group operates, including Turkey.

Any of the regulations to which the Group is subject may limit its ability to increase its financing portfolio or raise capital or may increase its cost of doing business. Any future changes in laws or in CBK and other applicable regulations or policy and/or the manner in which they are interpreted or enforced may affect the Group's reserves, revenues and performance and may have a material adverse effect on the Group's business, results of operations and financial condition.

Furthermore, the Group's ability to satisfy minimum capital adequacy requirements may be adversely impacted by many factors, including, among other things: (i) an increase in risk-weighted assets at the Group; (ii) an increase in credit risk, credit losses or impairment allowances; (iii) an inability to obtain capital; (iv) the results of the Group's activities; (v) a decline in the value of the Group's securities portfolio; (vi) any inaccurate estimates adopted by the Group regarding the amount of capital required to cover operating risk; (vii) changes in accounting principles or recommendations related to the calculation of the capital adequacy ratio of banks; (viii) fluctuations in exchange rates which influence the value of assets denominated in foreign currencies; (ix) changes in interest/profit rates; and (x) changes in regulations or in the methods by which the regulatory authorities, including the CBK, apply capital adequacy regulations.

Any non-compliance with applicable regulatory guidelines could expose the Group to potential liabilities and fines. Although KFH works closely with its regulators and continually monitors compliance with CBK and other applicable regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

Risks Relating to Kuwait

As at 31 December 2020, 42.3 per cent. of the Group's operating income and 47.8 per cent. of the Group's total assets were located in Kuwait. Accordingly, the Group's results of operations are, and will continue to be, generally affected by financial and economic developments in or affecting Kuwait.

Kuwait's economy and Government revenues are significantly impacted by, and are dependent upon, international oil prices

The Group's results of operations are, and will continue to be, generally affected by financial and economic developments in or affecting Kuwait and the wider MENAT region and, in particular, by the level of economic activity in these regions which, in turn, is affected by the prevailing level of global crude oil prices.

The oil sector is the principal contributor to Kuwait's economy and oil revenues account for the majority of the Government's total revenues and export earnings. According to the Statistics Bureau, the oil sector (excluding refining) accounted for 56.6 per cent., 53.9 per cent. and 53.8 per cent. of Kuwait's real GDP in 2016, 2017 and 2018, respectively and a provisional 53.0 per cent. in 2019. The oil sector continues to be the main contributor to Kuwait's annual revenues, accounting for 89.3 per cent. of total Government revenues for the fiscal year ended 31 March 2020, according to the Kuwait Ministry of Finance. Accordingly, Kuwait's economy is significantly impacted by, and is dependent upon, international oil prices.

The OPEC Reference Basket price has fallen significantly since January 2020. In early March 2020, OPEC officials proposed a plan to the members of OPEC, including Kuwait, and other non-OPEC member countries, including Russia, to cut global production by 1.5 per cent. No agreement was reached, ending a three-year partnership between OPEC and major non-OPEC oil exporters. This also resulted in 'OPEC plus' failing to extend the agreement of cutting 2.1 million barrels per day that was set to expire at the end of March 2020. In March 2020, the Kingdom of Saudi Arabia announced that it would raise oil output and discount its oil in April 2020. However, in early April 2020, 'OPEC plus' announced that it had reached an agreement to cut production by 9.7 million barrels a day, however this action failed to support sufficiently the oil market with prices falling in the days following that announcement. This agreement was extended until July 2020, beyond which a gradual easing of the cuts was scheduled. As a result of the above factors and the COVID-19 outbreak weakening the demand for oil, the OPEC Reference Basket price fell significantly. Furthermore, certain oil prices turned negative during April 2020 (with the West Texas Intermediate benchmark falling as low as *minus* U.S.$37.63 a barrel), as weakened demand, as a result of the COVID-19 outbreak, led to buyers being paid to take oil due to storage capacity concerns. The OPEC Reference Basket price continued to fluctuate throughout 2020 and as of December 2020, had not returned to January 2020 levels. As at 31 December 2020, the OPEC Reference Basket price was 50.24.

Based on statistics published by the Statistics Bureau, Kuwait's nominal GDP fell by 4.1 per cent. in 2016 before growing by 10.8 per cent. in 2017, 16.0 per cent. in 2018 and falling by a provisional 3.8 per cent.

in 2019, whilst its real GDP grew by 2.9 per cent in 2016, fell by 4.7 per cent. in 2017, grew by 1.2 per cent. in 2018 and grew by a provisional 0.4 per cent. in 2019. According to preliminary IMF data (as of October 2020), Kuwait's real GDP is projected to have declined by 8.1 per cent. in 2020 and is projected to increase by 0.6 per cent. in 2021. Kuwait's current account balance was also impacted, recording a deficit of KD 1.5 billion in 2016 before recovering to surpluses of KD 2.9 billion in 2017, KD 6.0 billion in 2018 and 6.7 billion in 2019, according to the CBK. The Government also recorded fiscal deficits in each fiscal year from and including 2015-16 to and including 2019-2020, according to the Kuwait Ministry of Finance. The official Kuwaiti budget for 2020-2021, as published by the Kuwait Ministry of Finance, projects a deficit of KD 14.1 billion, although this is based upon an oil price assumption of U.S.$30 per barrel. The Kuwait Ministry of Finance has recently released a draft budget for the fiscal year 2021-22 projecting a deficit of KD 12.1 billion based on an oil price of U.S.$45.00 per barrel. The draft budget is expansionary with spending expected to increase by 7 per cent. over the previous year. Capital expenditures are targeted to be KD 3.5 billion. The budget is yet to be approved by parliament.

The impact on Kuwait's economy of prevailing low oil prices between mid-2014 and the end of 2016 also negatively impacted economic sectors which are, in part, dependent on the success of the oil and gas sector. For example, the Government reduced government expenditure in each of 2015 and 2016 in light of the budgetary pressures caused by low or falling oil prices. The Government also took steps to rationalise its subsidy framework, fully removing kerosene and diesel subsidies in January 2015, introducing new electricity and water tariff structures to reduce the related subsidies and partially removing gasoline subsidies in September 2016. The subsidy structure may be further reviewed in light of the drop in oil prices in 2020 due to the COVID-19 pandemic, and government spending overall could fall. In addition, ancillary industrial activities related to oil and gas exploration and production are also negatively affected by low oil prices and 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 and gas production. Additionally, although the CBK has the ability to adjust the components of the Kuwaiti Dinar Basket against which the Kuwaiti dinar is pegged, there can be no assurance that the CBK will maintain the Kuwaiti Dinar Basket at its current level, which could lead to higher inflation and negatively affect confidence in the Kuwaiti economy.

In general, international prices for crude oil are affected by many factors over which the Group has no control, including economic and political developments in oil-producing regions, particularly in the Middle East (see further "*Risk Factors – Risks Relating to the Bank and its Ability to Fulfil its Obligations under the Transaction Documents – Risks Relating to Kuwait – Kuwait is located in a region that has been subject to ongoing political and security concerns*") as well as globally, global and regional supply and demand, and expectations regarding future supply and demand, for oil products, including the price and availability of new technologies such as renewable energy and unconventional oil and gas extraction methods. In addition to this, international prices for crude oil may be affected by the ongoing impact of the COVID-19 pandemic and associated travel restrictions, the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices, and global weather and environmental conditions. Local and international environmental regulations designed to reduce carbon emissions and/or climate change and any other actions taken by major crude oil producing or consuming countries (based on the changing attitudes and sentiments of and actions by consumers generally globally towards products derived from or based on oil) may also impact the international price for crude oil.

There can be no assurance that these factors, in combination with others, will not result in a future decline (which may be prolonged) in oil prices, which may have an adverse effect on the Kuwaiti economy which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations and thereby affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Kuwait is located in a region that has been subject to ongoing political and security concerns

The majority of the Group's current operations and interests are located in Kuwait and the wider MENAT region. The Group's results of operations are, and will continue to be, generally affected by political developments in or affecting Kuwait, the GCC and the wider MENAT region. It is not possible to predict the occurrence of events or circumstances, such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the Group would be able to sustain the operation of its business if adverse political events or circumstances were to occur in locations in which the Group operates. A general downturn or instability in certain sectors of the Kuwaiti or the regional economy could have an adverse effect on the Group's business, results of operations and financial condition.

Although Kuwait generally enjoys domestic political stability and healthy international relations, it is located in a region that is strategically important and parts of this region have experienced regional geopolitical instability. The 1990 invasion of Kuwait by Iraqi forces and the subsequent United States led coalition to remove Iraqi forces has had a lingering effect on Kuwait's perception in the region as a vulnerable country, surrounded by aggressive actors, although full diplomatic relations with the Republic of Iraq have since been restored.

In recent years, there has been social and political unrest and/or armed conflict in a range of countries in the wider MENAT region, including the Arab Republic of Egypt, the People's Democratic Republic of Algeria, Libya, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the Republic of Yemen, the Republic of Iraq, Syria, Palestine, the Republic of Tunisia, the Sultanate of Oman and Turkey, including the multinational conflict with the Islamic State of Iraq and the Levant, also known as Daesh or ISIS. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict, the overthrow of existing leadership and governments and increased political uncertainty across the region. Certain of these recent and ongoing conflicts are a continuation of the significant political and military upheaval experienced since early 2011, commonly referred to as the "Arab Spring", which gave rise to several instances of regime change and increased political uncertainty in the wider MENAT region. On 5 June 2017, the Kingdom of Saudi Arabia, the United Arab Emirates, the Arab Republic of Egypt and the Kingdom of Bahrain announced the severing of diplomatic ties with the State of Qatar (which included the withdrawal of ambassadors as well as the imposition of trade and travel restrictions). These situations have caused, and may continue to cause, significant disruption to the economies of the affected countries, including having a destabilising effect on international oil prices.

Tensions in the Gulf region have increased following the seizure by Iran of a British tanker in July 2019 and, more broadly, due to several incidents including oil tankers in the Strait of Hormuz and Gulf of Oman. On 14 September 2019, the Abqaiq processing facility and the Kurais oil field in the Kingdom of Saudi Arabia were damaged to a significant extent in apparent drone attacks, which caused an immediate significant reduction in the output of Saudi Aramco, the Kingdom of Saudi Arabia's national oil company. There can be no assurance that a similar incident could not occur elsewhere in the Gulf region. Furthermore, there can be no assurance what impact this incident will and any similar incidents in the future may have on global oil prices.

Furthermore, other world events could have an impact on the political and security situation in Kuwait and the wider MENAT region. Since the 1990 Gulf War, Kuwait and the United States have enjoyed close economic and strategic ties. On 20 January 2017, Donald J. Trump was inaugurated as the 45th President of the United States. On 8 May 2018, the United States announced its withdrawal from the comprehensive agreement between the U.N. Security Council's five permanent members *plus* Germany and Iran which was reached on July 2015, reinstating U.S. nuclear sanctions on the Iranian regime. The United States also announced that it would not renew exceptional waivers for importing Iranian oil for several oil-importing countries, effective from May 2019. On 2 January 2020 the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike Iran launched missiles at a U.S. base in Iraq. In November 2020, Joseph R. Biden, Jr. was elected as the 46th President of the United States on a platform of reversing many of President Trump's policies. Joseph R. Biden, Jr. became President of the United States in January 2021. Given his limited time in office so far, some of President Biden's foreign policy objectives, including trade, immigration, military and economic support of historic partners, and the U.S. relationship with Iran, have remained somewhat uncertain making his stance towards a continuing relationship with Kuwait and the wider region unclear. A shift in the relationship between Kuwait and the United States or changing U.S. political priorities in the region could have a material adverse effect on Kuwait's economic, political or financial condition.

Any of the foregoing may have a material adverse effect on the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

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

KFH faces high levels of competition for all of its products and services in Kuwait. In particular, KFH competes with other domestic banks (both conventional and Islamic), in addition to the Kuwaiti branches of non-Kuwaiti banks, and such competition may increase.

The Kuwaiti banking sector comprises five locally-based conventional commercial banks and branches of 12 other non-Kuwaiti banks. In addition, in a more specialised banking sector of Islamic finance, there are five banks operating according to the provisions of Islamic *Shari'a* (including KFH) and a branch of a Saudi Arabian bank which is also licensed to operate in Kuwait. While the domestic consumer banking sector is dominated by Kuwaiti banks in terms of market share (particularly as a result of the relatively high barriers to entry for non-Kuwaiti banks in terms of local licensing requirements, access to KD liquidity and the need for a Kuwaiti branch network), KFH faces greater competition from non-Kuwaiti banks in the domestic corporate and private banking sector (see further "*Description of Kuwait Finance House K.S.C.P. – Competition and Competitive Strengths*").

The competitive nature of the Kuwaiti banking market and any failure by the Group to continue to compete successfully in Kuwait may have a material adverse effect on the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Government is under no obligation to support KFH

Following the global financial crisis in 2008 and its impact on the Kuwaiti banking sector, the Government initiated several plans to support its domestic banks. Although the 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. The Certificates are not guaranteed by the Government, any of KFH's shareholders or any other party.

Tax changes in Kuwait may have an adverse effect on the Group

As at the date of this Prospectus, the Group is not currently subject to corporation tax on its earnings within Kuwait and Kuwait does not impose value-added tax ("**VAT**") on the sale of goods and services. However, investors should be aware that certain GCC states, not including Kuwait, have recently implemented VAT on goods and services as part of a GCC-wide framework. As at the date of this Prospectus, the Government has not announced plans to introduce VAT in 2021.

In addition, 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 KFH for future financial years. As at the date of this 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 Emir and published in the Official Gazette. It is currently uncertain as to whether the Proposed Corporate Income Tax will be promulgated into law in the form in which it has been proposed by the Cabinet of Ministers, or at all.

If the Kuwaiti authorities impose new tax regimes on the Group (whether in the form of the Proposed Corporate Income Tax or otherwise), or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Kuwait legal system continues to develop and this may create an uncertain environment for investment and business activity

Kuwait is in the process of developing governing institutions and legal and regulatory systems, which are not yet as firmly established as they are in Western Europe and the United States. Kuwait (together with other countries in the GCC region) has enacted measures to promote greater efficiency and certainty within its legal and regulatory systems. Among those measures, Kuwait and countries within the GCC region have assumed obligations under the General Agreement on Tariffs and Trade ("**GATT**") (as administered by the WTO) and Kuwait has enacted legislation, *inter alia*, to extend foreign ownership of businesses. However, Kuwait may experience changes in its economy and government policies (including, without limitation, policies relating to the continued extension of the rights of foreign ownership pursuant to Kuwait's GATT/WTO obligations) that may affect the rights of Certificateholders.

The legal system in Kuwait may not provide the same degree of protection or require the levels of disclosure of information that would be the case in Western Europe or the United States. Any unexpected changes in the legal systems in Kuwait may have a material adverse effect on the rights of Certificateholders. Such changes may also affect the investments that KFH has made or may make in the future.

This may have a material adverse effect on the Group's business, results of operations and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Investing in securities involving emerging markets countries, such as Kuwait or the wider MENAT region generally involves a higher degree of risk than investments in securities of issuers or obligors from more developed countries

Investing in securities involving emerging markets countries, such as Kuwait or the wider MENAT region generally involves a higher degree of risk than investments in securities of issuers or obligors from more developed countries. In the case of Kuwait or the wider MENAT region, these higher risks include those discussed in this Prospectus as well as higher volatility and limited liquidity in the markets, a heightened risk of sudden changes in the legal, economic and political environment, instability in neighbouring countries, a heightened risk of business dealings in jurisdictions with operating risks relating to fraud, bribery and corruption and lack of adequate infrastructure necessary to accelerate economic growth.

In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the Certificates, will not be affected negatively by events elsewhere, especially in emerging markets. International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment consequently becomes out of favour with such investors. If such a "contagion" effect were to occur, the trading price of the Certificates could be adversely affected by negative economic or financial developments in other emerging market countries, particularly in the wider MENAT region, over which the Group has no control.

Additionally, emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit, or the increased cost of debt, which could result in their experiencing financial difficulty. No assurance can be given that this will not be the case in the future for Kuwait or other countries in the wider MENAT region.

As a consequence, an investment in the Certificates carries risks that are not typically associated with investing in securities issued by issuers and/or obligors in markets which are more mature. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved.

Risks Relating to the Group's Largest and Most Significant Subsidiary

As at the date of this Prospectus, KFH owns 62.24 per cent. of the share capital of Kuveyt Türk, which is the largest subsidiary of KFH. As at 31 December 2020, 42.2 per cent. of the Group's operating income and 27.9 per cent. of the Group's total assets were located in Turkey. Accordingly, the Group's results of operations are, and will continue to be, generally affected by Kuveyt Türk's business, financial condition, results of operations and prospects as well as financial and economic developments in or affecting Turkey.

In addition to the Group-related risks above, the following risk factors may also have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

Kuveyt Türk's financing receivables have increased rapidly in recent years and are expected to further expand and will require it to continue to develop more sophisticated monitoring systems to manage Kuveyt Türk's credit exposure

Kuveyt Türk's financing receivables have increased rapidly in recent years, growing to TRY 82,965.8 million as at 31 December 2020 from TRY 48,909.8 million as at 31 December 2018. The growth in Kuveyt Türk's financing receivables is attributable to an overall increase in the growth of Kuveyt Türk's provision of financings which Kuveyt Türk intends to continue to target as part of its growth strategy.

As a participation bank, the monthly principal payment structure of Kuveyt Türk's financing receivables (which always require a portion of principal to be repaid) helps to reduce its credit risks as compared to conventional banks which provide financings with principal payable at maturity only. The significant increase in the size of its financing receivables has increased Kuveyt Türk's credit exposure and will require continued analysis and monitoring of its credit quality and the adequacy of provisioning levels, as well as continued credit risk management. In common with all other Turkish banks, the growth rates recently experienced have required Kuveyt Türk to seek to attract and retain a significant number of qualified personnel to monitor asset quality.

Kuveyt Türk's credit risk management policies may nevertheless be insufficient to protect it against material financing receivable losses and any negative macro-economic developments could have a more significant impact on small-to-medium size enterprise ("**SME**") customers compared to larger corporate and commercial type customers. The appropriate level of allowances for financing receivable losses in respect of financial statements prepared in accordance with Banking Regulation and Supervision Agency of Turkey (the "**BRSA**") principles necessarily requires the exercise of judgment. Kuveyt Türk's increased levels of financing receivables may require Kuveyt Türk to make higher levels of provisioning for credit losses. Although Kuveyt Türk constantly seeks to revise and improve its procedures relating to provision of financings and credit quality analysis there can be no assurances that Kuveyt Türk will not experience lapses as a result of the growth and changing quality of its credit portfolio, which accordingly may have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Kuveyt Türk's business, financial condition and results of operations have been affected by credit risks and will likely continue to be affected by credits risks, particularly if economic conditions in Turkey deteriorate. Kuveyt Türk may experience credit default arising from adverse changes in credit and recoverability that are inherent in Kuveyt Türk's banking businesses

Kuveyt Türk's core banking businesses have historically been, and are expected to continue to be, financings to corporate and SME clients. As at 31 December 2020, financings to corporate and SME customers constituted 41.7 per cent. of Kuveyt Türk's total assets with corporate financings contributing 23.6 per cent. and SME financings contributing 18.1 per cent. Many factors affect customers' ability to pay their financings or meet their other obligations to Kuveyt Türk. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, banking rates, and increased market volatility, may be difficult to anticipate and outside of Kuveyt Türk's control. Other factors are dependent upon Kuveyt Türk's strategy for financing growth (including sector focus) and the viability of Kuveyt Türk's internal credit application and monitoring systems. All of the aforementioned risks could have a material adverse impact on Kuveyt Türk's business, financial condition, results of operations and prospects. This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Kuveyt Türk's financings and deposit portfolio has significant geographic, currency and industry sector concentration

Kuveyt Türk has a high concentration of financings and deposits in geographic, currency and industry sector terms. Geographically, Kuveyt Türk's total financings are highly concentrated in Turkey with 94.5 per cent. of such financings being financing receivables as at 31 December 2020 (compared to 86.2 per cent. as 31 December 2019). Kuveyt Türk's deposits are also concentrated in Turkish lira accounts, which represented 26.4 per cent. of total deposits as at 31 December 2020 (compared to 40.0 per cent. as at 31 December 2019). As at 31 December 2020, the percentage of Kuveyt Türk's total financings (both financing and non-financing receivables) to customers in the construction industry sector and the financial services sector were 17.9 per cent. and 4.3 per cent., respectively (as compared to 15.7 per cent. and 13.2 per cent., respectively as at 31 December 2019).

Accordingly, Kuveyt Türk is particularly exposed to adverse changes in the Turkish economy, particularly in the construction and financial services sectors, and any such changes could have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. Kuveyt Türk's business may be further affected by the financial, political and general economic conditions prevailing from time to time in Turkey. This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The policy of the Central Bank of Turkey (the "CBT") on reserve requirements and interest/profit rates could negatively affect Kuveyt Türk's business, financial condition and results of operations

In order to simplify the structure of reserve requirements that are used as monetary and macro prudential policy tools, the CBT has adopted a new approach. Instead of deducting specified items from total domestic liabilities, only the items subject to reserve requirements are directly taken into account while calculating liabilities subject to reserve requirements. Thus, immaterial items, which do not have a direct impact on the monetary policy but reduce the efficiency of the operational processes, have been excluded from reserve requirements coverage, consequently resulting in the reserve requirements being based on more stringent criteria.

In addition to these regulatory measures, the CBT has tightened monetary policy raising short-term interest/profit rates and simplifying the operational framework in order to contain the negative impacts of recent developments in domestic and international markets on risk perception and inflation outlook. On 28 May 2018, the CBT decided to complete the simplification process regarding the operational framework of the monetary policy by making the one-week repo rate the policy rate. The CBT also stated that overnight borrowing and lending rates would be determined at 150 basis points below/above the one-week repo rate. This new operational framework took effect on 1 June 2018. On 7 June 2018, the policy rate (one week repo auction rate) was increased from 16.5 per cent. to 17.75 per cent. and, as of 8 June 2018, the overnight borrowing rate and the overnight lending rate and the late liquidity window lending rate increased to 16.25 per cent., and 19.25 per cent., respectively. Following the significant decline in the value of the Turkish lira in the second half of 2018, which fell to a record low (exceeding TRY 7.2 per U.S. dollar in the week ended on 12 August 2018), the CBT (on 13 September 2018) increased its benchmark lending rate by 6.25 per cent., which increased the one week repo rate from 17.75 per cent. to 24.00 per cent. On 6 March 2019, the CBT decided to keep the policy rate constant at 24.00 per cent. However, since then, the policy rates have been steadily and consistently decreasing.

Kuveyt Türk might not be able to pass on any increased costs associated with regulatory changes (such as, for example, short-term interest/profit rates increasing) to its customers, particularly given the high level of competition in the Turkish banking market. Accordingly, Kuveyt Türk might not be able to sustain its level of profitability in light of future such regulatory changes and Kuveyt Türk's profitability might be materially adversely impacted.

The CBT's increase in initial rates and regulatory changes such as increased reserve requirements, the non-payment of interest/returns on reserves and caps on interest rates/rates of return charged on credit cards may have an adverse impact on Kuveyt Türk's net return income, thereby exerting downward pressure on Kuveyt Türk's net return margins. Any new laws and regulations may increase Kuveyt Türk's cost of doing business or limit its activities and might be adopted, enforced or interpreted in a manner that could have an adverse effect on Kuveyt Türk's business, financial condition, cash flows and results of operations. In addition, such measures could also limit or reduce growth of the Turkish economy and consequently the demand for Kuveyt Türk's products and services.

In addition to the recent devaluation of the Turkish lira, as a consequence of certain of these changes, Kuveyt Türk was required to increase its capital reserves and may need to access more expensive sources of financing to meet its funding requirements. Any failure by Kuveyt Türk to adopt adequate responses to these or future changes in the regulatory framework could have an adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. In addition, non-compliance with regulatory guidelines could expose Kuveyt Türk to potential liabilities and fines and damage its reputation.

This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Kuveyt Türk faces significant competition in the Turkish banking sector, which may result in reduced margins, volume growth and funding

Although Kuveyt Türk is a participation bank dealing in financial products that differ in many ways from the products of conventional banks, it faces significant competition from not only other participation banks, but also from conventional banks in the Turkish banking sector. As at 31 December 2020, there were a total of 54 banks (excluding the CBT) licensed to operate in Turkey, 28 of which were banks with foreign ownership (including the subsidiaries of foreign banks and joint ventures between Turkish and foreign shareholders) and six of which were participation banks (*source*: Turkish Banking Association). A small number of banks in the Turkish banking sector dominate the market. According to the BRSA, as at 31 December 2020, the top five banks in Turkey (in terms of asset size), three of which were state-controlled, held approximately 55.8 per cent. of the banking sector's total credit portfolio, approximately 55.9 per cent. of total bank assets in Turkey and approximately 60.5 per cent. of total depositors in Turkey.

State-controlled banks in Turkey have historically focused on government and government-related projects but are increasingly focusing on the private sector, leading to increased competition and pressure on margins. The government of Turkey has granted approvals to various state-controlled banks to enter the participation banking market through the establishment of subsidiaries which will operate as participation banks. Ziraat Katılım Bankası A.Ş.'s participation banking operations (Ziraat Participation Bank) commenced on 12 May 2005 and Vakıf Katılım Bankası A.Ş.'s participation banking operations (Vakıf Participation Bank) commenced as of 24 February 2016. The BRSA granted a banking licence to Türkiye Emlak Katılım Bankası A.Ş. and its participation banking operations (Emlak Participation Bank) commenced on 5 March 2019. In addition, state-controlled banks in Turkey have historically had access to very inexpensive funding in the form of very significant deposits by the Turkish government, which has provided a competitive advantage over private banks.

International banks have shown an increased interest in the banking sector in Turkey. For example, Standard Chartered Bank of the United Kingdom acquired Credit Agricole's Turkish banking operations (announced in August 2012), and Bank Audi of Lebanon launched retail operations in Turkey through its Odea Bank subsidiary after receiving its operating licence from the BRSA in October 2012. In December 2012, the BRSA approved the incorporation of a bank (with a deposit taking licence) by the Bank of Tokyo – Mitsubishi UFJ, Ltd and The Bank of Tokyo – Mitsubishi UFJ, Ltd was granted an operational permit in September 2013. The Commercial Bank of Qatar (Q.S.C.) acquired 70.84 per cent. of Alternatif Bank A.S. in July 2013. In August 2013, Rabobank International Holding B.V. was granted an authorisation to establish a deposit bank in Turkey. In April 2014, Industrial and Commercial Bank of China Ltd. announced that it had signed an agreement to acquire 75.5 per cent. of Tekstilbank from GSD Holding A.S. In June 2016, Qatar National Bank announced that it had completed the acquisition of Turkey's Finansbank. In 2019, Emirates NBD Bank PJSC completed the acquisition of DenizBank A.Ş. The entry of foreign-owned banks to the sector, either directly or in collaboration with existing Turkish banks, may increase the already significant competition in the market, especially given that some of these foreign competitors have significantly greater resources and less expensive funding sources than Turkish banks.

Although Kuveyt Türk has been adapting to the changing conditions based on competition to limit the effects on its operations, this increased competition may have a negative impact on the margins Kuveyt Türk can charge for its products. Competitors may also direct greater resources and be more effective in the development and/or marketing of technologically advanced products and services that may compete directly with Kuveyt Türk's products and services, adversely affecting the acceptance of Kuveyt Türk's products and/or leading to adverse changes in the spending habits of Kuveyt Türk's customer base. The increased competitive environment in the Turkish banking sector inevitably creates increase in demand for talented personnel that may compete directly with Kuveyt Türk's ability to recruit and/or retrain talented personnel. There can be no assurances that further competitive pressures will not result in margin compression or that Kuveyt Türk will be able to keep pace with competitors' development of new products and services, which could have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The implementation of Kuveyt Türk's growth strategy could adversely affect its asset quality, profitability and capital ratios

Kuveyt Türk is currently engaged in a programme of expansion through the organic growth of its branch network as well as strategic international expansion while also continuing to focus on its financial strength and performance.

Kuveyt Türk intends to open a number of additional branches throughout Turkey, and some internationally where growth opportunities exist, in order to attract more retail and SME customers as well as to increase Kuveyt Türk's retail deposit base (see further "*Description of Kuwait Finance House K.S.C.P. – Subsidiaries, Associates and Joint Ventures – Kuveyt Türk Katilim Bankasi A.Ş. – Strategy*"). There are risks associated with such expansion, including greater than anticipated costs of opening new branches, being unable to profitably deploy assets acquired or developed through expansion and being unable to integrate such assets into Kuveyt Türk's risk management systems. Kuveyt Türk may also experience pressure on its margins as it implements its growth strategy because of the delay between the increased operating costs incurred in connection with such expansion and any increase in revenues generated from such expansion. The management of Kuveyt Türk's growth will require, among other things, continued development of Kuveyt Türk's financial and information management control systems, the ability to integrate new products and services, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistent levels of customer service. Any failure to manage this growth while at the same time ensuring that Kuveyt Türk continues to focus on its existing operations, including risk management systems and internal control processes, could have a material adverse effect on its asset quality, profitability and capital ratios, and in turn, on its business, financial condition, results of operations, cash flows and prospects. This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Risks relating to Turkey

Adverse political, economic and related considerations in Turkey could adversely affect Kuveyt Türk's business

Turkey may be 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 the light of those risks, their investment is appropriate.

In particular, on 15 July 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army (the "**Attempted Coup**"). The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. On 20 July 2016, the Turkish government declared a three-month state of emergency in Turkey, entitling the government to exercise additional powers under Article 120 of the Turkish Constitution, in order to take action against those responsible for the Attempted Coup. Following several extensions approved by the Turkish government, the state of emergency ended on 18 July 2018.

On 1 August 2018, the Office of Foreign Assets Control of the U.S. Department of Treasury ("**OFAC**") took action targeting Turkey's Minister of Justice and Minister of Interior, indicating that these Ministers played leading roles in the organisations responsible for the arrest and detention of American pastor Andrew Brunson. Following such action, Turkey imposed reciprocal sanctions against two American officials. On 10 August 2018, the President of the United States stated that he had authorised higher tariffs on steel and aluminium imports from Turkey. On 15 August 2018, Turkey retaliated by increased tariffs on certain imports from the United States, such as cars, alcohol and tobacco. These actions contributed to a decline in the value of the Turkish lira, which fell to a record low (exceeding TRY 7.2 per U.S. dollar in the week ended on 12 August 2018) before strengthening to TRY 5.3 as of 31 December 2018, due to various reasons, including improving relations between Turkey and the United States following the release of Mr. Brunson on 12 October 2018 and the 2 November 2018 removal of the sanctions imposed upon Turkish ministers and reciprocal sanctions imposed by Turkey. The events prior to the release of Mr. Brunson contributed to the deterioration of the relationship between Turkey and the United States and any future similar events might have an adverse effect on the Turkish economy and/or might impact investors' perception of the risks relating to investments in Turkish issuers, including Kuveyt Türk.

On 5 November 2018, in an effort to constrain Iran's nuclear programme, the United States reinstated United States sanctions on Iran that had been removed in 2015 as part of the Joint Comprehensive Plan of Action, a multilateral treaty signed with Iran on 14 July 2015 on the Iranian nuclear programme, including certain sanctions imposed upon the Iranian financial and energy sector and some imports from Iran, including (after a short exemption period that has since expired) Turkey's import of Iranian oil. The impact of this action, including any additional costs that might be borne by Turkish importers of oil (and thus on the country's current account deficit) or any sanctions that might be imposed for violations of these requirements and/or Turkey's relationship with Iran, may have a material negative impact on the Turkish economy and thus have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations.

On 2 October 2018, Saudi journalist Jamal Khashoggi disappeared after entering the Saudi consulate in İstanbul and it was later announced by the Kingdom of Saudi Arabia that Mr. Khashoggi had been killed inside the consulate by Saudi operatives. This event and/or other political circumstances might result in a deterioration of the relationship between Turkey and the Kingdom of Saudi Arabia, which might have a negative impact on the Turkish economy.

The ongoing conflict in Syria has been the subject of significant international attention and its impact and resolution is difficult to predict. Turkey has been involved in armed conflict in Syria and such conflicts are inherently susceptible to volatility and escalation, particularly given the involvement of a number of international parties. On 9 October 2019, the Turkish military, following a pullback by the United States of its presence in northern Syria, launched "Operation Peace Spring" and commenced military operations to create a "safe zone" in northern Syria in an effort to enhance Turkey's border security. As this territory was largely held by the People's Protection Units (YPG) in Syria, which had assisted the U.S. in the fight against ISIS but that Turkey designates as a terrorist organisation and believes is affiliated with the PKK (an organisation that is listed as a terrorist organisation by various states and organisations, including Turkey, the EU and the United States), significant conflict in the region might occur.

On 14 October 2019, the President of the United States issued an executive order and the OFAC added the Turkish Ministry of Energy and Natural Resources and the Turkish Ministry of National Defence, as well as the relevant ministers, to its list of specially designated nationals and blocked persons. Several European countries imposed an arms embargo on Turkey. On 17 October 2019, the U.S. and Turkey agreed on a deal in which Turkey agreed to suspend its operations in Syria for five days in return for a complete withdrawal by the SDF from a safe zone south of the Syria-Turkey border. On 22 October 2019, the President of Turkey Recep Tayyip Erdoğan and the President of the Russian Federation Vladimir Putin agreed to maintain the *status quo* in northern Syria reached as a result of "Operation Peace Spring". On 23 October 2019, the President of the United States announced that there was a "permanent" ceasefire in the region and sanctions on Turkey would therefore be lifted. The United States might impose additional sanctions upon Turkish military personnel, political figures and/or entities and/or take other actions that might negatively impact the Turkish economy and/or Turkey's relationship with the United States (in fact, both the U.S. House of Representatives and the Foreign Relations Committee of the U.S. Senate in late 2019 passed bipartisan approvals for sanctions (including, without limitation, freezing assets of senior Turkish officials, banning arms transfers to the country, imposing sanctions on Halkbank and potentially imposing fees and penalties on Turkish financial institutions who are found to have knowingly facilitated certain transactions relating to Turkey's military operations in Syria)). While Turkey has entered into separate agreements with the United States and Russia that aim to achieve multi-party agreement on this "safe zone", the parties might disagree about the implementation of these agreements and/or the parties' adherence to their terms, which might lead to further tensions and/or other actions that negatively impact Turkey and/or its economy. Further, on 27 February 2020, the Syrian army launched an airstrike against Turkish military forces in Idlib, a city located in northern Syria which resulted in casualties of Turkish soldiers. Following the airstrike, on 1 March 2020, Turkey announced that it had launched "Operation Spring Shield" against the Syrian forces with an aim to stabilise the Idlib region. The fighting in the Idlib region, however, halted after the ceasefire brokered by Turkey and Russian Federation came into effect on 6 March 2020.

On 27 November 2019, the Turkish government signed a Memorandum of Understanding with Libya's Government of National Accord to recognise a shared maritime boundary in the Mediterranean running from Southwestern Turkey to North-eastern Libya. This was further supported by a separate agreement signed in order to expand security and military cooperation between the two countries. On 2 January 2020, the military resolution was accepted by the Turkish parliament and a small contingent of Turkish troops has been deployed in (and arms shipped to) Libya.

Any further uncertainty or instability stemming from, or related to, the Attempted Coup, the early elections, any of the above circumstances or any other such political events in Turkey, could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations and prospects. This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Uncertainties relating to Turkey's accession to the EU may adversely affect the Turkish financial markets and result in greater volatility

Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same 28 criteria (or "**Chapters**") applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented. Among these legislative reforms are two new major laws: the Turkish Commercial Code and the Code of Obligations which replaced the Turkish Commercial Code No. 6762 and Code of Obligations No. 818, respectively.

Though Turkey has had a long relationship with the EU, that relationship has at times been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005. Following this, in December 2006, the EU decided that negotiations in eight Chapters should be suspended and that no Chapter be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol. In November 2013, the negotiations on the Chapters and Turkey's accession to the EU were recommenced. There can be no assurance that the EU will continue to maintain an open approach to Turkey's EU membership, nor that Turkey will be able to meet all the criteria applicable to becoming a member state, including the new Chapters opened in 2009 relating to taxation and the environment. The Parliamentary Assembly of the Council of Europe voted to restart monitoring Turkey in connection with the rule of law, human rights, and the state of democracy on 25 April 2017. This decision might contribute to a deterioration of the relationship between Turkey and the EU.

On 15 July 2019, the EU adopted certain measures against Turkey over Turkey's drilling for gas in waters off Cyprus, including reducing certain funding (including loans via the European Investment Bank) and the suspension of high level communications and of the negotiations for a comprehensive air transport agreement. On 11 November 2019, the EU adopted a framework for imposing sanctions on individuals or entities responsible for, or involved in, these drilling activities and, in February 2020, instituted sanctions against two executives of the Turkish drilling company.

In the event of a loss of market confidence as a result of deterioration, suspension or termination in Turkey's EU accession discussions or any other international relations involving Turkey, the Turkish economy might be adversely affected, which might have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations. This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party. In addition, there can be no assurance that any future accession by Turkey to the EU would have the expected benefits for the Turkish economy.

The Turkish government's influence over the Turkish economy could negatively impact Kuveyt Türk's business

Traditionally, the Turkish government has exercised, and continues to exercise, significant influence over many aspects of the Turkish economy. The Turkish government is also directly involved in the Turkish economy through its ownership and administration of State Economic Enterprises ("**SEEs**") which, despite the divestments undertaken in the Turkish government's privatisation programme, continue to represent a significant portion of the Turkish economy. SEEs and other such public enterprises operate in business segments in which Kuveyt Türk operates, or may operate in the future, including businesses in the financial services sector. Accordingly, any decisions taken by the Turkish government with respect to SEEs and other such public enterprises may significantly impact the Turkish economy, which could in turn have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Turkish economy is undergoing transformation to a free market system

The Turkish economy is undergoing continued transformation to a free market system, is subject to significant macroeconomic risks and has been dependent upon the support of the IMF in times of economic crisis. Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded well in general to this transformation, it has continued to experience severe macroeconomic imbalances and has frequently resorted to support from the IMF. While the economy has been significantly stabilised due, in part, to IMF requirements, Turkey may experience another significant economic crisis. If the IMF or similar support is not provided or available in any future crisis, then this lack of assistance could have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations and/or prospects. Investors should note that notwithstanding the Turkish economy's traditional resort to the IMF in times of macroeconomic imbalance, the Turkish government decided that IMF support was not required in connection with the 2008 global financial crisis.

Kuveyt Türk's banking and other businesses are significantly dependent upon its customers' ability to make payments on their financings and meet their other obligations to Kuveyt Türk. If the Turkish economy declines because of, among other factors, a reduction in the level of economic activity, devaluation of the Turkish lira, inflation or an increase in domestic interest/profit rates, then a greater portion of Kuveyt Türk's customers may not be able to pay financings when due or meet their other debt service requirements to Kuveyt Türk, which would increase Kuveyt Türk's past due financings portfolio and could materially reduce its net income and capital levels.

In addition, a decline in the Turkish economy would likely result in a decline in the demand for Kuveyt Türk's products and services. The occurrence of any or all of the above could have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. This, in turn, can have a material adverse effect on the Group's business, financial condition and results of operations and prospects and therefore could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

RISKS RELATING TO THE CERTIFICATES

Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be cancelled or permanently written-down (in whole or in part) upon the occurrence of a Non-Viability Event

If a Non-Viability Event occurs, the Certificates will be cancelled (in the case of a Write-down in whole) or written-down in part on a *pro rata* basis (in the case of a Write-down in part) by the Trustee in accordance with the Conditions and the prevailing Capital Regulations and all rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Bank Event (as defined in the Conditions)) shall, as the case may be, be cancelled or written-down *pro rata* among the Certificateholders and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto and even if the Non-Viability Event has ceased. Further, whilst it is intended that the ordinary shares of the Bank should absorb losses prior to the Certificates, a Write-down in full or in part of the Certificates could occur prior to the ordinary shares of the Bank absorbing losses in full. A Write-down shall not constitute a Dissolution Event (as defined in the Conditions). As a result, Certificateholders will lose the entire amount or, as the case may be, a material amount, of their investment in the Certificates. Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 11 (*Write-down at the Point of Non-Viability*) has not been tested in Kuwait and therefore some degree of uncertainty may exist in its application.

The circumstances triggering a Write-down are unpredictable

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Bank's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Financial Regulator (as defined in the Conditions). As a result, the Financial Regulator may require a Write-down in circumstances that are beyond the control of the Bank and with which the Bank may not agree. See "*Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be cancelled or permanently written-down* (*in whole or in part*) *upon the occurrence of a Non-Viability Event*". The exercise (or perceived likelihood of exercise) of any such power by the Financial Regulator or any suggestion of such exercise could materially adversely affect the value of the Certificates and could lead to the Certificateholders losing some or all of their investment in the Certificates.

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

The payment obligations of the Bank under the Mudaraba Agreement are subordinated and unsecured obligations

Payments of Periodic Distribution Amounts will be made by the Trustee **provided that** the Bank (as Mudareb) shall have paid to the Trustee profit amounts equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement. In this regard, prospective investors should note that the payment obligations of the Bank under the Mudaraba Agreement rank subordinate to all Senior Obligations (as defined in the Conditions), rank *pari passu* with all other Pari Passu Obligations (as defined in the Conditions) and rank in priority to all Junior Obligations, as more particularly described in Condition 4.2 (*Subordination*).

Further, the payment obligations of the Bank under the Mudaraba Agreement are unsecured and no collateral is or will be given by the Bank in relation thereto.

The Trustee may exercise its enforcement rights in relation to the Mudaraba Agreement only in the manner provided in Condition 12.3 (*Winding-up*, *dissolution or liquidation*). If the Bank were wound up, liquidated or dissolved, the Bank's liquidator would apply the assets of the Bank to satisfy all claims of creditors in respect of Senior Obligations in priority to the claims of the holders of the Certificates and *pari passu* with creditors whose claims are in respect of the Pari Passu Obligations. In such case, there may not be sufficient assets to satisfy the claims of the holders of the Certificates in full.

No limitation on issuing senior securities; subordination

Other than the limitations in relation to the issue of further Tier 1 Capital (as defined in the Conditions) by the Bank as set out in Condition 4.3 (*Other Issues*) which limits the circumstances in which Tier 1 Capital of the Bank can be issued that ranks senior to the Certificates, there is no restriction in the Conditions or in the terms of the Transaction Documents on the Bank (in its capacity as Mudareb or otherwise) incurring additional financing or issuing securities or creating any guarantee or contractual support arrangement which would rank senior to the Certificates and the obligations of the Bank under the Mudaraba Agreement (the "**Bank Senior Obligations**"). The issue of or the creation of any such Bank Senior Obligations may reduce the amount recoverable by Certificateholders on a winding-up of the Bank. Accordingly, in the winding-up of the Bank and after payment of the claims of Senior Creditors (as defined in the Conditions), there may not be a sufficient amount to satisfy the amounts owing to the Certificateholders. See also "—*The payment obligations of the Bank under the Mudaraba Agreement are subordinated and unsecured obligations*".

Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative

The Bank may elect (any such election being a "**Non-Payment Election**"), in its sole discretion and by instructing the Trustee to such effect, not to make payment of a Periodic Distribution Amount (in whole or in part) to Certificateholders on the corresponding Periodic Distribution Date as more particularly provided in Condition 8.2 (*Non-Payment Election*), except that no such election may be made in respect of the Periodic Distribution Amount payable on the date on which the Certificates are to be redeemed in whole at the Bank's discretion in accordance with Condition 10 (*Redemption and Variation*).

In addition, if a Non-Payment Event occurs (which includes the case where sufficient Distributable Funds (as defined in the Conditions and set out below) are not available in order to permit the Bank to make the relevant payment or as a result of a breach of Applicable Regulatory Capital Requirements (as defined in the Conditions)), the Bank (in its capacity as Mudareb) shall be prohibited from paying Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable, on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) pursuant to the Mudaraba Agreement, and as a result thereof the Trustee shall be prohibited from paying Periodic Distribution Amounts to the Certificateholders on the corresponding Periodic Distribution Date, as more particularly provided in Condition 8.1 (*Non-Payment Event*).

In relation to the paragraph above, "Distributable Funds" is defined in the Conditions as "the aggregate of the Bank's (a) consolidated retained earnings and reserves after the transfer of any amounts to non-distributable reserves; and (b) profits (after the transfer of any amounts to non-distributable reserves, if applicable), less any prior distribution of Rab-al-Maal Mudaraba Profit calculated and paid by reference to the most recent annual audited or (as the case may be) auditor reviewed consolidated financial statements of the Bank, and in the case of each of (a) and (b): (i) as set out in such audited consolidated financial statements or (as the case may be) auditor reviewed consolidated financial statements; and (ii) to the extent not restricted from distribution by applicable law, subject as otherwise defined in the Capital Regulations from time to time". As at 31 December 2020, the Bank's Distributable Funds amounted to KD 230.2 million.

If any amount of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event then, from the date of such Non-Payment Election or Non-Payment Event, the Bank will be prohibited from declaring or paying certain distributions or dividends and from redeeming, purchasing, cancelling, reducing or otherwise acquiring certain securities, in each case for a limited period of time, as more particularly described in Condition 8.4 (*Dividend and Redemption Restrictions*). However, the Certificateholders shall have no claim in respect of any Periodic Distribution Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event and the consequential non-payment of any Periodic Distribution Amount in such a circumstance shall not constitute a Dissolution Event. Any Periodic Distribution Amounts not paid following either a Non-Payment Election or a Non-Payment Event will not accumulate or compound. Accordingly, the Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve (as defined in the Mudaraba Agreement) or otherwise) and the Trustee will not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts.

If such a situation occurs, the Certificateholders shall not receive Periodic Distribution Amounts on their investment in the Certificates and neither the Trustee nor the Certificateholders shall have any claim in respect thereof. Any non-payment of Periodic Distribution Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Certificates.

The Certificates are Perpetual Securities

The Certificates are perpetual securities which have no scheduled payment date. The Trustee is under no obligation to redeem the Certificates at any time and the Certificateholders have no right to call for their redemption unless a Bank Event occurs.

The Bank Events and Certificateholders' rights following a Bank Event are set out in Condition 12 (*Dissolution Events and Winding-up*). In summary, the Dissolution Events in the Conditions are limited to: (a) Bank Events (being (i) a default by the Mudareb for a period of seven Business Days or more in the payment of any principal or 14 Business Days or more in the payment of any profit amount due and payable by it under the Mudaraba Agreement; or (ii) an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Bank or the Bank applies or petitions for a winding-up or administration order in respect of itself except, in each case for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate (acting in accordance with the Declaration of Trust and the Conditions) or by an Extraordinary Resolution (as defined in the Declaration of Trust) of the Certificateholders); and (b) Trustee Events (being similar in nature to Bank Events in respect of the Trustee), all as more fully described in the Conditions.

In certain circumstances the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem the Certificates, including on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter and if a Tax Event or a Capital Event occurs, as more particularly described in Condition 10 (*Redemption and Variation*), although there is no assurance that the Bank will require it to do so. Any such redemption will also be subject to a number of conditions, as set out in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*).

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Certificates indefinitely, unless:

(i) the Trustee exercises its rights to redeem the Certificates in accordance with Condition 10 (*Redemption and Variation*);

(ii) the Trustee is directed by an Extraordinary Resolution of the Certificateholders, or by the Delegate (acting in accordance with the Declaration of Trust and the Conditions), following a Bank Event to redeem the Certificates; or

(iii) they sell their Certificates.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Certificates may limit their market value, which is unlikely to rise substantially above the price at which the Certificates can be redeemed.

If the Certificates are redeemed, there can be no assurance that Certificateholders will be able to reinvest the amount received upon redemption in a comparable security at a rate that will provide the same rate of return as their investment in the Certificates. Potential investors should consider reinvestment risk in light of other investments available at that time. See also "*Absence of secondary market/limited liquidity*" for a description of the risks relating to the ability of holders of Certificates to sell the Certificates in the secondary market.

The Certificates will cease to accrue profit from the due date for redemption (if any)

Investors are advised that each Certificate will cease to accrue profit from the due date for redemption (following liquidation of the Mudaraba (as defined in the Conditions)). Consequently, should payments owing to Certificateholders on the due date for redemption (if any) be received by them after the due date for any reason, no additional profit payment, late payment amount or other equivalent amount will be payable in respect of such delay. See Condition 7.3 (*Cessation of Accrual*).

Due to the deeply subordinated nature of the obligations arising under the Certificates, the Conditions contain limited Dissolution Events and remedies

The Certificates are perpetual instruments with no fixed redemption date and there is no obligation on the Trustee to pay the face amount of the Certificates other than in accordance with the exercise of a call option in accordance with Condition 10.1(b) (*Trustee's Call Option*), a redemption in accordance with Condition 10.1(c) (*Redemption or Variation due to Taxation*), a redemption in accordance with Condition 10.1(d) (*Redemption or Variation for Capital Event*) or following the occurrence of a Bank Event in accordance with Condition 12.1 (*Bank Events*). In addition, the Trustee may be prohibited from making, or instructed by the Bank not to make, payments of Periodic Distribution Amounts on the Certificates in accordance with Condition 8 (*Periodic Distribution Restrictions*) and Periodic Distribution Amounts will not therefore be due other than in the limited circumstances described in the Conditions.

Moreover, pursuant to Condition 12 (*Dissolution Events and Winding-up*), upon the occurrence of any Bank Event, the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba Agreement and the remedies available to the Trustee, the Delegate and/or the Certificateholders (as applicable) are limited to giving notice to the Trustee and the Bank that the Certificates are, and shall immediately become, due and payable without presentation, demand, protest or other notice of any kind at their aggregate face amount together with any Outstanding Payments (as defined in the Conditions) and thereafter: (i) instituting any steps, actions or proceedings for the winding-up or bankruptcy of the Bank and/or (ii) proving in the winding-up of the Bank and/or (iii) claiming in the liquidation of the Bank and/or (iv) taking such other steps, actions or proceedings which, under the laws of Kuwait, have an analogous effect to the actions referred to paragraphs (i) to (iii) above, in each case, for the payment of amounts due under the Mudaraba Agreement. Therefore, it will only be possible to enforce claims for payment of the applicable Dissolution Distribution Amount and/or Periodic Distribution Amounts in respect of the Certificates when the same have become due pursuant to the Mudaraba Agreement and the Conditions.

Furthermore, the claims of Senior Creditors of the Bank will first have to be satisfied in any winding-up, bankruptcy, dissolution, liquidation or analogous proceedings before the Certificateholders may expect to obtain any amounts in respect of their Certificates and prior thereto Certificateholders will have only limited (if any) ability to influence the conduct of such winding-up, liquidation or analogous proceedings.

Resettable fixed rate instruments have a market risk

A holder of an instrument with a fixed profit (or equivalent) rate that will be reset during the term of the instrument (as will be the case for the Certificates with effect from each Reset Date (as defined in the Conditions) if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating profit rate levels and uncertain profit rate income. While the expected profit rate on the Certificates is fixed until the First Reset Date (with a reset of the initial profit rate on the First Reset Date as set out in the Conditions and every five years thereafter), the current investment return rate in the capital markets (the market return rate) typically changes on a daily basis. As the market return rate changes, the market value of the Certificates may also change, but in the opposite direction. If the market return rate increases, the market value of the Certificates would typically decrease. If the market return rate falls, the market value of the Certificates would typically increase. Certificateholders should be aware that movements in these market return rates can adversely affect the market value of the Certificates and can lead to losses for the Certificateholders if they sell the Certificates.

Variation upon the occurrence of a Capital Event or a Tax Event

Upon the occurrence and continuation of a Capital Event or a Tax Event, the Bank may (acting in its sole discretion), instruct the Trustee to, whereupon the Trustee shall, subject as provided in Condition 10.1(c) (*Redemption or Variation due to Taxation*) or Condition 10.1(d) (*Redemption or Variation for Capital Event*) (as the case may be) and without any requirement for consent or approval of the Certificateholders, vary the terms of the Mudaraba Agreement and the Certificates such that the Certificates become or remain (as appropriate) Qualifying Tier 1 Instruments (as defined in the Conditions).

A Capital Event is deemed to have occurred if the Bank is notified in writing by the Financial Regulator to the effect that the outstanding face amount (or the amount that qualifies as regulatory capital, if some amount of the Certificates is held by the Bank or whose purchase is funded by the Bank) of the Certificates is excluded (in full or in part) from the consolidated Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital). A Tax Event will arise if the Bank or the Trustee (as the case may be) would, as a result of a Tax Law Change (as defined in the Conditions), in making any payments under the Mudaraba Agreement or on the Certificates (as the case may be) on the next due date for such payment, be required to pay Additional Amounts (as defined in the Conditions) (and such requirement cannot be avoided by the Bank or the Trustee (as the case may be) taking reasonable measures available to it). Each of Tax Event and Capital Event are more particularly described in Condition 10.1 (*Redemption and variation*).

The tax and stamp duty consequences of holding the Certificates following variation as contemplated in Condition 10.1 (*Redemption and variation*) could be different for certain Certificateholders from the tax and stamp duty consequences for them of holding the Certificates prior to such variation and none of the Trustee, the Delegate, the Agents or the Bank shall be responsible to any Certificateholder for any such consequences in connection therewith. Further, while the Conditions stipulate that the variation (as contemplated by the Conditions) must not be materially less favourable to the Certificateholders, no assurance can be given as to whether any of these changes will negatively affect any particular Certificateholder.

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect the Certificates is limited to the Trust Assets and the proceeds of the Trust Assets are the sole source of payments on the Certificates. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 12.1 (*Bank Events*), the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders) will be (subject to Condition 12.3 (*Winding-up*, *dissolution or liquidation*)) against the Bank to perform its obligations under the Transaction Documents. Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents), the Delegate or the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets. The Bank is obliged to make certain payments under the Transaction Documents 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 and distributing the net proceeds of such Trust Assets in accordance with Condition 5.3 (*Application of Proceeds from Trust Assets*), the obligations of the Trustee and/or the Delegate in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee 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 expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Bank shall be (in accordance with Condition 12.3 (*Winding-up*, *dissolution or liquidation*)) to enforce their respective obligations under the Transaction Documents.

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Certificates 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 the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise 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. The Certificates generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see "*The Certificates are Perpetual Securities*"), are subordinated (see "*The payment obligations of the Bank under the Mudaraba Agreement are subordinated and unsecured obligations*"), will be fully and permanently written down upon the occurrence of a Non-Viability Event (see "*Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit may be cancelled or permanently written-down upon the occurrence of a Non-Viability Event*") and payments of Periodic Distribution Amounts may be restricted in certain circumstances (see "*Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative*"). Furthermore, certain shareholders and related parties of the Bank may participate in the offering of the Certificates. The secondary market liquidity of the Certificates may be adversely affected if, and to the extent that, such person(s) intend(s) to adopt a buy and hold strategy in respect of the Certificates.

Application has been made for the Certificates to be admitted to the Official List and for such Certificates to be admitted to trading on the Regulated Market. However, there can be no assurance that any such listing or admission to trading will occur on or prior to the Issue Date or at all or, if it does occur, that it will enhance the liquidity 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.

The Certificates may be subject to early redemption; redemption is conditional

Upon the occurrence of a Tax Event or a Capital Event, the Bank may (acting in its sole discretion), instruct the Trustee to, whereupon the Trustee shall, at any time, having given not less than 15 nor more than 30 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem in accordance with the Conditions all, but not some only, of the Certificates together with any accrued but unpaid Periodic Distribution Amounts (as more particularly described in Condition 10.1(c) (*Redemption or Variation due to Taxation*) in relation to a Tax Event, and Condition 10.1(d) (*Redemption or Variation for Capital Event*) in relation to a Capital Event).

Any redemption of the Certificates is subject to the requirements in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), including obtaining the prior approval of the Financial Regulator. There can be no guarantee that the approval of the Financial Regulator will be received on time or at all.

There is no assurance that the Certificateholders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Certificates. During any period when the Bank may instruct the Trustee to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the relevant redemption amount payable in respect of the Certificates. Potential investors should consider re-investment risk in light of other investments available at that time.

Investment in the Mudaraba Assets

Pursuant to the Mudaraba Agreement, the proceeds of the issuance of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to the Mudareb which proceeds shall form the initial capital of the Mudaraba (the "**Mudaraba Capital**"). The Mudaraba Capital will be co-mingled with shareholders' equity and invested by the Bank (as Mudareb), on an unrestricted co-mingling Mudaraba basis, in its general business activities carried out through the General Mudaraba Pool (as defined in the Conditions) and, following investment of the Mudaraba Capital, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the "**Mudaraba Assets**") with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Mudaraba Assets. The investment activities of the Mudaraba will be carried out by the Bank, and the Certificateholders shall have no ability to influence such activities. The Bank shall be granted the express entitlement to co-mingle its own assets in the General Mudaraba Pool assets and, as a result, it may not be possible to identify the Mudaraba Assets separately from the assets of the Bank.

If any of the risks relating to the business of the Bank mentioned above (see "*—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents*") materialise or otherwise impact the Bank's business, the value of and profit earned from the investment in such Mudaraba Assets may decrease which may, in turn, have a material adverse effect on the Bank's ability to fulfil its payment obligations under the Mudaraba Agreement and consequently, the Trustee's ability to make payments in respect of the Certificates.

Furthermore, whilst the Mudareb has agreed in the Mudaraba Agreement to ensure that the Mudaraba Capital is invested in accordance with the Investment Plan (as defined herein) (and with the degree of skill and care that it would exercise in respect of its own assets), the Mudaraba Agreement also provides that there is no guarantee of any return from the Mudaraba Assets. In addition, the Trustee and the Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee except to the extent such losses are caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

Accordingly, potential investors are advised that any claim by or on behalf of the Trustee for the Mudaraba Capital following any Dissolution Event may be reduced if and to the extent that the Mudareb is able to prove that any losses to the Mudaraba Capital were not caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud. If the Mudareb is able to provide such proof, Certificateholders may lose all or some of their investment. It is not possible to state with certainty what approach any court with jurisdiction will take in such circumstances.

Credit ratings assigned to the Bank may not reflect all the risks associated with an investment in the Certificates

One or more independent credit rating agencies may assign credit ratings to the Bank. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Certificates, and will not reflect the deeply subordinated nature of the Bank's payment obligations under the Transaction Documents if such ratings relate to senior payment obligations of the Bank. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). 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 EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

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

If the status of the rating agency rating the Bank changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EU or the UK, as applicable, and the Certificates may have a different regulatory treatment, which may impact the value of the Certificates and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Any real or anticipated changes in the Bank's credit ratings generally will affect the market value of the Certificates.

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 are expressed to be governed by English law, in the event of the Bank's insolvency, the Kuwaiti bankruptcy law applicable at the time of any such event shall apply. Cognisance in this regard should be had to the current Kuwait bankruptcy regime being replaced by a new Kuwait insolvency law (Law No. 71 of 2020) which is due to come into full force and effect on 25 July 2021. The then applicable Kuwait bankruptcy regime in the event of the Bank's insolvency may adversely affect the Bank's ability to perform its obligations under the Transaction Documents 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 contain a provision to the effect that disputes arising thereunder will be referred to arbitration under the Arbitration Rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**").

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

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

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

The payments under the Certificates are dependent upon receipt by the Trustee of all amounts due from the Bank under the Transaction Documents and payment by the Trustee of all amounts due to investors in the manner contemplated under the Certificates and the Transaction Documents. If the Trustee or, where applicable, the Bank, fails to fulfil its obligations under the Certificates and/or the Transaction Documents, it may be necessary for the Delegate (or, in the limited circumstances described in Condition 12 (*Dissolution Events and Winding-up*), 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.

ADDITIONAL RISK FACTORS

Certificateholders must rely on Euroclear and Clearstream, Luxembourg procedures

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate.

While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the 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.

No assurance can be given as to *Shari'a* rules

The Fatwa & Shari'a Supervisory Board of the Bank, the Emirates NBD Islamic Internal Shariah Supervision Committee, the Global Shariah Supervisory Committee of Standard Chartered Bank and the Internal Shariah Supervisory Committee of Dubai Islamic Bank PJSC have each confirmed that the transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents are, in their view, Shari'a-compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the 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 Delegate, the Agents, or the Joint Lead Managers makes any representation as to the *Shari'a*-compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Prospective investors should obtain their own independent *Shari'a* advice as to whether the Transaction Documents and the 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 Conditions or the Transaction Documents would be, if in dispute, the subject of arbitration in London under the LCIA Rules. In such circumstances, the arbitrator will apply the relevant law of the relevant Transaction Document in determining the obligation of the parties.

***Shari'a* requirements in relation to interest awarded by a court**

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 court in connection with any dispute under the Mudaraba Agreement. Should there be any delay in the enforcement of a judgment given against the Bank, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive all, or any part of, such interest.

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

As the Certificates have a minimum denomination consisting of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, it is possible that the Certificates may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.$200,000 would need to purchase an additional amount of Certificates with a face value of U.S.$200,000 or more such that it holds an amount equal to at least U.S.$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

If a Certificateholder holds an amount which is less than U.S.$200,000 in his account with the relevant clearing system at the relevant time, such Certificateholder 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 an Authorised Denomination (as defined in the Conditions) 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 U.S.$200,000 may be illiquid and difficult to trade.

Consents are required in relation to the variation of Transaction Documents and other matters

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally and for obtaining written resolutions on matters relating to the Certificates from Certificateholders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 90 per cent. in face amount of the Certificates who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Declaration of Trust and whose Certificates are 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 will be entitled to rely upon:

(i) 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 by or on behalf of the holders of not less than 90 per cent. in face amount of the Certificates for the time being outstanding; and

(ii) where consent or instructions given in writing directly to the Trustee, the Bank and/or the Delegate by (a) accountholders in the clearing system(s) with entitlements to the Global Certificate and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Trustee, the Bank and the Delegate shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

A written resolution 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 Declaration of Trust, 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 Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Conditions also provide that the Delegate may, without the consent or approval of the Certificateholders, agree to the substitution of another company as obligor under the Certificates in place of the Trustee, in the circumstances described in Condition 12.2 (*Trustee Events*).

The Conditions also provide that the Delegate may, without the consent or approval of the Certificateholders, agree to the variation of the terms of the Certificates so that they become or, as appropriate, remain, Qualifying Tier 1 Instruments, as provided in Condition 10.1(c) (*Redemption or Variation due to Taxation*) and Condition 10.1(d) (*Redemption or Variation for Capital Event*).

The Declaration of Trust also contains provisions permitting the Delegate from time to time and at any time without the consent or approval of the Certificateholders to agree to any modification to the Conditions, the Transaction Documents or the Trustee's memorandum and articles of association if, in the sole opinion of the Delegate, such modification: (a) is of a formal, minor or technical nature; or (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the Certificateholders then outstanding and is other than in respect of a Reserved Matter (as defined in the Declaration of Trust). Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

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 make all payments on the Certificates, and the Bank will make all payments pursuant to the Transaction Documents to which it is a party, in U.S. dollars. If an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars, 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 U.S. dollars 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 U.S. dollars 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 a result, investors may receive lesser amounts under the Certificates than expected, or no such amounts.

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 eventual receipt by Certificateholders of such net amounts as would have been receivable by them if no withholding 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.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have previously been published or are published simultaneously with this Prospectus and have been filed with the FCA:

(a) the unaudited condensed consolidated interim financial statements of the Bank as at and for the three months ended 31 March 2021 together with the review report thereon and the notes thereto (available at: https://www.kfh.com/dam/jcr:4d2ffc86-a56f-4480-9db5-42d87f8b8089/KFH%20Consolidated%20FS%2031%20March%202021%20-%20EN.pdf/);

(b) the consolidated financial statements of the Bank as at and for the year ended 31 December 2020 together with the audit report thereon and the notes thereto (available at: https://www.kfh.com/dam/jcr:76435851-013f-43b1-b18a-20a12632679c/B%20-%2002%20-%20KFH%20-%20FS%2031%20December%202020%20-%20EN.pdf/); and

(c) the consolidated financial statements of the Bank as at and for the year ended 31 December 2019 together with the audit report thereon and the notes thereto (available at: https://www.kfh.com/dam/jcr:4f9cbc19-3b37-4065-b25d-115c982a6f62/KFH%202019%20Financial%20Statements.pdf/),

(together, the "**Documents Incorporated by Reference**").

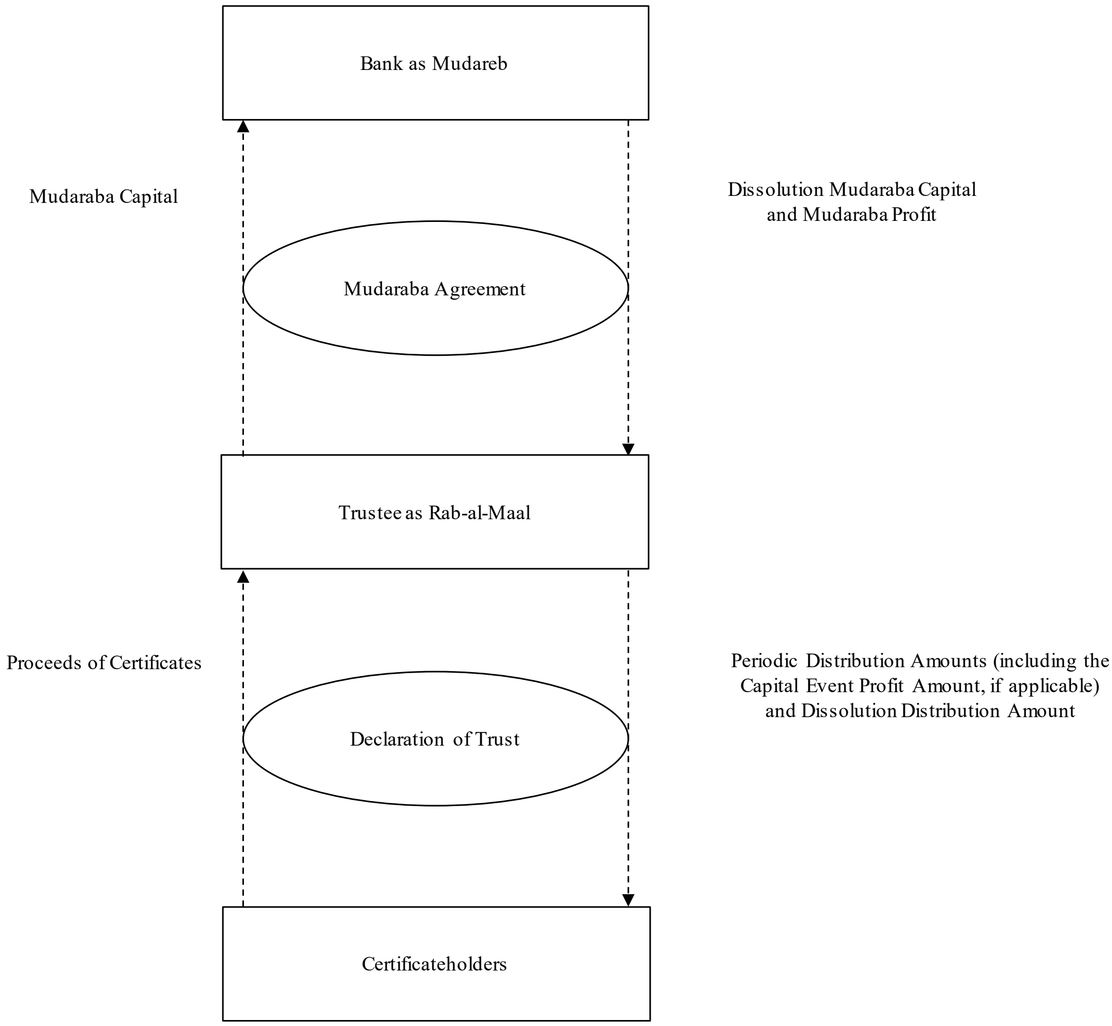
The Documents Incorporated by Reference shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein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

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

STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

Structure Diagram



Principal Cash Flows

Payments by the Certificateholders and the Trustee

On the Issue Date, the Certificateholders will pay the issue price in respect of the Certificates to the Trustee. Pursuant to the Declaration of Trust, the Trustee will declare a trust, in favour of the Certificateholders, over:

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

(b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets (as defined below);

(c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee by the Bank pursuant to clauses 12.1 and 12.10 of the Declaration of Trust); and

(d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing (together, the "**Trust Assets**").

The proceeds of the issuance of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to the Mudareb on the Issue Date and shall form the initial capital of the Mudaraba (the "**Mudaraba Capital**") pursuant to the Mudaraba Agreement. The Mudaraba Capital will be co-mingled with shareholders' equity and invested, on an unrestricted co-mingling Mudaraba basis, by the Bank in its general business activities carried out through the General Mudaraba Pool and, following investment of the Mudaraba Capital, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the "**Mudaraba Assets**").

Periodic payments by the Trustee

Unless a Non-Payment Event or a Non-Payment Election has occurred, prior to each Periodic Distribution Date, the Mudareb shall distribute the profit generated by the Mudaraba to both the Trustee and the Mudareb in accordance with an agreed profit sharing ratio (99 per cent. to the Trustee (as Rab-al-Maal) and 1 per cent. to the Mudareb). The Trustee shall apply its share of the profit (if any) generated by the Mudaraba on each Periodic Distribution Date to pay the Periodic Distribution Amount due to the Certificateholders on such date.

Payments of Rab-al-Maal Mudaraba Profit (as defined in the Mudaraba Agreement) by the Bank (as Mudareb) are at the sole discretion of the Bank (as Mudareb) and may only be made in circumstances where a Non-Payment Event has not occurred. The Mudareb shall not have any obligation to make any subsequent payment in respect of such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve (as defined below) or otherwise).

Under the terms of the Mudaraba Agreement, the Mudareb shall be expressly entitled to co-mingle its assets with the General Mudaraba Pool assets.

Dissolution payments, redemption and variation by the Trustee and the Mudareb

The Mudaraba is a perpetual arrangement with no fixed end date. Accordingly, the Certificates are perpetual securities in respect of which there is no fixed redemption date.

Subject to certain conditions set out in clause 7 of the Mudaraba Agreement, the Bank (as Mudareb) may at its option liquidate the Mudaraba in whole, but not in part, on the basis of a final constructive liquidation of the Mudaraba in the following circumstances:

(i) on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter, by giving not less than 20 nor more than 35 days' prior notice to the Trustee; or

(ii) on any date on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 20 nor more than 35 days' prior notice to the Trustee:

    (a) upon the occurrence of a Tax Event; or

    (b) upon the occurrence of a Capital Event.

The Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, upon receipt of notice in accordance with paragraph (i) above redeem all of, but not only some of, the Certificates, and upon receipt of notice in accordance with paragraph (ii) above redeem all of, but not only some of, the Certificates or vary the terms thereof, in each case by giving not less than 15 nor more than 30 days' prior notice to the Certificateholders, all as more particularly described in the Conditions, and in each case following final constructive liquidation of the Mudaraba, as described above.

The Bank (as Mudareb) and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by the Bank to be varied upon the occurrence of a Tax Event or a Capital Event, to make such variations as are necessary to ensure that the Certificates become or, as appropriate, remain Qualifying Tier 1 Instruments.

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

Words and expressions defined in the Conditions shall have the same meanings in this overview.

Certificates	U.S.$750,000,000 Tier 1 Capital Certificates.
Trustee	KFH Tier 1 Sukuk Limited, an exempted company incorporated with limited liability on 11 March 2021 under the laws of the Cayman Islands, with incorporation number 372804 with its registered office at c/o MaplesFS Limited, PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
Trustee Legal Entity Identifier	549300JVNRIBUMSCDU79
Ownership of the Trustee	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 ordinary shares of U.S.$1.00 par value each, 250 of which are fully-paid and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a declaration of trust (the "**Share Declaration of Trust**").
Administration of the Trustee	The affairs of the Trustee are managed by MaplesFS Limited (the "**Trustee Administrator**"), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 6 May 2021 between the Trustee Administrator and the Trustee (the "**Corporate Services Agreement**"). The Trustee Administrator's registered office is PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
Mudareb / Bank	Kuwait Finance House K.S.C.P.
Rab-al-Maal	KFH Tier 1 Sukuk Limited.
Risk Factors	Certain factors may affect the Trustee's ability to fulfil its obligations under the Certificates and the Bank's ability to fulfil its obligations under the Transaction Documents. In addition, certain factors are material for the purpose of assessing the market risks associated with the Certificates. These are set out under "*Risk Factors*".
Joint Global Co-ordinators	KFH Capital Investment Company K.S.C.C. and Standard Chartered Bank
Joint Lead Managers	Boubyan Bank K.S.C.P., Dubai Islamic Bank PJSC, Dukhan Bank Q.P.S.C., Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, KFH Capital Investment Company K.S.C.C., Mizuho International plc and Standard Chartered Bank.
Delegate	Citibank, N.A., London Branch.

	Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future powers, trusts, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being requested and 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 Mudareb and/or the Bank following a Bank Event.
Principal Paying Agent, Calculation Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar...	Citigroup Global Markets Europe AG.
Summary of the transaction structure and Transaction Documents..	An overview of the structure of the transaction and the principal cash flows is set out under "*Structure Diagram and Cash Flows*" and a description of the principal terms of certain of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".
Issue Date	30 June 2021.
Issue Price	100 per cent. of the aggregate face amount of the Certificates.
Periodic Distribution Dates	30 June and 30 December every year, commencing on 30 December 2021.
Periodic Distributions	Subject to Condition 8 (*Periodic Distribution Restrictions*), Periodic Distribution Amounts shall be payable on each Periodic Distribution Date up to and including the First Reset Date at a rate of 3.600 per cent. per annum. If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Reset Date, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date after the First Reset Date (subject as aforesaid) at a fixed rate, to be reset on the First Reset Date and every five years thereafter, equal to the Relevant Five Year Reset Rate *plus* a margin of 2.629 per cent. per annum. If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Trustee shall not pay the corresponding Periodic Distribution Amounts (or any part thereof, as applicable) and neither the Bank nor the Trustee shall have any obligation to make any subsequent payment in respect of any unpaid Periodic Distribution Amount as more particularly described in Condition 8 (*Periodic Distribution Restrictions*). In such circumstances, distributions will not be cumulative and any distributions which are not paid will not accumulate or compound and the Certificateholders will have no right to receive such distributions at any time, even if other distributions are paid in the future.
Form of Certificates	The Certificates will be issued in registered form as described in "*Global Certificate*". The Certificates will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in

the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Certificates evidencing a holding of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances.

Clearance and Settlement.................. Certificateholders must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.

Denomination of the Certificates ...... The Certificates will be issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Status of the Certificates.................... Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank *pari passu* without any preference or priority with all other Certificates; see Condition 4.1 (*Status*).

The Relevant Obligations will (a) constitute Tier 1 Capital of the Bank, (b) constitute direct, unsecured, conditional and subordinated obligations of the Bank, (c) rank subordinate to all Senior Obligations, (d) rank *pari passu* with all other Pari Passu Obligations and (e) rank in priority to all Junior Obligations; see Condition 4.2 (*Subordination*).

Trust Assets... The Trust Assets consist of:

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

(2) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;

(3) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenants given to the Trustee pursuant to clauses 12.1 and 12.10 of the Declaration of Trust); and

(4) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing, which will be held by the Trustee upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each such Certificateholder in accordance with the Declaration of Trust and the Conditions.

Redemption of Certificates and variation of their terms	The Certificates are perpetual securities and accordingly do not have a fixed or final redemption date. The Certificates may be redeemed in whole but not in part, or the terms thereof may be varied by the Trustee (but only upon the instructions of the Bank (acting in its sole discretion)) only in accordance with the provisions of Condition 10 (*Redemption and Variation*). Pursuant to Condition 10.1(b) (*Trustee's Call Option*), the Trustee may (but only upon the instructions of the Bank (acting in its sole discretion)), on the First Call Date and on any date thereafter up to and including the First Reset Date, or on any Periodic Distribution Date thereafter, redeem all, but not some only, of the Certificates at the Trustee Call Amount. In addition (on any date on or after the Issue Date, whether or not a Periodic Distribution Date), upon the occurrence of a Tax Event or a Capital Event, all but not some only, of the Certificates may be redeemed or the terms of the Certificates may be varied, in each case in accordance with Conditions 10.1(c) (*Redemption or Variation due to Taxation*) and 10.1(d) (*Redemption or Variation for Capital Event*). Any redemption of the Certificates is subject to the conditions described in Condition 10.1 (*Redemption and variation*).
Cancellation or Write-down at the Point of Non-Viability	If a Non-Viability Event occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down Date, as more particularly described in Condition 11 (*Write-down at the Point of Non-Viability*). In such circumstances, the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally written-down in the same manner as the Certificates and the Certificates shall be cancelled (in the case of a Write-down in whole) or written-down in part on a *pro rata* basis (in the case of a Write-down in part) by the Trustee in accordance with the prevailing Capital Regulations. See Condition 11 (*Write-down at the Point of Non-Viability*).
Dissolution Events	Subject to Condition 12 (*Dissolution Events and Winding-up*), if a Bank Event occurs and, if so requested in writing by the Certificateholders of at least one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders in accordance with Condition 12.1 (*Bank Events*), the Trustee and/or the Delegate shall, subject to Condition 12.3 (*Winding-up, dissolution or liquidation*), take the actions referred to therein.
Withholding Tax................................	Subject to Condition 9.2 (*Payments subject to Applicable Laws*) and Condition 13 (*Taxation*), all payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of and without withholding or deduction for, or on account of, any Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay (subject to certain specified exclusions) Additional Amounts so that the full amount which otherwise would have been due and payable under the Certificates in

the absence of such deduction or withholding is received by the parties entitled thereto.

In addition, the Transaction Documents **provide that** payments thereunder by the Bank (in its capacity as the Mudareb) shall be made free and clear of and without withholding or deduction, for and on account of, any Taxes, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Bank of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Notwithstanding any other provision of the Conditions, the Trustee and the Paying Agents shall be permitted to withhold or deduct any amounts imposed 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 through 1474 of the Code (or any regulations thereunder or official interpretations thereof), or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, implementing legislation adopted by another jurisdiction in connection with these provisions, or any agreement with the U.S. Internal Revenue Service (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA withholding**"). None of the Trustee, the Delegate or any Agent will have any obligation to pay Additional Amounts or otherwise indemnify a Certificateholder for any FATCA withholding deducted or withheld by the Trustee, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

Trustee Covenants.............................. The Trustee has agreed to certain restrictive covenants as set out in Condition 6 (*Covenants*).

Ratings.. The Bank has been assigned long term ratings of "A+" with a negative outlook by Fitch and "A2" with a stable outlook by Moody's.

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

The Certificates will not be rated by any rating organisation upon their issue.

Certificateholder Meetings................ A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 18 (*Meetings of Certificateholders*, *Modification*, *Waiver*, *Authorisation and Determination*).

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

Listing and Admission to Trading.... Application has been made to the FCA for the Certificates to be admitted to the Official List and to the London Stock

Exchange for such Certificates to be admitted to trading on the London Stock Exchange's main market.

Transaction Documents .... The Declaration of Trust, the Agency Agreement and the Mudaraba Agreement (and any other agreements, deeds, undertakings or other documents designated as such by the parties thereto) are referred to herein as the "**Transaction Documents**".

Governing Law .... The Declaration of Trust, the Certificates, the Conditions, the Agency Agreement, the Mudaraba Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

The Corporate Services Agreement and the Share Declaration of Trust (as defined herein) and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, the laws of the Cayman Islands.

Waiver of Immunity........................... To the extent that the Bank may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and any other legal or arbitral proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or any of its assets or revenues, the Bank will agree in the Transaction Documents not to claim and will irrevocably and unconditionally waive such immunity in relation to any legal proceedings. Further, the Bank will irrevocably and unconditionally consent to the giving of any relief or the issue of any process, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings See Condition 21.4 (*Waiver of Immunity*).

Limited Recourse................................ Proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in any of the Trustee, the Delegate, the Bank, any of the Agents or any of their respective affiliates.

If the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets are not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents (to the extent that each of the Delegate and the Agents (as applicable) fulfils all of its respective obligations under the Transaction Documents to which it is a party) or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets.

The Bank is obliged to make certain payments under the Transaction Documents directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 (*Subordination*) and Condition 12.3

(*Winding-up*, *dissolution or liquidation*), have direct recourse against the Bank to recover payments due to the Trustee from the Bank pursuant to such Transaction Documents notwithstanding any other provision of Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. 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 Bank in connection with the enforcement of any such claim.

See Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*) for further details.

Selling Restrictions............................	There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the EEA, the Cayman Islands, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Kuwait, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), Japan, Hong Kong, Malaysia, Singapore and Switzerland. See "*Subscription and Sale*".
Use of Proceeds..................................	The proceeds of the issue of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to the Bank (as Mudareb) as Mudaraba Capital pursuant to the terms of the Mudaraba Agreement as described in "*Use of Proceeds*".

TERMS AND CONDITIONS OF THE TIER 1 CAPITAL CERTIFICATES

The following (except for the text in italics) is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will, save as provided in "Global Certificate", apply to the Global Certificate:

KFH Tier 1 Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the "**Trustee**", which expression shall where the context allows include the Delegate (as defined below) acting pursuant to the powers delegated to it by the Trustee pursuant to the Declaration of Trust (as defined below)) has issued Tier 1 Capital Certificates (the "**Certificates**") in an aggregate face amount of U.S.$750,000,000. The Certificates are constituted by a declaration of trust (the "**Declaration of Trust**") dated 30 June 2021 (the "**Issue Date**") made between the Trustee, Kuwait Finance House K.S.C.P. (the "**Bank**") and Citibank, N.A., London Branch as the delegate of the Trustee (the "**Delegate**", which expression shall include all persons for the time being appointed as the delegate or delegates under the Declaration of Trust).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the "**Agency Agreement**") made between the Trustee, the Bank, the Delegate, Citibank, N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**"), as transfer agent (in such capacity, the "**Transfer Agent**" and, together with the Registrar (as defined below) and any further or other transfer agents appointed from time to time in respect of the Certificates, the "**Transfer Agents**") and as calculation agent (the "**Calculation Agent**", which expression includes the Calculation Agent for the time being), and Citigroup Global Markets Europe AG as registrar (in such capacity, the "**Registrar**"). The Paying Agents, the Transfer Agents and the Calculation Agent are together referred to in these terms and conditions (the "**Conditions**") as the "**Agents**". References to the "Agents" or any of them shall include their successors.

These Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined in Condition 1 (*Interpretation*)). Copies of the Transaction Documents are available for inspection and/or collection during normal business hours at the specified offices of the Principal Paying Agent. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

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: (i) to contribute the sums paid by it in respect of its Certificate(s) to the Mudareb (as defined in Condition 5 (*The Trust*)) in accordance with the Mudaraba Agreement (as defined in Condition 5 (*The Trust*)); (ii) to act as Rab-al-Maal (as defined in Condition 5 (*The Trust*)) pursuant to the Mudaraba Agreement on its behalf (which authorisation and direction shall also apply to its successors in title and any Substituted Trustee (as defined below)); and (iii) to enter into each Transaction Document, subject to the provisions of the Declaration of Trust and these Conditions.

1. Interpretation

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of any inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions the following expressions have the following meanings:

"**Additional Amounts**" has the meaning given to it in Condition 13 (*Taxation*);

"**Applicable Regulatory Capital Requirements**" means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Bank, including transitional rules and waivers granted in respect of the foregoing;

"**Authorised Denomination**" has the meaning given to that term in Condition 2.1 (*Form and Denomination*);

"**Authorised Signatory**" means any person who: (a) holds the office of Chairman or Vice-Chairman of the Bank from time to time, or (b) is duly authorised by the Bank to sign documents on its behalf;

"**Bank Event**" means any of the following events:

(i) **Non-payment**: the Bank (acting in its capacity as Mudareb) fails to pay an amount which is equivalent to principal or profit (including Additional Amounts) due and payable by it pursuant to the Mudaraba Agreement and the failure continues for a period of (in the case of principal) seven Business Days or (in the case of profit) 14 Business Days (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Election or a Non-Payment Event); or

(ii) **Winding-up**: an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Bank or the Bank applies or petitions for a winding-up or administration order in respect of itself except, in each case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate (acting in accordance with the Declaration of Trust and these Conditions) or by an Extraordinary Resolution of the Certificateholders; or

(iii) **Analogous Event**: any event occurs which under the laws of the State of Kuwait has an analogous effect to any of the events referred to in paragraph (ii) above;

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

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

"**Basel Committee**" means the Basel Committee on Banking Supervision;

"**Business Day**" means a day, other than a Friday, Saturday, Sunday or public holiday, on which registered banks settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Kuwait, New York City and London;

"**Capital Event**" is deemed to have occurred if the Bank is notified in writing by the Financial Regulator to the effect that the outstanding face amount (or the amount that qualifies as regulatory capital, if some amount of the Certificates is held by the Bank or whose purchase is funded by the Bank) of the Certificates is excluded (in full or in part) from the consolidated Tier 1 Capital of the Bank (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);

"**Capital Event Profit Amount**" means, on the date of final constructive liquidation of the Mudaraba pursuant to subclause 7.3(c) of the Mudaraba Agreement, an amount equal to one per cent. of the Mudaraba Capital on such date;

"**Capital Event Redemption Amount**" in relation to a Certificate means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

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

"**Certificateholder**" means a person in whose name a Certificate is registered in the Register (or in the case of joint Certificateholders, the first named thereof) and the expressions holder and holder of Certificates and related expressions shall (where appropriate) be construed accordingly;

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended;

"**Common Equity Tier 1 Capital**" means capital of the Bank qualifying as, and approved by the Financial Regulator as, or capital which would, but for any applicable limitation on the amount of such capital, qualify as common equity tier 1 capital in accordance with the Capital Regulations;

"**Day-count Fraction**" means the actual number of days in the relevant period *divided by* 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Periodic Distribution Period in which the relevant period falls (including the first such day but excluding the last));

"**Dispute**" has the meaning given to it in Condition 21.2 (*Arbitration*);

"**Dissolution Distribution Amount**" means the Trustee Call Amount, the Capital Event Redemption Amount or the Tax Event Redemption Amount, as the case may be, or such other amount in the nature of a redemption amount as may be determined in accordance with these Conditions;

"**Dissolution Event**" means a Bank Event and/or a Trustee Event;

"**Dissolution Notice**" has the meaning given to it in Condition 12.1 (*Bank Events*);

"**Dissolution Request**" has the meaning given to it in Condition 12.1 (*Bank Events*);

"**Distributable Funds**" means the aggregate of the Bank's:

(a) consolidated retained earnings and reserves after the transfer of any amounts to non-distributable reserves; and

(b) profits (after the transfer of any amounts to non-distributable reserves, if applicable),

less any prior distribution of Rab-al-Maal Mudaraba Profit calculated and paid by reference to the most recent annual audited or (as the case may be) auditor reviewed consolidated financial statements of the Bank, and in the case of each of (a) and (b):

(i) as set out in such audited consolidated financial statements or (as the case may be) auditor reviewed consolidated financial statements; and

(ii) to the extent not restricted from distribution by applicable law,

subject as otherwise defined in the Capital Regulations from time to time;

"**London Stock Exchange**" means the London Stock Exchange plc;

"**Extraordinary Resolution**" has the meaning given to it in the Declaration of Trust;

"**Final Mudaraba Profit**" has the meaning given to it in the Mudaraba Agreement;

"**Financial Regulator**" means the Central Bank of the State of Kuwait and/or any successor entity having primary bank supervisory authority with respect to the Bank in the State of Kuwait;

"**First Call Date**" means the date falling six months prior to the First Reset Date;

"**First Mudaraba Profit Distribution Date**" means 30 December 2021;

"**First Reset Date**" means 30 December 2026;

"**General Mudaraba Pool**" has the meaning given to it in the Mudaraba Agreement;

"**H.15 (519)**" means the weekly statistical release designated as such, or any successor or replacement publication, published by the Board of Governors of the United States Federal Reserve System and "**most recent H.15 (519)**" means the H.15 (519) published closest in time but prior to the applicable U.S. Securities Determination Date. H.15 (519) may be currently obtained at the following website: https://www.federalreserve.gov/releases/h15/;

"**Initial Period**" means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

"**Initial Periodic Distribution Rate**" has the meaning given to it in Condition 7.4(a) (*Periodic Distribution Rate*);

"**Instructions**" means the final instructions entitled "*Capital Adequacy Ratio Standard – Basel III – for Islamic banks*" issued by the Financial Regulator on 24 June 2014, as may be amended, supplemented or superseded from time to time;

"**Junior Obligations**" means all claims of the holders of Ordinary Shares and all payment obligations of the Bank in respect of its Common Equity Tier 1 Capital and any other subordinated payment obligations of the Bank which rank, or are expressed to rank, junior to the Relevant Obligations;

"**LCIA**" means the London Court of International Arbitration;

"**Margin**" means 2.629 per cent. per annum;

"**Mudaraba**" has the meaning given to it in Condition 5 (*The Trust*);

"**Mudaraba Agreement**" has the meaning given to it in Condition 5 (*The Trust*);

"**Mudaraba Assets**" has the meaning given to it in Condition 5 (*The Trust*);

"**Mudaraba Capital**" has the meaning given to it in Condition 5 (*The Trust*);

"**Mudaraba End Date**" means the date on which the Mudaraba ends, being the date on which the Certificates are redeemed in whole but not in part in accordance with these Conditions;

"**Mudaraba Profit**" has the meaning given to that term in the Mudaraba Agreement;

"**Mudaraba Profit Distribution Date**" means 30 June and 30 December in each year, starting on (and including) the First Mudaraba Profit Distribution Date;

"**Mudaraba Reserve**" has the meaning given to it in the Mudaraba Agreement;

"**Mudareb**" has the meaning given to it in Condition 5 (*The Trust*);

"**Non-Payment Election**" has the meaning given to it in Condition 8.2 (*Non-Payment Election*);

"**Non-Payment Event**" has the meaning given to it in Condition 8.1 (*Non-Payment Event*);

"**Non-Viability Event**" means that the Financial Regulator has informed the Bank in writing that it has determined that a Trigger Event has occurred;

"**Non-Viability Event Write-down Date**" shall be the date on which the Write-down will take place as specified in the Non-Viability Notice, which date shall be no later than 10 Business Days after the date of the Non-Viability Notice;

"**Non-Viability Notice**" has the meaning given to it in Condition 11.2 (*Non-Viability Notice*);

"**Ordinary Shares**" means the common shares of the Bank;

"**Outstanding Payments**" means, in relation to any amounts payable on redemption of the Certificates, an amount representing accrued and unpaid Periodic Distribution Amounts for the Periodic Distribution Period during which redemption occurs to the date of redemption *plus* Additional Amounts thereon, if any, and if the Certificates are redeemed following a Capital Event and prior to the First Call Date, shall include a further profit amount in an amount equal to the Capital Event Profit Amount;

"***Pari Passu* Obligations**" means all subordinated payment obligations of the Bank which rank, or are expressed to rank, *pari passu* with the Relevant Obligations;

"**Payment Business Day**" has the meaning given to it in Condition 9.4 (*Payment only on a Payment Business Day*);

"**Periodic Distribution Amount**" has the meaning given to it in Condition 7.2 (*Periodic Distribution Amounts*);

"**Periodic Distribution Date**" means 30 June and 30 December in each year, starting on (and including) 30 December 2021;

"**Periodic Distribution Period**" means the period beginning on (and including) the Issue 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;

"**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 an event which, with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

"**Proceedings**" has the meaning given to it in Condition 21.3 (*Appointment of Process Agent*);

"**Profit Rate**" means, in respect of the Initial Period, the Initial Periodic Distribution Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 7.4(a) (*Periodic Distribution Rate*);

"**Qualifying Tier 1 Instruments**" means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) issued directly or indirectly by the Bank that:

(i) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Tier 1 Capital of the Bank;

(ii) have terms and conditions not materially less favourable to a Certificateholder than the Certificates (as reasonably determined by the Bank, **provided that** in making this determination the Bank is not required to take into account the tax treatment of the new instrument in the hands of all or any Certificateholder, or any transfer or similar taxes that may apply on the acquisition of the new instrument), **provided that** a certification to such effect of two Authorised Signatories of the Bank shall have been delivered to the Trustee and the Delegate prior to the variation of the terms of the instruments and upon which the Trustee and Delegate may rely without further enquiry and without liability to any person, in accordance with Condition 10.1(c) (*Redemption or Variation due to Taxation*) or Condition 10.1(d) (*Redemption or Variation for Capital Event*), as applicable;

(iii) will constitute direct or indirect (whether by a guarantee or equivalent support undertaking) obligations of the Bank;

(iv) rank, on a winding-up of the Bank, at least *pari passu* with the Relevant Obligations;

(v) have at least the same face value amount and profit distribution dates as the Certificates and at least equal profit or distribution rate or rate of return as the Certificates;

(vi) are listed on the same stock exchange as the Certificates (if the Certificates were so listed immediately prior to the variation);

(vii) have, to the extent such payment is not cancelled, the same claim to accrued but unpaid distributions;

(viii) (where the instruments are varied prior to the First Reset Date) have the same first reset date as the Certificates;

(ix) have the same optional redemption dates as the Certificates, save that any right to redeem the Certificates prior to the fifth anniversary of the Issue Date may be disapplied if such right to redeem would cause a Capital Event; and

(x) preserve the Relevant Obligations upon any redemption of the Certificates and the ranking of any claims in a winding-up or dissolution of the Bank, and which may include such technical changes as necessary to reflect the requirements of Tier 1 Capital under the Capital Regulations then applicable to the Bank (including, without limitation, such technical changes as may be required in the adoption and implementation of Basel III);

"**Rab-al-Maal**" has the meaning given to it in Condition 5 (*The Trust*);

"**Rab-al-Maal Mudaraba Profit**" has the meaning given to it in the Mudaraba Agreement;

"**Rab-al-Maal Final Mudaraba Profit**" has the meaning given to it in the Mudaraba Agreement;

"**Record Date**" means in the case of the payment of a Periodic Distribution Amount, the date falling on the fifteenth day before the relevant Periodic Distribution Date and, in the case of the payment of a Dissolution Distribution Amount, the date falling two Payment Business Days before the date for payment of the relevant Dissolution Distribution Amount, as the case may be;

"**Register**" has the meaning given to it in Condition 2.1 (*Form and Denomination*);

"**Registered Account**" has the meaning given to it in Condition 9.1 (*Payments in respect of the Certificates*);

"**Relevant Date**" in respect of a Certificate means: (a) the date on which payment in respect of such Certificate first becomes due; or (b) if the full amount of the money payable has not been received by the Principal Paying Agent or the Delegate on or before the due date, the date on which, the full amount of the money having been so received, notice to that effect has been duly given to Certificateholders in accordance with Condition 17 (*Notices*);

"**Relevant Jurisdiction**" means the Cayman Islands (in the case of any payment made by the Trustee) and the State of Kuwait (in the case of any payment made by the Bank) or, in each case, any political sub-division or authority thereof or therein having the power to tax;

"**Relevant Obligations**" has the meaning given to it in Condition 4.2 (*Subordination*);

"**Relevant Five Year Reset Rate**" means, in respect of each Reset Period: (i) a rate (expressed as a decimal) determined on the relevant U.S. Securities Determination Date to be the per annum rate equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years and trading in the public securities markets; or (ii) if there is no such published U.S. Treasury security with a maturity of five years and trading in the public securities markets, then the rate will be determined on the relevant U.S. Securities Determination Date by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities markets: (A) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (B) the other maturing as close as possible to, but later than, the immediately following Reset Date, in each case as published in the most recent H.15 (519). If the Bank cannot procure the determination of the Relevant Five Year Reset Rate on the relevant U.S. Securities Determination Date pursuant to the methods described in (i) and (ii) above, then the Relevant Five Year Reset Rate will be: (i) equal to the rate applicable to the immediately preceding Reset Period; or (ii) in the case of the Reset Period commencing on the First Reset Date, 0.865 per cent.;

"**Reserved Matter**" has the meaning given to it in the Declaration of Trust;

"**Reset Date**" means the First Reset Date and every fifth anniversary thereafter;

"**Reset Period**" means the period from (and including) the First Reset Date to (but excluding) the earlier of: (a) the Mudaraba End Date; and (b) the following Reset Date, and (if applicable) each successive period thereafter from (and including) such Reset Date to (but excluding) the earlier of (x) the Mudaraba End Date and (y) the next succeeding Reset Date;

"**Rules**" has the meaning given to it in Condition 21.2 (*Arbitration*);

"**Senior Creditors**" means creditors of the Bank (including depositors (in respect of their due claims) and, for this purpose, holders of any instrument issued by, or other obligation of, the Bank which ranks senior to the claims of the Trustee in respect of the Relevant Obligations) other than creditors in respect of obligations the claims in relation to which rank or are expressed to rank *pari passu* with, or junior to, the claims of the Trustee in respect of the Relevant Obligations;

"**Senior Obligations**" means all unsubordinated payment obligations of the Bank (including payment obligations to the Bank's depositors, which include as at the date hereof holders of current accounts, saving investment accounts, fixed-term deposit investment accounts and open-term deposit investment accounts) and all subordinated payment obligations (if any) of the Bank except *Pari Passu* Obligations and Junior Obligations;

"**Subsidiary**" means, in relation to any Person (the "**first person**") at any particular time, any other Person (the "**second person**") whose affairs and policies the first Person controls or has the power to control, whether by ownership or share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise;

"**Substituted Territory**" has the meaning given to it in Condition 12.2 (*Trustee Events*);

"**Substituted Trustee**" has the meaning given to it in Condition 12.2 (*Trustee Events*);

"**Taxes**" has the meaning given to it in Condition 13 (*Taxation*);

"**Tax Event**" means the Bank or the Trustee (as the case may be) would, as a result of a Tax Law Change, in making any payments under the Mudaraba Agreement (in the case of the Bank (in its capacity as Mudareb)) on the next due date for a payment of Mudaraba Profit or the Certificates (in the case of the Trustee) on the next due date for payment of a Periodic Distribution Amount (as the case may be) (whether or not a Non-Payment Event has occurred or a Non-Payment Election has been made), be required to pay Additional Amounts or additional amounts under clause 5.11 of the Mudaraba Agreement (and such requirement cannot be avoided by the Bank or the Trustee (as the case may be) taking reasonable measures available to it);

"**Tax Event Redemption Amount**" in relation to a Certificate, means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

"**Tax Law Change**" means any change in, or amendment to, the laws, published practice or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws, published practice or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective (or, in the case of application or official interpretation, is announced) on or after 28 June 2021);

"**Tier 1 Capital**" means capital other than Common Equity Tier 1 Capital qualifying as (or which would qualify as, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations;

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

"**Transaction Account**" has the meaning given to it in Condition 5 (*The Trust*);

"**Transaction Documents**" means each of the Declaration of Trust, the Agency Agreement, the Mudaraba Agreement and any other agreements, deeds, undertakings or other documents designated as such by the parties thereto;

"**Trigger Event**" has the meaning given to it in the Instructions;

For the definition of "Trigger Event" as set out in the Instructions, see "Overview of Banking and Finance Regulations in Kuwait – Certain Banking Regulations – Capital Adequacy Regulations";

"**Trust Assets**" has the meaning given to it in Condition 5 (*The Trust*);

"**Trustee Call Amount**" in relation to a Certificate, means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

"**Trustee Event**" means any of the following events:

(i) **Non-Payment**: default is made in the payment of the Dissolution Distribution Amount, or default is made in the payment of any Periodic Distribution Amount, in each case, on the due date for payment thereof and, in the case of the Dissolution Distribution Amount, such default continues for a period of seven Business Days or, in the case of any Periodic Distribution Amount, such default continues for a period of 14 Business Days; or

(ii) **Winding-up**: an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Trustee or the Trustee applies or petitions for a winding-up or administration order in respect of itself except, in each case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate (acting in accordance with the Declaration of Trust and these Conditions) or by an Extraordinary Resolution of the Certificateholders; or

(iii) **Analogous Event**: any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (ii) above.

For the purpose of subparagraph (i) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts calculated as being payable under Condition 7.4 (*Periodic Distributions*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts including, without limitation, as a result of any failure by the Mudareb to comply with the matters described in Condition 4.4(c) (*Limited Recourse and Agreement of Certificateholders*) (save in each case where such insufficient funds arise solely as a result of the occurrence of a Non-Payment Event or a Non-Payment Election);

"**Trustee's Territory**" has the meaning given to it in Condition 12.2 (*Trustee Events*);

"**U.S.**" means the United States of America;

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

"**U.S. Securities Determination Date**" means the second U.S. Government Securities Business Day before the commencement of the Reset Period for which the rate will apply; and

"**Write-down**" means:

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

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

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

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

All references in these Conditions to "**U.S. dollars**", "**U.S.$**" and "**$**" are to the lawful currency of the United States of America.

2. **Form, Denomination and Title**

2.1 **Form and Denomination**

The Certificates are issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each an "**Authorised Denomination**"). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**").

Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. These Conditions are modified by certain provisions contained in the Global Certificate. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See "*Global Certificate*".

2.2 **Title**

The Trustee will cause the Registrar to maintain the Register outside the United Kingdom in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered Certificateholder will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating any Certificateholder. The registered Certificateholder 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.

3. **Transfers of Certificates**

3.1 **Transfers**

Subject to Conditions 3.4 (*Closed Periods*) and 3.5 (*Regulations*) and the provisions of the Agency Agreement, a Certificate may be transferred in an Authorised Denomination only by depositing the Certificate by which it is represented, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in the Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

3.2 **Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such Certificateholder appearing on the Register or as specified in the form of transfer.

3.3 **Formalities Free of Charge**

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Trustee or any Transfer Agent except that the Trustee may require payment of a sum to it (or the giving of such indemnity as the Trustee or any Transfer Agent may reasonably require) to cover any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

3.4 **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or any other date on which any payment of the face amount or payment of any premium or profit in respect of a Certificate falls due.

3.5 **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Certificates scheduled to the Declaration of Trust. The Regulations may be changed by the Trustee from time to time with the prior written approval of the Delegate (acting in accordance with the Declaration of Trust and these Conditions) and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests a copy of such regulations.

The Certificateholders shall be entitled to receive, in accordance with Condition 3.2 (*Delivery of New Certificates*), only one Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2 (*Delivery of New Certificates*).

4. **Status, Subordination and Limited Recourse**

4.1 **Status**

The Certificates represent an undivided ownership interest in the 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* without any preference or priority, with all other Certificates. The rights and claims of the Trustee and the Certificateholders against the Bank in respect of the Relevant Obligations are subordinated as described in Condition 4.2 (*Subordination*).

4.2 **Subordination**

4.2.1 The payment obligations of the Bank under the Mudaraba Agreement (including all payments which are the equivalent of principal and profit) (the "**Relevant Obligations**") will: (a) constitute Tier 1 Capital of the Bank; (b) constitute direct, unsecured, conditional and subordinated obligations of the Bank; (c) rank subordinate to all Senior Obligations; (d) rank *pari passu* with all other *Pari Passu* Obligations; and (e) rank in priority to all Junior Obligations.

4.2.2 The Trustee or the Delegate may only exercise its enforcement rights in relation to any Relevant Obligation or in relation to any of its other rights under the Mudaraba Agreement or any other Transaction Document in the manner provided in Condition 12.3 (*Winding-up, dissolution or liquidation*).

4.2.3 The Trustee will, in each relevant Transaction Document, unconditionally and irrevocably waive 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 the Relevant Obligations. No collateral is or will be given by the Bank for the Relevant Obligations and any collateral that may have been or may in the future be given in connection with other obligations of the Bank shall not secure the Relevant Obligations.

4.2.4 Nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

4.3 **Other Issues**

So long as any of the Certificates remain outstanding, the Bank (in its capacity as Mudareb or otherwise) will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or on a consolidated basis) issued Tier 1 Capital of the Bank if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Relevant Obligations. This prohibition will not apply if at the same time or prior thereto: (a) these Conditions and (to the extent applicable) the Transaction Documents are amended to ensure that the Trustee (on behalf of the Certificateholders) obtains and/or (b) the Relevant Obligations have, in each case, the benefit of, such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Relevant Obligations rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

4.4 **Limited Recourse and Agreement of Certificateholders**

Save as provided in this Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in any of the Trustee, the Delegate, the Bank, any of the Agents or any of their respective affiliates. Each Certificateholder, by subscribing for or acquiring the Certificates, acknowledges and agrees that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(a) no payment of any amount whatsoever shall be made by the Trustee or any of its directors, officers, employees or agents on its behalf except to the extent funds are available therefor from the Trust Assets;

(b) the Trustee may not deal with the Mudaraba Assets or realise or deal with its interest, rights, title, benefit and entitlements, present and future, in, to and under the Transaction Documents and the Trust Assets except in the manner expressly permitted by the Transaction Documents;

(c) the proceeds of the Trust Assets are the sole source of payments on the Certificates. Payment by the Trustee of any Periodic Distribution Amount or any amount required to redeem the Certificates is subject to receipt by the Trustee of the amounts expected to be received by it from the Mudareb in accordance with the provisions of the Mudaraba Agreement;

(d) if the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets is not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents, or any of their respective affiliates in respect of any such shortfall, and no recourse shall be had, and no Certificateholder will have any claim, 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) or the Delegate or the Agents;

(e) it will not 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 or any of its directors, officers, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;

(f) 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 arising under or in connection with these Conditions or the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee under these Conditions and the Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee (in each of their respective capacities as such), save in the case of their wilful default or actual fraud. References in these Conditions to wilful default or actual fraud mean a finding to such effect by a court of competent jurisdiction (in relation to the conduct of the relevant party);

(g) 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 any sums due under such Certificate. No collateral is or will be given for the payment obligations under the Certificates; and

(h) the Trustee and the Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by (i) the Mudareb's breach of the Mudaraba Agreement or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

The Bank is obliged to make certain payments under the Transaction Documents directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 (*Subordination*) and Condition 12.3 (*Winding-up, dissolution or liquidation*), have direct recourse against the Bank to recover payments due to the Trustee from the Bank pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Bank in connection with the enforcement of any such claim.

5. The Trust

5.1 The Mudaraba

KFH Tier 1 Sukuk Limited (in its capacity as Trustee and as the "**Rab-al-Maal**") will enter into a mudaraba agreement (the "**Mudaraba Agreement**") to be dated the Issue Date with the Bank (in such capacity, the "**Mudareb**"). Pursuant to the Mudaraba Agreement, the Rab-al-Maal will contribute the proceeds of the issue of the Certificates to the Mudareb, which proceeds will form the initial capital of the Mudaraba (as defined below) and which may be subject to change after the Issue Date in accordance with Condition 10.2 (*Purchase*) (the "**Mudaraba Capital**"). The Mudareb will invest the Mudaraba Capital in its general business activities carried out through the General Mudaraba Pool and following investment of the Mudaraba Capital in the General Mudaraba Pool, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the "**Mudaraba Assets**") in accordance with the Mudaraba Agreement, which shall include an investment plan prepared by the Mudareb and shall constitute a mudaraba (the "**Mudaraba**").

The Trustee has opened a non-interest bearing transaction account in London (the "**Transaction Account**") in its own name with the Principal Paying Agent (details of which are set out in the

Declaration of Trust) into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement. If the Trustee is substituted in accordance with Condition 12.2 (*Trustee Events*), the Substituted Trustee will be required to open a new non-interest bearing transaction account in London in its name with the Principal Paying Agent into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement from the date of substitution onwards, and references in these Conditions to the "Transaction Account" will be construed accordingly.

5.2 **The Trust Assets**

Pursuant to the Declaration of Trust, the Trustee holds:

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

(b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;

(c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clauses 12.1 and 12.10 of the Declaration of Trust); and

(d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing (together, the "**Trust Assets**") upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each such Certificateholder in accordance with the Declaration of Trust and these Conditions.

5.3 **Application of Proceeds from Trust Assets**

On each Periodic Distribution Date and on any date fixed for payment of the Dissolution Distribution Amount, the Principal Paying Agent shall apply the monies standing to the credit of the 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):

(a) *first* (to the extent not previously paid), to each of the Delegate, each Agent and/or any Appointee (as defined in the Declaration of Trust) in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (in accordance with the Declaration of Trust), Agent (in accordance with the Agency Agreement) or Appointee, as applicable;

(b) *second*, in or towards reimbursement *pari passu* and rateably of any amounts paid by any Indemnifying Parties as contemplated by clause 12.8 of the Declaration of Trust together with any profit payable thereon;

(c) *third*, 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*, (i) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as trustee; and (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement and the Registered Office Terms in its capacity as trustee administrator and registered office provider;

(d) *fourth*, only if such payment is due on a Periodic Distribution Date, and subject to Condition 8 (*Periodic Distribution Restrictions*), in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts (including Additional Amounts) due but unpaid;

(e) *fifth*, only if such payment is due on a date fixed for payment of the Dissolution Distribution Amount, in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; and

(f) *sixth*, only after all amounts required to be paid in respect of the Certificates have been discharged in full, in payment of any residual amount to the Bank, or prior to the Mudaraba End Date, the Mudaraba Reserve.

6. **Covenants**

The Trustee has covenanted in the Declaration of Trust that, *inter alia*, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate (given in accordance with the Declaration of Trust and these Conditions)):

(a) incur any indebtedness in respect of financed, obtained 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) except, in all cases, as contemplated in the Transaction Documents;

(b) secure any of its present or future indebtedness or present or future obligations (whether structured in accordance with the principles of *Shari'a* or otherwise) by granting or permitting to be outstanding any lien, pledge, charge, mortgage or other security interest upon any of its present or future undertakings, assets, properties or revenues (other than those arising by operation of law (if any) or under or pursuant to any of the Transaction Documents);

(c) sell, transfer, assign, participate, exchange or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise, or permit such to occur or suffer such to exist) any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents (other than those arising by operation of law);

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

(e) amend or agree to any amendment to any Certificate or Transaction Document (other than in accordance with the terms thereof) in each case in a manner which is materially prejudicial to the rights of Certificateholders, without the prior approval of the Certificateholders by way of Extraordinary Resolution, save that it shall be permitted to make such variations to the Transaction Documents and these Conditions as are required pursuant to Condition 10.1 (*Redemption and variation*);

(f) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(g) have any subsidiaries or employees;

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

(i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up (except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders) or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it;

(j) consolidate or merge with any other person; or

(k) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:

(i) as 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. **Periodic Distributions**

7.1 **Distribution of Mudaraba Profit**

The Trustee has agreed in the Mudaraba Agreement that the Bank shall be entitled (in its capacity as Mudareb or otherwise) to utilise the Mudaraba Assets (and the proceeds thereof) to make payments in respect of the claims of Senior Creditors or to cover losses of the Mudaraba and that such entitlement shall apply at any time before an order has been made, or an effective resolution has been passed, for the winding-up, dissolution or liquidation (or other analogous event) of the Bank (in its capacity as Mudareb or otherwise).

7.2 **Periodic Distribution Amounts**

Subject to Conditions 4.2 (*Subordination*), 4.4 (*Limited Recourse and Agreement of Certificateholders*), 7.3 (*Cessation of Accrual*), 8 (*Periodic Distribution Restrictions*), 9 (*Payments*) and 11 (*Write-down at the Point of Non-Viability*), the Trustee shall distribute to Certificateholders, *pro rata* to their respective holdings, out of amounts transferred into the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the Periodic Distribution Amount. The "**Periodic Distribution Amount**" payable on each Periodic Distribution Date (i) falling prior to and including the First Reset Date shall be U.S.$18.00 per U.S.$1,000 in face amount of the Certificates and (ii) falling after the First Reset Date shall be the relevant amount calculated pursuant to Condition 7.4 (*Periodic Distributions*).

7.3 **Cessation of Accrual**

Subject to Conditions 4.2 (*Subordination*), 8 (*Periodic Distribution Restrictions*) and 11 (*Write-down at the Point of Non-Viability*), each Certificate will cease to be eligible to earn Periodic Distribution Amounts from the due date for redemption, following liquidation of the Mudaraba in accordance with these Conditions and the Mudaraba Agreement.

7.4 **Periodic Distributions**

Subject to Condition 8 (*Periodic Distribution Restrictions*), the Certificates bear profit at the applicable Profit Rate from (and including) the Issue Date in accordance with the provisions of this Condition 7 (*Periodic Distributions*). Periodic Distribution Amounts will not be cumulative and any Periodic Distribution Amount which is not paid will not accumulate or compound and Certificateholders will have no right to receive such Periodic Distribution Amount at any time, even if Periodic Distribution Amounts are paid in the future.

Subject to Condition 88 (*Periodic Distribution Restrictions*), Periodic Distribution Amounts shall be payable on the Certificates semi-annually in arrear on each Periodic Distribution Date, in each case as provided in this Condition 7 (*Periodic Distributions*).

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Periodic Distribution Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of: (a) the applicable Profit Rate; (b) the face amount of the relevant Certificates; and (c) the applicable Day-count Fraction for the Relevant Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(a) ***Periodic Distribution Rate***

For the Initial Period, the Certificates bear profit at the Profit Rate of 3.600 per cent. per annum (the "**Initial Periodic Distribution Rate**").

The Profit Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Five Year Reset Rate on the relevant U.S. Securities Determination Date, as determined by the Calculation Agent.

The Calculation Agent will, as soon as practicable upon determination of the Profit Rate which shall apply to the Reset Period commencing on the relevant Reset Date, but in no event later than the second Business Day thereafter, cause the applicable Profit Rate and the corresponding Periodic Distribution Amount to be notified to each of the Paying Agents, the London Stock Exchange or any other stock exchange on which the Certificates are for the time being listed (if then required by the London Stock Exchange or such other stock exchange) and to be notified to Certificateholders in accordance with Condition 17 (*Notices*). To the extent that the Calculation Agent is unable to notify the London Stock Exchange, or any other stock exchange on which the Certificates are for the time being listed (if then required by the London Stock Exchange or such other stock exchange), the Calculation Agent shall promptly notify the Bank, which shall procure the performance of such obligation.

For the avoidance of doubt, the Calculation Agent shall not be responsible to the Trustee, the Bank, the Certificateholders or any third party as a result of the Calculation Agent having relied upon any quotation, ratio or other information provided to it by any person for the purposes of making any determination hereunder, which subsequently may be found to be incorrect or inaccurate in any way.

(b) ***Calculation Agent***

With effect from the First Reset Date, and so long as any Certificates remain outstanding thereafter, the Trustee will maintain a Calculation Agent. The name of the initial Calculation Agent and its initial specified office is set out at the end of these Conditions.

The Trustee may, with the prior written approval of the Delegate (given in accordance with the Declaration of Trust and these Conditions), from time to time replace the Calculation Agent with another leading investment, merchant or commercial bank or financial institution in London. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or (without prejudice to Condition 7.4(c) (*Determinations of Calculation Agent or Trustee Binding*)) fails duly to determine the Profit Rate in respect of any Reset Period as provided in Condition 7.4(a) (*Periodic Distribution Rate*), the Trustee shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London approved in writing by the Delegate (in accordance with the Declaration of Trust and these Conditions) to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

(c) ***Determinations of Calculation Agent or Trustee Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Periodic Distributions*), whether by the Calculation Agent or the Trustee (or its agent), shall (in the absence of manifest error) be binding on the Trustee, the Bank, the Calculation Agent, the Paying Agents, the Delegate and all Certificateholders and (in the absence of wilful default or gross negligence) no liability to the Trustee, the Bank, any Agent, the Delegate and the Certificateholders shall attach to the Calculation Agent or the Trustee (or its agent) in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

8. Periodic Distribution Restrictions

8.1 Non-Payment Event

Notwithstanding Condition 7.4 (*Periodic Distributions*), if any of the following events occur (each, a "**Non-Payment Event**"), the Bank (as Mudareb) shall not pay Mudaraba Profit (and, as a result, Rab-al-Maal Mudaraba Profit) or Final Mudaraba Profit (and, as a result, Rab-al-Maal Final

Mudaraba Profit) on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), and as a result thereof the Trustee shall not pay Periodic Distribution Amounts on the corresponding Periodic Distribution Date:

(i) the amount equal to the then applicable Periodic Distribution Amount to be paid by the Bank out of the Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable (the "**Relevant Rab-al-Maal Mudaraba Profit Amount**"), when aggregated with any distributions or amounts payable by the Bank (in its capacity as Mudareb or otherwise) on the same date (or otherwise due and payable on such date) on any other obligations in respect of *Pari Passu* Obligations, exceeds, on the relevant date for payment of the Relevant Rab-al-Maal Mudaraba Profit Amount, the Mudareb's Distributable Funds; or

(ii) the Bank (in its capacity as Mudareb or otherwise) is, on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), in breach of (or such payment would cause a breach of) the Applicable Regulatory Capital Requirements (including any applicable capital buffers imposed on the Bank by the Financial Regulator); or

(iii) the Financial Regulator requires: (a) the Bank not to pay the Relevant Rab-al-Maal Mudaraba Profit Amount to the Trustee (in its capacity as Rab-al-Maal) on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be); or (b) the Trustee (in its capacity as Rab-al-Maal) not to pay the relevant Periodic Distribution Amount on that Periodic Distribution Date.

8.2 Non-Payment Election

Notwithstanding Condition 7.4 (*Periodic Distributions*), the Bank may in its sole discretion elect that Rab-al-Maal Mudaraba Profit (in whole or in part) will not be paid to the Trustee (in its capacity as Rab-al-Maal) on any Mudaraba Profit Distribution Date, and the Bank shall, in each case, instruct the Trustee not to make payment of a Periodic Distribution Amount (in whole or in part) to Certificateholders on such Periodic Distribution Date, **provided that** the foregoing in this Condition 8.2 (*Non-Payment Election*) shall not apply in respect of Rab-al-Maal Final Mudaraba Profit payable on any Mudaraba End Date (any such election being a "**Non-Payment Election**"). The Bank may not, however, make a Non-Payment Election once the Trustee has given notice to Certificateholders that the Certificates will be redeemed in whole in accordance with Condition 10 (*Redemption and Variation*).

8.3 Effect of Non-Payment Event or Non-Payment Election

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, then the Bank shall (i) in the case of a Non-Payment Election, no later than 14 calendar days prior to such event, and (ii) in the case of a Non-Payment Event, as soon as practicable thereafter but in any case no later than five Business Days prior to the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, give notice to the Trustee and the Principal Paying Agent in accordance with the Mudaraba Agreement, the Delegate in accordance with the Declaration of Trust and Certificateholders in accordance with Condition 17 (*Notices*) in each case providing details of the Non-Payment Election (including, if relevant, details of any partial payment to be made) or Non-Payment Event, as the case may be. In the absence of notice of such Non-Payment Election or Non-Payment Event, as the case may be, having been given in accordance with this Condition 8.3 (*Effect of Non-Payment Event or Non-Payment Election*), the fact of non-payment of the Relevant Rab-al-Maal Mudaraba Profit Amount (or any part thereof) on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Certificateholders shall have no claim in respect of any Periodic Distribution Amount (or any part thereof, as applicable) not paid as a result of either a Non-Payment Election or a Non-Payment Event (in each case, irrespective of whether notice of such Non-Payment Election or Non-Payment Event has been given in accordance with this Condition 8.3 (*Effect of Non-Payment Event or Non-Payment Election*)) and any such non-payment in whole or in part, as applicable, of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit (in the case of a Non-Payment Event only) or a Periodic Distribution Amount in such circumstance shall not constitute a Dissolution Event. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (or any part thereof, as applicable) (whether from its own cash resources, from the Mudaraba Reserve or otherwise) and the Trustee shall not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts (or any part thereof, as applicable).

8.4 **Dividend and Redemption Restrictions**

If any amount of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event pursuant to Condition 8.1 (*Non-Payment Event*) or 8.2 (*Non-Payment Election*) (as the case may be), then, from the date of such Non-Payment Election or Non-Payment Event (the "**Dividend Stopper Date**"), the Bank will not, so long as any of the Certificates are outstanding:

(i) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares issued by the Bank (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or

(ii) declare or pay profit or any other distribution on any of its shares (other than Ordinary Shares) or securities ranking, as to the right of payment of dividend, distributions or similar payments, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which do not at the relevant time enable the Bank to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time; or

(iii) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any Ordinary Shares issued by the Bank; or

(iv) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any securities issued by the Bank ranking, as to the right of repayment of capital, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which stipulate (i) any mandatory redemption in accordance with its terms or (ii) any conversion into, or exchange for, Ordinary Shares), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time,

in each case unless or until: (a) two consecutive payments of Rab-al-Maal Mudaraba Profit; or (b) (as the case may be) payment of the Rab-al-Maal Final Mudaraba Profit, in each case following the Dividend Stopper Date, have been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Trustee in accordance with the Mudaraba Agreement).

9. **Payments**

9.1 **Payments in respect of the Certificates**

Subject to Condition 9.2 (*Payments subject to Applicable Laws*), payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by or on behalf of the Trustee in U.S. dollars by wire transfer in same day funds to the Registered Account (as defined below) of the Certificateholder. Payments of the Dissolution Distribution Amount will only be made against presentation and surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the Certificateholder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9 (*Payments*), a Certificateholder's "**Registered Account**" means the U.S. dollar account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date.

9.2 **Payments subject to Applicable Laws**

Payments in respect of the Certificates are subject in all cases to: (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (b) 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 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto.

9.3 **No Commissions**

No commissions or expenses shall be charged to the Certificateholders in respect of any payments made in accordance with this Condition 9 (*Payments*).

9.4 **Payment only on a Payment Business Day**

Where payment is to be made by transfer to a Registered Account, payment instructions (for value the due date or, if that is not a Payment Business Day (as defined below), for value the first following day which is a Payment Business Day) will be initiated by the Principal Paying Agent on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or if the relevant Certificateholder is late in surrendering its Certificate (if required to do so).

If the amount of the Dissolution Distribution Amount or, subject to Conditions 8.1 (*Non-Payment Event*) and 8.2 (*Non-Payment Election*), any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

In these Conditions, "**Payment Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in New York City and London settle payments and are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

9.5 **Agents**

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, **provided that**: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); and (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, it will at all times maintain a Paying Agent, a Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Trustee in accordance with Condition 17 (*Notices*).

10. **Redemption and Variation**

10.1 **Redemption and variation**

(a) ***No Fixed Redemption Date and Conditions for Redemption and Variation***

The Certificates are perpetual securities in respect of which there is no fixed redemption date and the Trustee shall (subject to the provisions of Condition 4.2 (*Subordination*), Condition 11 (*Write-down at the Point of Non-Viability*) and Condition 12.3 (*Winding-up, dissolution or liquidation*) and without prejudice to the provisions of Condition 14 (*Prescription*)) only have the right to redeem the Certificates or vary the terms thereof in accordance with the following provisions of this Condition 10 (*Redemption and Variation*).

The redemption of the Certificates or variation of these Conditions, in each case pursuant to this Condition 10 (*Redemption and Variation*), is subject to the following conditions (in addition to those set out elsewhere in this Condition 10.1 (*Redemption and variation*)):

(i) (except to the extent that the Financial Regulator no longer so requires) the Bank having obtained the prior approval of the Financial Regulator; and

(ii) (except to the extent that the Financial Regulator no longer so requires) the requirement that at the time when the relevant notice of redemption or variation is given and immediately following any redemption or variation (as applicable), the Bank is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements (including any applicable capital buffers imposed on the Bank by the Financial Regulator).

(b) ***Trustee's Call Option***

Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) and Condition 10.1(f) (*No redemption following delivery of a Non-Viability Notice*), the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 15 nor more than 30 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) and to the Delegate in accordance with the Declaration of Trust, (which notice shall specify the date fixed for redemption and shall, subject to Condition 10.1(f) (*No redemption following delivery of a Non-Viability Notice*), be irrevocable), redeem all, but not some only, of the Certificates at the Trustee Call Amount.

Redemption of the Certificates pursuant to this Condition 10.1(b) (*Trustee's Call Option*) may occur on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter.

Prior to the publication of any notice of redemption pursuant to this Condition 10.1(b) (*Trustee's Call Option*), the Bank shall give to the Trustee and the Delegate a certificate signed by two Authorised Signatories stating that all conditions precedent to the redemption of the Certificates pursuant to this Condition 10.1(b) (*Trustee's Call Option*) (other than the notice to Certificateholders described in this Condition 10.1(b) (*Trustee's Call Option*)) have been satisfied (upon which the Delegate may rely without further enquiry and without liability to any person), and the Delegate shall accept the certificate without any further enquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Certificateholders.

(c) ***Redemption or Variation due to Taxation***

(i) Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), this Condition 10.1(c) (*Redemption or Variation due to Taxation*) and Condition 10.1(f) (*No redemption following delivery of a Non-Viability Notice*), if a Tax Event occurs, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 15 nor more than 30 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) and to the Delegate in accordance with the Declaration of Trust, (which notice shall specify the date fixed for redemption or variation (as applicable) and applicable Record Date, and shall, subject to Condition 10.1(f) (*No redemption following delivery of a Non-Viability Notice*), be irrevocable): (a) redeem all, but not some only, of the Certificates at the Tax Event Redemption Amount; or (b) vary the terms of the Mudaraba Agreement, subject to the approval of the Mudareb's Shari'a board, and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the

Certificateholders, and in the case of (b) only **provided that** such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate (who shall be obliged to approve the same if the requirements of Condition 10.1(c)(iii) (*Redemption or Variation due to Taxation*) are satisfied). No such notice shall be given earlier than 90 days prior to the earliest date on which the Trustee or the Bank would be obliged to pay Additional Amounts or additional amounts under clause 5.11 of the Mudaraba Agreement. If the Bank does not instruct the Trustee to so redeem or vary in accordance with this Condition 10.1(c)(i) (*Redemption or Variation due to Taxation*) in respect of such Tax Event then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2 (*Subordination*), Condition 11 (*Write-down at the Point of Non-Viability*) and Condition 12.3 (*Winding-up, dissolution or liquidation*) and without prejudice to the provisions of Condition 14 (*Prescription*)) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10 (*Redemption and Variation*).

(ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(c) (*Redemption or Variation due to Taxation*) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).

(iii) Prior to the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 10.1(c) (*Redemption or Variation due to Taxation*), the Bank shall give to the Trustee and the Delegate: (i) a copy of the opinion of an independent tax or legal adviser of recognised standing to the effect that a Tax Event has occurred (upon which the Delegate may rely without liability to any person); and (ii) a certificate signed by two Authorised Signatories (upon which the Delegate may rely without liability to any person) stating that: (A) the conditions set out in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) have been satisfied; (B) a Tax Event has occurred; and (C) in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and that the Financial Regulator has confirmed that they satisfy limb (i) of the definition of "Qualifying Tier 1 Instruments". Such certificate and opinion shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 10.1(c)(iii) (*Redemption or Variation due to Taxation*) and the Delegate shall be entitled to accept and rely on such certificate and opinion without any further inquiry as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

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

(d) ***Redemption or Variation for Capital Event***

(i) Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*), this Condition 10.1(d) (*Redemption or Variation for Capital Event*) and Condition 10.1(f) (*No redemption following delivery of a Non-Viability Notice*), if a Capital Event occurs and is continuing, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 15 nor more than 30 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) and to the Delegate in accordance with the Declaration of Trust, (which notice shall specify the date fixed for redemption or variation (as applicable) and the applicable Record Date and shall, subject to Condition 10.1(f) (*No redemption following delivery of a Non-Viability Notice*), be irrevocable): (a) redeem all, but not some only, of the

Certificates at the Capital Event Redemption Amount; or (b) solely for the purpose of ensuring compliance with the Applicable Regulatory Capital Requirements, vary the terms of the Mudaraba Agreement, subject to the approval of the Mudareb's *Shari'a* board, and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments without any requirement for consent or approval of the Certificateholders, and, in the case of (b) only, **provided that** such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate (who shall be obliged to approve the same if the requirements of Clause 10.1(d)(iii) are satisfied). If the Bank does not instruct the Trustee to so redeem or vary in accordance with this Condition 10.1(d)(i) (*Redemption or Variation for Capital Event*) in respect of such Capital Event then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2 (*Subordination*), Condition 11 (*Write-down at the Point of Non-Viability*) and Condition 12.3 (*Winding-up, dissolution or liquidation*) and without prejudice to the provisions of Condition 14 (*Prescription*)) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10 (*Redemption and Variation*).

(ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(d) (*Redemption or Variation for Capital Event*) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).

(iii) Prior to the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 10.1(d) (*Redemption or Variation for Capital Event*), the Bank shall give to the Trustee and the Delegate a certificate signed by two Authorised Signatories (upon which the Delegate shall rely without liability to any person) stating that: (A) the conditions set out in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption and Variation*) and Condition 10.1(d)(iv) (*Redemption or Variation for Capital Event*) have been satisfied; (B) a Capital Event has occurred and is continuing as at the date of the certificate; and (C), in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and the Financial Regulator has confirmed that they satisfy limb (i) of the definition of Qualifying Tier 1 Instruments and such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 10.1(d)(iii) (*Redemption or Variation for Capital Event*) and the Delegate shall be entitled to accept and rely on such certificate without any further enquiry as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

(iv) The redemption of the Certificates or variation of these Conditions, in each case pursuant to this Condition 10.1(d) (*Redemption or Variation for Capital Event*) is subject to the requirement that the circumstance that entitles the Bank to instruct the Trustee to exercise its right of redemption or variation is a change of law, published practice or regulation (including Applicable Regulatory Capital Requirements) in the State of Kuwait or a change in the interpretation or application of such law, published practice or regulation by any court or authority entitled to do so which change becomes, or would become, effective on or after 28 June 2021.

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

(e) ***Taxes upon Variation***

In the event of a variation in accordance with Condition 10.1(c) (*Redemption or Variation due to Taxation*) or 10.1(d) (*Redemption or Variation for Capital Event*), none of the Trustee, the Delegate and the Bank will be obliged to pay and will not pay any liability of any Certificateholder to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Certificates, **provided that** (in the case of a Tax Event) or so that (in the case of a Capital Event) the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, and further will not be liable for any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such Certificateholder.

(f) ***No redemption following delivery of a Non-Viability Notice***

If the Bank has instructed the Trustee to redeem the Certificates and prior to the redemption of the Certificates a Non-Viability Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Trustee shall (upon receiving written notice of the Non-Viability Event) give notice thereof to the Certificateholders (in accordance with Condition 17 (*Notices*)), the Delegate, the Principal Paying Agent and the Registrar as soon as practicable. Further, no notice of redemption shall be given in the period following the giving of a Non-Viability Notice and prior to the relevant Non-Viability Event Write-down Date.

10.2 **Purchase**

Subject to the Bank: (A) obtaining the prior approval of the Financial Regulator (except to the extent that the Financial Regulator no longer so requires); and (B) being in compliance with the Applicable Regulatory Capital Requirements, the Bank or any of its Subsidiaries, may, in those circumstances permitted by the Applicable Regulatory Capital Requirements, purchase the Certificates in any manner and at any price. Upon any such purchase, the Bank shall deliver such Certificates to any Paying Agent for cancellation, and upon such cancellation, the Mudaraba Capital shall be reduced by the face amount of the Certificates so cancelled.

10.3 **Cancellation**

All Certificates that are redeemed, and all Certificates that are purchased pursuant to Condition 10.2 (*Purchase*) and which the Bank delivers for cancellation in accordance with Condition 10.2 (*Purchase*), will be cancelled as soon as possible and accordingly may not be held, reissued or resold.

11. **Write-down at the Point of Non-Viability**

11.1 **Non-Viability Event**

If a Non-Viability Event occurs, a Write-down (in whole or in part, as applicable) will take place in accordance with Condition 11.2 (*Non-Viability Notice*).

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

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

11.2 **Non-Viability Notice**

On the third Business Day following the date on which such Non-Viability Event occurs: (a) the Mudareb will notify the Trustee thereof in accordance with the Mudaraba Agreement; and (b) the Trustee will then notify the Delegate and the Certificateholders thereof and the Principal Paying Agent in accordance with Condition 17 (*Notices*) (a "**Non-Viability Notice**"). A Write-down will occur on the Non-Viability Event Write-down Date and, with effect from such date, (i) in the case of a Write-down in whole only, the Mudaraba Agreement will be automatically terminated; and (ii) in the case of a Write-down in part only, the Mudaraba Capital shall be reduced in proportion to the face amount of the Certificates that are to be written-down and Periodic Distribution Amounts shall only be in respect of the face amount of the Certificates that have not been written-down. In the case of (i) above, the Trustee shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets. In the case of (ii) above, the Trustee shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets that relate to the proportion of the Mudaraba Capital that has been reduced.

11.3 **Liability of Delegate and Agents**

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

12. **Dissolution Events and Winding-up**

The Declaration of Trust contains provisions entitling the Delegate to claim from the Trustee and the Bank, *inter alia*, the fees, expenses and liabilities incurred by it in carrying out its duties under the Declaration of Trust. The restrictions on commencing proceedings described below will not apply to any such claim.

12.1 **Bank Events**

If a Bank Event occurs, the Delegate (provided it shall have been given notice in writing thereof by the Trustee or the Bank or otherwise upon the Delegate's Agency & Trust function having actual knowledge of the Bank Event, and subject to it being indemnified and/or prefunded to its satisfaction) shall promptly give notice of the occurrence of such Bank Event to the Certificateholders in accordance with Condition 17 (*Notices*) with a request to such Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed in whole and the Trust to be dissolved (a "**Dissolution Request**"). The Delegate may and, if so requested in writing by the Certificateholders of at least one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of Certificateholders, shall (but in each case subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*)), give notice (a "**Dissolution Notice**") to the Trustee that the Certificates are immediately due and payable at the aggregate face amount of the outstanding Certificates together with any Outstanding Payments, whereupon the aggregate face amount of the outstanding Certificates together with any Outstanding Payments shall become immediately due and payable without presentation, demand, protest or other notice of any kind. A Dissolution Notice may be given whether or not a Dissolution Request has been given to Certificateholders.

12.2 **Trustee Events**

(i) The Bank has undertaken in the Declaration of Trust that, as soon as practicable following the occurrence of a Trustee Event, it will procure, subject to such amendment of the Declaration of Trust and such other conditions as the Delegate may require and subject to the consent of the Financial Regulator, the substitution of any newly formed special purpose company in form substantially the same as that of the Trustee, in place of the

Trustee (the "**Substituted Trustee**"), or of any previous substituted company, as trustee and issuer under the Declaration of Trust and the Certificates **provided that**:

(A) a deed is executed or undertaking given by the Substituted Trustee to the Delegate, in form and manner satisfactory to the Delegate (acting in accordance with the Declaration of Trust and these Conditions), agreeing to be bound by the Declaration of Trust, the Certificates and the Transaction Documents (with consequential amendments as the Delegate may deem appropriate) as if the Substituted Trustee had been named in the Declaration of Trust, the Certificates and the other Transaction Documents as trustee and issuer in place of the Trustee;

(B) if the Substituted Trustee is subject generally to the taxing jurisdiction of a territory or any political sub-division or authority of or in that territory with power to tax (the "**Substituted Territory**") other than the territory of the taxing jurisdiction to which (or to any such authority of or in which) the Trustee is subject generally (the "**Trustee's Territory**"), the Substituted Trustee shall give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to Condition 13 (*Taxation*) with the substitution for or the addition to the references in that Condition to the Trustee's Territory of references to the Substituted Territory whereupon the Declaration of Trust and the Certificates shall be read accordingly (and the Bank shall also be required to give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to the last paragraph of Condition 13 (*Taxation*), extending its obligations thereunder to the Substituted Territory);

(C) two directors of the Substituted Trustee certify that it will be solvent immediately after such substitution (the Delegate need not have regard to the Substituted Trustee's financial condition, profits or prospects or compare them with those of the Trustee);

(D) the Trustee, the Substituted Trustee and the Bank comply with such other requirements as the Delegate may direct in the interests of the Certificateholders; and

(E) such substitution would not, in the sole opinion of the Delegate, be materially prejudicial to the interests of the Certificateholders.

(ii) Subject to this Condition 12.2 (*Trustee Events*), the Delegate may agree to the substitution of the Substituted Trustee without obtaining the consent or approval of the Certificateholders (it being acknowledged that each Certificateholder has by virtue of the last paragraph of the preamble to these Conditions authorised each Substituted Trustee to act as Rab-al-Maal pursuant to the Mudaraba Agreement on its behalf).

(iii) If the Bank fails to comply with the foregoing provisions of this Condition 12.2 (*Trustee Events*) within 60 days of the occurrence of the relevant Trustee Event, Conditions 12.1 (*Bank Events*) and 12.3 (*Winding-up, dissolution or liquidation*) shall apply to the relevant Trustee Event as if it was a Bank Event.

12.3 **Winding-up, dissolution or liquidation**

(a) ***Proceedings for Winding-up***

If a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1 (*Bank Events*), the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba Agreement, and either the Trustee or the Delegate may at its discretion, and the Delegate shall, in each case subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*), if it shall have been so requested by an Extraordinary Resolution of the Certificateholders or so requested in writing by the Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding: (i) institute any steps, actions or proceedings for the winding-up of the Bank; and/or (ii) prove in the winding-up of the Bank; and/or (iii) institute any steps, actions or proceedings for the bankruptcy of the Bank and/or (iv) claim in the liquidation of the Bank; and/or (v) take such other steps, actions or proceedings which, under the laws of the State of Kuwait, have an analogous effect to the actions referred to in (i) to (iv) above, in each case, for (subject as set out below) all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents, **provided, however, that** the Trustee or the Delegate may only take any such steps, actions or proceedings as described in this Condition 12.3(a) (*Proceedings for Winding-up*), but may take no further or other steps, actions or proceedings to enforce, prove or claim for any payment and **provided further that** neither the Trustee nor the Delegate may take any steps, actions or proceedings against the Bank with respect to any sum that the Bank has paid into the Transaction Account in accordance with the Transaction Documents in circumstances where the Trustee has failed to pay that amount to Certificateholders in accordance with these Conditions. No payment in respect of the Transaction Documents may be made by the Bank as a result of any steps, actions or proceedings taken pursuant to Condition 12.1 (*Bank Events*), nor will the Trustee or the Delegate accept the same, otherwise than during or after a winding-up (or analogous event) of the Bank, unless the Bank has given prior written notice (with a copy to the Trustee and the Delegate) to, and received no objection from, the Financial Regulator (which the Bank shall confirm in writing to the Trustee and the Delegate).

(b) ***Enforcement***

Without prejudice to Condition 12.1 (*Bank Events*) and the remaining provisions of this Condition 12.3 (*Winding-up, dissolution or liquidation*), the Trustee (or the Delegate) may at its discretion and the Delegate shall, in each case subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*), if it shall have been so requested by an Extraordinary Resolution of the Certificateholders or so requested in writing by the Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding and without further notice institute such steps, actions or proceedings against the Bank or against the Trustee, as it may think fit to enforce any term or condition binding on the Bank or the Trustee (as the case may be) under the Certificates and the Transaction Documents (other than any payment obligation of the Bank under or arising from the Transaction Documents, including, without limitation, payment of any principal or premium or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations), including, without limitation, any failure by the Bank to procure the substitution of the Trustee in the circumstances described in Condition 12.2 (*Trustee Events*). However, in no event shall the Bank, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents. Nothing in this Condition 12.3 (*Winding-up, dissolution or liquidation*) shall, however, prevent the Trustee (or the Delegate) from taking such steps, actions or proceedings as described in Condition 12.3(a) (*Proceedings for Winding-up*) in respect of any payment obligations of the Bank arising from the Mudaraba Agreement or any other Transaction Document (including any damages awarded for breach of any obligations).

(c) ***Non-Viability***

All claims by the Delegate and/or the Certificateholders against the Trustee under the Certificates and all claims by the Trustee (or the Delegate) against the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Trustee and/or the Bank under the Certificates or the Transaction Documents, as the case may be) shall be subject to, and shall be superseded by the provisions of Condition 11 (*Write-down at the Point of Non-Viability*), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim **provided that** nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

(d) ***Extent of Certificateholder remedy***

No remedy against the Bank, other than as referred to in this Condition 12 (*Dissolution Events and Winding-up*), shall be available to the Delegate, the Trustee or the Certificateholders, whether for the recovery of amounts owing in respect of the Transaction Documents or in respect of any breach by the Bank of any of its other obligations under or in respect of the Transaction Documents.

(e) ***Realisation of Trust Assets***

(i) Neither the Trustee nor the Delegate shall be bound to take any steps, actions or proceedings to enforce or to realise the Trust Assets or any of the actions, steps or proceedings referred to in these Conditions in respect of the Bank or, in the case of the Delegate only, the Trustee to enforce the terms of the Certificates or the Transaction Documents or give a Dissolution Notice (including, without limitation, pursuant to this Condition 12 (*Dissolution Events and Winding-up*)), unless: (1) it shall have been so requested by an Extraordinary Resolution of the Certificateholders or in writing by Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding; and (2) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(ii) No Certificateholder shall be entitled to proceed directly against the Trustee or the Bank or to take the actions, steps or proceedings referred to in Conditions 12.3(a) (*Proceedings for Winding-up*) and 12.3(b) (*Enforcement*) above, unless: (i) the Trustee or the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or the Bank, as the case may be) holds at least one-fifth of the then outstanding aggregate face amount of the Certificates, in which case the Certificateholders shall have only such rights against the Bank as those which the Trustee or the Delegate is entitled to exercise as set out in Condition 12.1 (*Bank Events*) and this Condition 12.3 (*Winding-up, dissolution or liquidation*).

(iii) Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the 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 Bank shall be to enforce their respective obligations under the Certificates and the Transaction Documents.

(iv) The foregoing paragraphs in this Condition 12.3(e) (*Realisation of Trust Assets*) are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds thereof in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive 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.

13. Taxation

All payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction ("**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts ("**Additional Amounts**") so that the full amount which otherwise would have been due and payable under the Certificates in the absence of any such deduction or withholding is received by the parties entitled thereto, except that no such Additional Amount shall be payable in relation to any payment in respect of any Certificate:

(a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or

(b) presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Business Day.

In these Conditions, references to the Dissolution Distribution Amount or any Periodic Distribution Amounts (and related expressions including, without limitation, the "**face amount**" of the Certificates and "**Outstanding Payments**") shall be deemed to include any Additional Amounts payable under this Condition 13 (*Taxation*) or any undertaking given in addition to or in substitution for it under the Declaration of Trust.

Notwithstanding any other provision in these Conditions, the Trustee and the Paying Agents shall be permitted to withhold or deduct any amounts imposed pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof), or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, implementing legislation adopted by another jurisdiction in connection with these provisions, or any agreement with the U.S. Internal Revenue Service (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA withholding**"). None of the Trustee, the Delegate or any Agent will have any obligation to pay Additional Amounts or otherwise indemnify a Certificateholder for any FATCA withholding deducted or withheld by the Trustee, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

Neither the Delegate nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 13 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Trustee, the Bank, any Certificateholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Delegate or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), any additional amount or other amount under or in respect of the Certificates without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

The Mudaraba Agreement provides that payments made thereunder by the Bank (in its capacity as the Mudareb) to the Trustee shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future Taxes, unless such withholding or deduction is required by law. In such event, and/or if Additional Amounts are payable by the Trustee in respect of the Certificates in accordance with this Condition 13 (*Taxation*), the Mudaraba Agreement provides for the payment by the Bank of such additional amounts by payment to the Transaction Account in U.S. dollars by wire transfer for same day value so that the net amounts received by the Certificateholders shall equal the respective amounts that would have been received in the absence of such withholding or deduction and in the absence of the withholding or deduction to which this Condition 13 (*Taxation*) applies.

14. Prescription

Subject to applicable law, the right to receive any amount in respect of the Certificates shall be prescribed and become void unless claimed within 10 years from the Relevant Date thereof.

15. **Delegate**

15.1 **Delegation of Powers**

The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, 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 Declaration of Trust, 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, (i) exercise all of the rights of the Trustee and have all the protections of the Trustee under the Mudaraba Agreement 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 Declaration of Trust (together the "**Delegation**" of the "**Relevant Powers**"), **provided that**: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust 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 the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve the trusts constituted by the Declaration of Trust 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 Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

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.

15.2 **Indemnification**

The Declaration of Trust contains provisions for the indemnification of the Delegate 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. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Condition 12 (*Dissolution Events and Winding-up*), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction. The Declaration of Trust provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, 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.

15.3 **No Liability**

(a) The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Bank or the Trustee under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been paid by the Bank or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

(b) Each of the Trustee and the Delegate is exempted from: (i) any liability in respect of any loss or theft of the Trust Assets or any cash, unless such loss or theft arises as a result of fraud, wilful default or gross negligence by the Trustee or the Delegate, as the case may be; (ii) any obligation to monitor or insure the Trust Assets or any cash; and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee.

15.4 **Reliance on Opinions, Certificates, Reports and/or Information**

The Delegate may rely on any opinion, certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or the Bank or any other expert or other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such opinion, certificate, report or information may be relied upon by the Delegate (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such opinion, certificate, report, information and/or any engagement letter or other document contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Bank or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such opinion, certificate, report or information may be limited by an engagement or similar letter or by the terms of the opinion, certificate, report or information itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability, delay or inconvenience that may be occasioned by its failure to do so.

15.5 **Proper performance of duties**

Nothing shall, in the case of the Trustee (having regard to the provisions of the Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or in the case of the Delegate as donee and delegate (having regard to the powers, authorities and discretions conferred on it by the Declaration of Trust 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 fraud of which either of them may be guilty in relation to their duties under the Declaration of Trust.

15.6 **Illegality**

The Delegate may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Delegate may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

15.7 **Delegate not Precluded from Conducting Business with the Trustee and the Bank**

The Delegate is entitled, *inter alia*: (i) to enter into business transactions with the Trustee, the Bank and/or any entity related to the Trustee and/or the Bank and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Trustee and/or any entity related to the Trustee and/or the Bank; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders; and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15.8 **Notice of Events**

The Delegate shall not be responsible for monitoring or ascertaining whether or not a Non-Payment Event, Capital Event, Tax Event, Non-Viability Event, Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing or will or may occur or exist and, unless and until the Delegate's Agency & Trust function shall have actual knowledge or the Delegate has received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to the Certificateholders or any other person for so doing).

16. **Replacement of Certificates**

If a definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar (and if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee, the Bank, the Registrar, the Paying Agent or the Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

17. **Notices**

Notices to Certificateholders will be deemed to be validly given if mailed to Certificateholders by pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register. The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to listing, trading and/or quotation. Any notices shall be deemed to have been given on the 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).

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with evidence of entitlement to the relevant Certificates, with the Principal Paying Agent.

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 Certificateholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing. Any such notice shall be deemed to have been given to the Certificateholders on the day on which such notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system.

18. **Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination**

The Declaration of Trust 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 Declaration of Trust. Such a meeting may be convened by the Trustee, the Bank or the Delegate, and shall be convened by the Trustee, or subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from 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 (except in the case of a Reserved Matter (as defined below)) shall be one or more persons holding or representing more than a clear majority in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more persons being or representing Certificateholders whatever the aggregate face amount of the Certificates held or represented. If the business of such meeting includes consideration of proposals to (each a "**Reserved Matter**"):

(a) amend any date for payment (including any optional redemption date) in respect of the Certificates;

(b) reduce or cancel the face amount of, or any premium payable on redemption of, the Certificates;

(c) 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 Periodic Distribution Amount in respect of the Certificates;

(d) vary any method of, or basis for, calculating the Dissolution Distribution Amount;

(e) vary the currency of payment or denomination of the Certificates;

(f) modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;

(g) modify or cancel the payment obligations of the Bank (in any capacity) and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be);

(h) amend any of the Trustee's and the Bank's covenants set out in the Transaction Documents;

(i) sanction any such scheme or proposal or substitution as is described in paragraphs 5.8(i) and 5.8(l) of Schedule 4 to the Declaration of Trust;

(j) amend the order of application of monies set out in Condition 5.3 (*Application of Proceeds from Trust Assets*); or

(k) amend this definition or the proviso to paragraph 4.7 of Schedule 4 to the Declaration of Trust,

then: (i) the necessary quorum shall be one or more persons holding or representing not less than three quarters, or at any adjourned such meeting not less than one quarter, in aggregate face amount of the Certificates for the time being outstanding; and (ii) such meeting may only be convened if following written consent from the Bank to convene such meeting.

For the avoidance of doubt, in the event of any inconsistency between these provisions and Schedule 4 of the Declaration of Trust, Schedule 4 of the Declaration of Trust shall prevail. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they voted on the resolution).

18.2 The Declaration of Trust provides that a resolution in writing signed by or on behalf of holders of not less than 90 per cent. in aggregate face amount of the Certificates 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.

18.3 The Delegate may (but shall not be obliged to), without the consent of the Certificateholders: (a) agree to any modification of any of the provisions of the Declaration of Trust or the Transaction Documents that is, in the sole opinion of the Delegate, (i) of a formal, minor or technical nature, or (ii) is made to correct a manifest error, or (iii) is not materially prejudicial to the interests of the outstanding Certificateholders **provided that** such modification is in the case of (iii), other than in respect of a Reserved Matter; or (b): (A) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Declaration of Trust or the Transaction Documents; or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, **provided that** such waiver, authorisation or determination is in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of the Certificates.

18.4 In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, those referred to in this Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*)), the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Bank or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

18.5 Any modification, waiver, authorisation or determination shall be binding on all of the Certificateholders and, unless the Delegate agrees otherwise, such modification, waiver, authorisation or determination shall be notified by the Trustee (or the Bank on its behalf) to the Certificateholders as soon as practicable thereafter in accordance with Condition 17 (*Notices*).

This Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*) is without prejudice to Condition 10.1(c) (*Redemption or Variation due to Taxation*) and Condition 10.1(d) (*Redemption or Variation for Capital Event*).

19. **Currency Indemnity**

If any sum due from the Trustee in respect of the Certificates or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of: (a) making or filing a claim or proof against the Trustee; (b) obtaining an order or judgment in any court or other tribunal; or (c) enforcing any order or judgment given or made in relation to the Certificates, the Trustee shall indemnify each Certificateholder, on the written demand of such Certificateholder addressed to the Trustee and delivered to the Trustee or to the specified office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and (ii) the rate or rates of exchange at which such Certificateholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Trustee and shall give rise to a separate and independent cause of action. In no circumstances will the Delegate incur any liability by virtue of this Condition 19 (*Currency Indemnity*).

20. **Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. **Governing Law and Dispute Resolution**

21.1 **Governing Law**

The Declaration of Trust (including these Conditions), the Agency Agreement, the Mudaraba Agreement and the Certificates, and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 **Arbitration**

The Delegate, the Trustee and the Bank have in the Declaration of Trust agreed that any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust (including these Conditions and this Condition 21.2 (*Arbitration*)) and the Certificates (including any dispute, claim, difference or controversy as to their existence, validity, interpretation, performance, breach or termination or the consequences of the nullity of any of them or a dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration 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 21.2 (*Arbitration*). For these purposes:

(a) the seat of arbitration shall be London, England;

(b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration and shall be an attorney experienced in international securities transactions. The parties to the

Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the presiding arbitrator of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly, shall each nominate one arbitrator. If one party or both parties fail 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

(c) the language of the arbitration shall be English.

21.3 **Appointment of Process Agent**

Each of the Trustee and the Bank has, in the Declaration of Trust, appointed Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom as its agent for service of process and has undertaken that, in the event of Maples and Calder ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Disputes or proceedings relating to a Dispute ("**Proceedings**") and notify the Delegate and the Certificateholders of such appointment in accordance with this Condition 21.3 (*Appointment of Process Agent*). Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

21.4 **Waiver of Immunity**

Under the Transaction Documents to which it is a party, the Bank has agreed that, to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and any other legal or arbitral proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or any of its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any Proceedings or Disputes. Further, the Bank has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings or Disputes.

21.5 **Waiver of Interest**

(a) Each of the Trustee, the Delegate and the Bank has irrevocably agreed in the Declaration of Trust that if any arbitration is commenced in relation to a Dispute and/or any Proceedings are brought by or on behalf of a party under the Declaration of Trust, it will (i) not claim interest under, or in connection with, such arbitration and/or Proceedings; and (ii) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of such arbitration and/or by a court as a result of such Proceedings.

(b) For the avoidance of doubt, nothing in this Condition 21.5 (*Waiver of Interest*) shall be construed as a waiver of rights in respect of Mudaraba Profit, Final Mudaraba Profit, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit, Periodic Distribution Amounts, Outstanding Payments or profit of any kind howsoever described payable by the Bank or the Trustee pursuant to the Transaction Documents and/ or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

Form of the Certificates

The Certificates will be in registered form and will be issued outside the United States to persons who are not U.S. persons in reliance on Regulation S.

The Certificates will be represented by ownership interests in a global certificate in registered form (the "**Global Certificate**"). The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

Holders

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the "**Registered Holder**"). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the "**Accountholders**") (in which regard any certificate or other document issued by a clearing system as to the aggregate 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 deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder as against the Trustee (and such payment obligations of the Trustee will be discharged by payment to the Registered Holder in respect of each amount so paid), and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions "**Certificateholder**" and "**holder of Certificates**" and related expressions shall be construed accordingly. In addition, Accountholders will not have a direct right to vote in respect of the relevant Certificates. Instead, Accountholders 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.

Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

Payments

Payments of any amount in respect of the Certificate(s) represented by the Global Certificate will, in the absence of any provision to the contrary, be made to, or to the order of, the person shown on the Register as the registered holder of the Global Certificate at the close of business on the record date, which shall be the Clearing System Business Day immediately prior to the due date for payment (where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January). Upon payment of any amount in respect of the Certificates represented by the Global Certificate, the details of such payment shall be entered by the Registrar in the Register.

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

Notices

For so long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders rather than by publication and delivery as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Certificates held by a Certificateholder are represented by the Global Certificate, notices to be given by such Certificateholder may be given (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

Registration of Title

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

Exchange for Definitive Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (i) a Dissolution Event (as defined in the Conditions) has occurred; or (ii) the Certificates represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, and any such clearing system has been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so. If an Exchange Event occurs, any of the Trustee, the Delegate or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar within ten days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Definitive Certificates.

In this Prospectus, "**Definitive Certificate**" means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust.

Written Resolution

While any Global Certificate is registered in the name of any nominee for Euroclear or Clearstream, Luxembourg, then:

(a) approval of a resolution proposed by the Trustee, the Bank or the Delegate (as the case may be) by or on behalf of the holders of not less than 90 per cent. in aggregate face amount of the Certificates then outstanding shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum (as specified in the Declaration of Trust) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders;

(b) where for the purpose of determining whether a Written Resolution (as defined in the Declaration of Trust) has been validly passed, the Trustee, the Bank and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee, the Bank and/or the Delegate, as the case may be, by (a) Accountholders in the clearing system(s) with entitlements to such Global Certificate and/or (b) where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that Accountholder as the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and **provided that**, in each case, the Trustee, the Bank and the Delegate have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prio to the effecting or implementation of such consent or instructions. For the purpose of establishing "**commercially reasonable evidence**" the entitlement to give any such consent or instruction, the Trustee, the Bank and the Delegate shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the Accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Certificates is clearly identified together with the amount of such holding. None of the Trustee, the Bank and/or the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic;

(c) a Written Resolution shall take effect as an Extraordinary Resolution. A Written Resolution shall be binding on all Certificateholders, whether or not they participated in such Written Resolution; and

(d) minutes of all resolutions and proceedings at every meeting shall be made and entered in books to be from time to time provided for that purpose by the Trustee and any such minutes as aforesaid, if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings transacted, shall be conclusive evidence of the matters therein contained and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted thereat to have been duly passed or transacted.

USE OF PROCEEDS

The net proceeds of the issue of the Certificates are expected to amount to U.S.$750,000,000. The proceeds will be paid by the Trustee (as Rab-al-Maal) to the Bank (as Mudareb) as contribution of the Mudaraba Capital pursuant to the terms of the Mudaraba Agreement, in a form which meets or exceeds the requirements of Tier 1 Capital under the Capital Regulations, and will be used by the Bank to support its Tier 1 Capital for the purpose of maintaining its capital adequacy and 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 11 March 2021 under the Companies Act (As Revised) of the Cayman Islands with company registration number MC-365964. 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 11 March 2021.

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:

Name	Principal Occupation
Olena Mykhailenko	Vice President at Maples Fund Services (Middle East) Limited
Linval Stewart	Vice President at MaplesFS Limited

The business address of Olena Mykhailenko is Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Linval Stewart is MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The Trustee's Articles of Association provide that the board of directors of the Trustee will consist of at least one director.

Conflicts

There are no potential conflicts of interest between the duties of the directors of the Trustee to the Trustee and their private interests or other duties.

Secretary

The Trustee's secretary is Maples Secretaries (Cayman) Limited of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Trustee Administrator

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

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

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

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

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

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, should be read in conjunction with and is qualified in its entirety by reference to the Financial Statements (including the related notes thereto) and the other information contained in this Prospectus.

The Financial Statements have been prepared in accordance with IFRS, as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK, and have been jointly audited by EY and Deloitte, in accordance with ISAs as stated in their audit reports included elsewhere in this Prospectus.

Consolidated Statement of Income

	Year ended 31 December		
	2020	**2019**	**2018**
		(KD thousands)	
Financing income	892,883	931,574	862,055
Financing cost and distribution to depositors	(278,661)	(401,319)	(334,786)
Net finance income	**614,222**	**530,255**	**527,269**
Investment (loss)/income	(6,410)	130,249	63,319
Fees and commissions income	73,138	79,129	86,627
Net gain from foreign currencies	69,994	34,061	30,277
Other income	44,652	40,708	38,516
Total operating income	**795,596**	**814,402**	**746,008**
Staff costs	(172,286)	(182,439)	(177,569)
General and administrative expenses	(81,155)	(78,843)	(81,487)
Depreciation and amortisation	(42,596)	(42,989)	(33,404)
Total operating expenses	**(296,037)**	**(304,271)**	**(292,460)**
Net operating income before provisions and impairment	**499,559**	**510,131**	**453,548**
Provisions and impairment	(284,067)	(196,908)	(162,510)
Gains for the year from discontinuing operations	–	–	410
Operating profit before taxation and proposed directors' fees	**215,492**	**313,223**	**291,448**
Taxation	(30,662)	(50,460)	(26,982)
Proposed directors' fees	(608)	(942)	(942)
Profit for the year	**184,222**	**261,821**	**263,524**
Attributable to:			
Shareholders of KFH	148,399	251,023	227,411
Non-controlling interests	35,823	10,798	36,113

Consolidated Statement of Financial Position

	As at 31 December		
	2020	**2019**	**2018**
		(KD thousands)	
Cash and balances with banks and financial institutions	2,490,801	1,910,088	1,381,170
Due from banks	3,364,577	3,645,631	3,443,689
Financing receivables	10,747,536	9,473,752	9,190,235
Investment in sukuk	2,742,100	2,291,953	1,563,361
Trading properties	102,395	107,613	147,639
Investments	192,347	195,003	284,883
Investment in associates and joint ventures	520,784	504,343	499,179
Investment properties	350,838	455,406	489,609
Other assets	728,059	546,782	544,416
Intangible assets and goodwill	32,390	31,329	31,180
Property and equipment	230,487	228,958	194,917
Total assets	**21,502,314**	**19,390,858**	**17,770,278**
Due to banks and financial institutions	2,954,115	2,427,166	2,689,079
Sukuk payables	315,105	319,965	498,588
Depositors' accounts	15,317,335	13,552,645	11,780,310
Other liabilities	814,361	847,707	728,131
Total liabilities	**19,400,916**	**17,147,483**	**15,696,108**
Share capital	767,414	697,649	634,226
Share premium	720,333	720,333	720,333
Proposed issue of bonus shares	76,741	69,765	63,423
Treasury shares	(27,739)	(36,243)	(44,452)
Reserves	323,199	470,908	395,278
	1,859,948	**1,922,412**	**1,768,808**

	As at 31 December		
	2020	2019	2018
		(KD thousands)	
Proposed cash dividends	76,093	137,980	125,097
Total equity attributable to the shareholders of KFH	**1,936,041**	**2,060,392**	**1,893,905**
Non-controlling interests	165,357	182,983	180,265
Total equity	**2,101,398**	**2,243,375**	**2,074,170**
Total liabilities and equity	**21,502,314**	**19,390,858**	**17,770,278**

Selected Ratios

	As at and for the year ended 31 December		
	2020	2019	2018
		(%)	
Performance measures:			
Return on average assets	0.9	1.4	1.5
Return on average equity	7.6	13.0	12.5
Cost to income ratio	37.2	37.4	39.2
Financial ratios:			
Net profit margin	23.2	32.1	35.3
Asset quality ratios:			
Impaired ratio	2.32	2.12	2.28
Provision coverage ratio	216.98	224.15	171.83
Liquidity coverage ratio for banking group only	208.6	202.5	175.2
Financings to total deposits ratio	70.2	69.9	78.0
Other ratios:			
CET 1 capital adequacy ratio	15.77	15.69	15.46
Tier 1 capital adequacy ratio	15.97	16.11	15.91
Total capital adequacy ratio	17.53	17.67	17.47
Financial leverage ratio	8.61	9.54	9.63

See "*Presentation of Financial and Other Information – Alternative Performance Measures*" for a description of the above ratios.

FINANCIAL REVIEW OF KUWAIT FINANCE HOUSE K.S.C.P.

The following information should be read in conjunction with and is qualified in its entirety by reference to the Financial Statements (including the related notes thereto) and the other information contained in this Prospectus.

The Financial Statements have been prepared in accordance with IFRS, as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK, and have been jointly audited by EY and Deloitte, in accordance with ISAs as stated in their audit reports included elsewhere in this Prospectus.

Overview

KFH was established by virtue of Kuwaiti Decree Law No. 72 of 1977 concerning the Licensing of a Kuwaiti Shareholding Company under the name of Kuwait Finance House and was incorporated on 23 March 1977 pursuant to the then applicable Law No. 15 of 1960 concerning the Commercial Companies Law (which has been replaced by Law No. 1 of 2016 (as amended) concerning the Companies Law). KFH was the first Islamic bank established in Kuwait. KFH was listed on Boursa Kuwait in 1984. KFH is registered with the Kuwait Ministry of Commerce, with commercial registration number 26066, is licensed to conduct banking activities and is regulated by the CBK. KFH's registered office is at Abdullah Al-Mubarak Street – Murqab, State of Kuwait with telephone number +965 2244 5050.

KFH is primarily engaged in the provision of banking, investment, real estate, trading and leasing activities in accordance with *Shari'a* principles. KFH principally operates through the following segments:

- *Treasury* – comprising liquidity management, murabaha investments, investments in sukuks, exchange of deposits with banks and financial institutions and international banking relationships;
- *Retail and Private Banking* – comprising of retail consumer banking providing a diversified range of products and services to individuals and additionally, private banking providing a comprehensive range of customised and innovative banking services to high net worth individuals;
- *Corporate Banking* – providing a range of banking services and investment products to corporate customers, including providing commodity and real estate murabaha finance, local leasing, wakala and istisna'a facilities to such customers; and
- *Investment* – managing direct equity and real estate investments, non-banking Group entities, associates and joint ventures.

KFH's Retail and Private Banking and Corporate Banking operations comprise its primary revenue earning activity. For the year ended 31 December 2020, the operating income generated by these segments was 76.1 per cent. of the Group's total operating income (compared to 65.3 per cent. for the year ended 31 December 2019). The operating income generated by the Investment segment was 9.9 per cent. of the Group's total operating income and Treasury segment was 13.9 per cent. of the Group's total operating income for the year ended 31 December 2020 (as compared to 22.4 per cent. and 12.3 per cent. respectively for the year ended 31 December 2019).

KFH operates through its head office in Kuwait and, as at the date of this Prospectus, around 517 other branches worldwide, including in Turkey, the Kingdom of Bahrain, Malaysia and Germany.

As at 31 December 2020, the Group had total assets of KD 21,502.3 million (including financing receivables of KD 10,747.5 million) and depositors' accounts of KD 15,317.3 million. For the year ended 31 December 2020, the Group had a net operating income of KD 499.6 million and net profit attributable to shareholders of KFH of KD 148.4 million.

Significant Factors Affecting Results of Operations

The Group's results of operations are affected by a number of factors, including the factors set out below.

Impact of the COVID-19 pandemic

The geographic expanse and operational nature of the Group's business has meant that the COVID-19 pandemic has had a significant impact. Net profit attributable to shareholders for the year ended 31

December 2020 was KD 148.4 million, a decrease of 40.9 per cent. compared to the year ended 31 December 2019, principally reflecting the impact of the COVID-19 pandemic. The COVID-19 pandemic has affected the Group at all levels, particularly when considering the unpredictability of the spread of the virus as well as government and global responses. The highly integrated nature of the world economy today further exacerbated the speed and degree of spread of COVID-19 and the negative impact on business globally. While governments around the world have taken restrictive measures in an effort to control the outbreak, these measures negatively impacted economic activity and business sentiment. From business shutdowns to curfews and border closures, these measures, along with the change in business sentiment created a severe shock to world economies with global GDP expected to contract by 4.3 per cent. during 2020 (according to data published by the World Bank in January 2021). The impact of the pandemic in the GCC region was even more severe due to the resultant large drop in oil prices and its impact on economic activity and budget deficits. Most GCC countries saw their fiscal positions weakened with large budget deficits projected for 2020 (according to data published by the World Bank).

The Group's business was impacted in most of its locations leading to more challenging operating environments across the Group's network. In Kuwait, the domestic economy was similarly pressured due to long periods of curfews which negatively impacted the Group's operations. In October 2020, the World Bank estimated GDP in Kuwait to contract by around 7.9 per cent. in 2020 due to the restrictive measures implemented in Kuwait. As a result, the Group downgraded certain exposures which had a corresponding increase to the Group's expected credit losses in 2020. The Group similarly increased its impairment provisions for this period. The first COVID-19 case was confirmed in Kuwait on 24 February, followed by a sequence of government decisions that started with business closures on 9 March and escalated to a complete lockdown during the month of May. Kuwait began a gradual opening of the economy in the beginning of June and, as at the date of this Prospectus, Kuwait is in phase four of the five-phased plan to return to some form of normal activity. Since the beginning of the pandemic and curfew measure implementation, the Group worked closely with the Government and the CBK to provide support to the economy in a quick and efficient way and to support its customers in their financial needs. The CBK initiated macro-prudential measures and reduced certain regulatory requirements in an effort to increase the banking sector's resilience and enable it to play a more active role throughout the crisis. These measures included lowering the banking sector's capital and liquidity requirements and dropping the discount rate to historically low levels which ultimately reached 1.5 per cent. The Group also took proactive measures and activated emergency plans during the early stages of the crisis in order to protect its employees and ensure business continuity including strict health and precautionary controls to ensure a safe environment for its staff and customers. Concurrently, the Group sought to leverage the flexibility of its business model, providing support and advice to customers facing financial difficulties and relying heavily on the Group's digital capabilities to maintain the level of service quality and accessibility that customers would expect in normal times. In this context, and without jeopardising the Group's future business plans, the Group initiated cost-optimisation initiatives to reduce the impact of the pandemic on profitability. In co-ordination with the CBK and the Kuwait Banking Association, the Group participated in initiatives aimed at lifting the pressures customers were facing. For example, the Group provided support to certain customers by deferring payments of instalments for a period of six months (including waiver of any resultant additional profits and fees during this period).

The curfew restrictions and slower economic activity, especially during the second quarter of 2020, had a significant adverse impact on the Group's profit for the year. Additionally, the impact of non-oil GDP contraction, lower oil prices and lockdown measures increased the level of uncertainty around cash flows for certain of the Group's customers, which led to a significant increase in provision charges.

The Group, along with other Kuwaiti banks, implemented the consumer and other instalment financing deferral scheme by postponing the instalments falling due within the six months period from 1 April 2020 to 30 September 2020 with a corresponding extension of the facility tenure at no cost to customers. The instalment deferral resulted in a loss arising from the modification of contractual cash-flows as the Group continues to fund the respective amounts for the periods concerned.

As at the date of this Prospectus, the COVID-19 crisis is ongoing. The ultimate scale and economic impact of the crisis remain unknown and due to the nature of governmental restrictions and responses as described above, the future impact of COVID-19 on the Group's operations cannot be ascertained.

Impairment of financing receivables

Impairment of financing receivables is a subjective area due to the level of judgment applied by KFH's management in determining, amongst other provisions:

- the method for identification of impairment events, which differs based upon the type of financing product and customer and accordingly requires judgment on whether a loss has been incurred; and

- appropriate parameters and assumptions for calculating impairment such as the credit assessment of customers that may default, the valuation of collateral for secured financing and the future cash flows of financing receivables granted.

Due to the significance of financing receivables (which represented 50.0 per cent. of the Group's total assets as at 31 December 2020) and the related estimation uncertainty, any inaccuracy in the judgment of KFH's management when determining relevant factors may have a significant impact on the Group's results of operations. For further details, please see Note 2.6 (*Summary of Significant Accounting Policies*) and Note 10 (*Financing Receivables*) to the 2020 Consolidated Financial Statements as well as Note 2.6 (*Summary of Significant Accounting Policies*) and Note 10 (*Financing Receivables*) to the 2019 Consolidated Financial Statements.

Impairment of investments in associates and joint ventures

The Group's investments in associates and joint ventures are accounted for under the equity method of accounting and considered for impairment in case of any indication of impairment. In order to make such determination, KFH's management uses its judgment and estimates to assess impairment. Due to the Group's share of results in the associates and joint ventures and the carrying value of those associates and joint ventures, any inaccuracy in the judgment of KFH's management when determining relevant factors may have a significant impact on the Group's results of operations. For further details, please see Note 2.6 (*Summary of Significant Accounting Policies*), Note 13 (*Investment in Associates*) and Note 14 (*Investment in Joint Ventures*) to the 2020 Consolidated Financial Statements as well as Note 2.6 (*Summary of Significant Accounting Policies*), Note 13 (*Investment in Associates*) and Note 14 (*Investment in Joint Ventures*) to the 2019 Consolidated Financial Statements.

Impairment of investment properties and trading properties

The Group reviews the carrying amounts of its investment and trading properties to determine whether there is an indication that those assets have suffered an impairment loss if the fair values are below than the carrying values. For further details, please see Note 2.6 (*Summary of Significant Accounting Policies*) and Note 15 (*Investment Properties*) to the 2020 Consolidated Financial Statements as well as Note 2.6 (*Summary of Significant Accounting Policies*) and Note 15 (*Investment Properties*) to the 2019 Consolidated Financial Statements.

Other significant accounting policies and judgments

Please see Note 2.6 (*Summary of Significant Accounting Policies*) to the 2020 Consolidated Financial Statements as well as Note 2.6 (*Summary of Significant Accounting Policies*) to the 2019 Consolidated Financial Statements for a discussion of other significant accounting policies, judgments and estimation uncertainty which may have a significant impact on the Group's results of operations.

Results of Operations

Financing income

The Group's financing income decreased by KD 38.7 million, or 4.2 per cent., from KD 931.6 million for the year ended 31 December 2019 to KD 892.9 million for the year ended 31 December 2020. This decrease was primarily attributable to reduction in benchmark rates.

The Group's financing income increased by KD 69.5 million, or 8.1 per cent., from KD 862.1 million for the year ended 31 December 2018 to KD 931.6 million for the year ended 31 December 2019. This increase was primarily attributable to an increase in average yielding assets.

Investment (loss)/income

The Group's investment (loss)/income for the years ended 31 December 2020, 2019 and 2018 is set out below.

	Year ended 31 December		
	2020	2019	2018
		(KD thousands)	
Gain on sale of real estate investments	12,619	17,900	13,963
Rental income from investment properties	8,915	11,179	14,566
Dividend income	2,459	4,845	4,695
(Loss)/gain on sale/liquidation of investments	(6,119)	32,636	4,209
Share of results of investments in associates and joint ventures	(7,063)	22,408	28,192
Others	(17,221)	41,281	(2,306)
	(6,410)	**130,249**	**63,319**

Other income

The Group's other income for the years ended 31 December 2020, 2019 and 2018 is set out below.

	Year ended 31 December		
	2020	2019	2018
		(KD thousands)	
Income from sale of property and equipment	2,596	2,182	8,540
Real estate trading, development and construction income	4,753	4,117	3,781
Income from maintenance, services and consultancy	10,687	13,049	11,491
Rental income from operating lease	6,548	7,997	8,039
Other income	20,068	13,363	6,665
	44,652	**40,708**	**38,516**

Total operating income

The Group's total operating income decreased by KD 18.8 million, or 2.3 per cent., from KD 814.4 million for the year ended 31 December 2019 to KD 795.6 million for the year ended 31 December 2020. This decrease was primarily attributable to a decrease of KD 137.0 million in investment income and a decrease of KD 6.0 million in fees and commissions in 2020 as a result of lower business and investment activities due to lockdowns resulting from the COVID-19 pandemic. This was offset by a KD 84.0 million increase in net financing income and a net gain of KD 35.9 million from foreign currencies.

The Group's total operating income increased by KD 68.4 million, or 9.2 per cent., from KD 746.0 million for the year ended 31 December 2018 to KD 814.4 million for the year ended 31 December 2019. This increase was primarily attributable to an increase of KD 67.0 million in investment income due to higher gain on sale of real estate and equity investments and higher income from Islamic derivative transactions.

Total operating expenses

The Group's total operating expenses decreased by KD 8.2 million, or 2.7 per cent., from KD 304.3 million for the year ended 31 December 2019 to KD 296.0 million for the year ended 31 December 2020. This decrease was primarily attributable to a decrease of KD 10.0 million in staff costs.

The Group's total operating expenses increased by KD 11.8 million, or 4.0 per cent., from KD 292.5 million for the year ended 31 December 2018 to KD 304.3 million for the year ended 31 December 2019. This increase was primarily attributable to an increase in depreciation and amortisation expenses due to depreciation of right of use assets on adoption of IFRS 16 with effect from 1 January 2019.

Provisions and impairment

The Group's provisions and impairments increased by KD 87.2 million, or 44.3 per cent., from KD 196.9 million for the year ended 31 December 2019 to KD 284.1 million for the year ended 31 December 2020. This increase was primarily attributable to the negative impact of the COVID-19 pandemic and a prudent approach towards provisioning.

The Group's provisions and impairments increased by KD 34.4 million, or 21.2 per cent., from KD 162.5 million for the year ended 31 December 2018 to KD 196.9 million for the year ended 31 December 2019. This increase was primarily attributable to an additional provision of KD 60.0 million recorded at the Group level against Kuveyt Türk's financing portfolio (on a conservative basis and in view of the market outlook).

The Group's provisions and impairments for the years ended 31 December 2020, 2019 and 2018 are set out below.

	Year ended 31 December		
	2020	2019	2018
		(KD thousands)	
Expected credit losses for investment in sukuk	28,378	12,583	5,662
Expected credit losses for other financial assets	4,931	3,658	8,344
Impairment on financing receivables(1)	183,667	225,628	87,835
Recovery of written-off debts	(26,010)	(40,455)	(28,082)
Impairment of investment properties(2)	26,512	8,909	71,117
Impairment of investment in associates	30,895	–	–
Impairment of property and equipment	–	1,121	1,141
Impairment (reversal) of non-cash facilities	1,311	(26,459)	(2,875)
Impairment of trading properties	581	134	240
Other provisions and impairments	33,802	11,789	19,128
	284,067	**196,908**	**162,510**

(1) In 2019, the Group recorded additional provision of KD 60.0 million against financing receivables in Kuveyt Türk in view of the management's negative economic outlook.

(2) In 2020, in view of the adverse impact of the COVID-19 pandemic, the Group recorded an impairment of KD 15.0 million against its real estate portfolio. This impairment is in addition to impairment recorded against individual investments which was determined based on valuation obtained for these properties. In addition, in 2018, full impairment against certain real estate investments in the GCC amounting to KD 63.8 million was recorded due to uncertainty in the recoverable amount in view of market outlook.

Taxation

The Group's taxation decreased by KD 19.8 million, or 39.2 per cent., from KD 50.5 million for the year ended 31 December 2019 to KD 30.7 million for the year ended 31 December 2020. This decrease was primarily attributable to a reduction of KD 13.8 million in taxation related to subsidiaries (on account of reversal of a deferred tax asset in 2019 by KFH Malaysia due to a change in tax legislation).

The Group's taxation increased by KD 23.5 million, or 87.0 per cent., from KD 27.0 million for the year ended 31 December 2018 to KD 50.5 million for the year ended 31 December 2019. This increase was primarily attributable to an increase of KD 20.5 million in taxation related to subsidiaries (mainly due to reversal of a deferred tax asset in 2019 by KFH Malaysia due to a change in tax legislation).

The Group's taxation for the years ended 31 December 2020, 2019 and 2018 is set out below.

	Year ended 31 December		
	2020	2019	2018
		(KD thousands)	
Contribution to Kuwait Foundation for the Advancement of Sciences	1,365	2,450	2,210
National Labour Support Tax	2,577	6,485	4,078
Zakat	1,547	2,584	2,223
Taxation related to subsidiaries	25,173	38,941	18,471
	30,662	**50,460**	**26,982**

Profit for the year

For the reasons set out above, the Group's profit for the year decreased by KD 77.6 million, or 29.6 per cent., from KD 261.8 million for the year ended 31 December 2019 to KD 184.2 million for the year ended 31 December 2020.

The Group's profit for the year attributable to shareholders decreased by KD 102.6 million, or 40.9 per cent., from KD 251.0 million for the year ended 31 December 2019 to KD 148.4 million for the year ended 31 December 2020.

For the reasons set out above, the Group's profit for the year decreased by KD 1.7 million, or 0.6 per cent., from KD 263.5 million for the year ended 31 December 2018 to KD 261.8 million for the year ended 31 December 2019.

The Group's profit for the year attributable to shareholders increased by KD 23.6 million, or 10.4 per cent., from KD 227.4 million for the year ended 31 December 2018 to KD 251.0 million for the year ended 31 December 2019.

Financial Condition

Financing receivables

The Group's financing receivables principally comprise murabaha, wakala, leased assets and istisna'a balances (stated net of impairment). The Group's financing receivables comprised 50.0 per cent., 48.9 per cent. and 51.7 per cent., respectively, of the Group's total assets as at 31 December 2020, 2019 and 2018.

The Group's financing receivables increased by KD 1,273.8 million, or 13.4 per cent., from KD 9,473.8 million as at 31 December 2019 to KD 10,747.5 million as at 31 December 2020. This increase was primarily attributable to an increase in murabaha and wakala and leased assets financing in KFH and Kuveyt Türk.

The Group's financing receivables increased by KD 283.5 million, or 3.1 per cent., from KD 9,190.2 million as at 31 December 2018 to KD 9,473.8 million as at 31 December 2019. This increase was primarily attributable to an increase in murabaha and wakala and leased assets financing in KFH, Kuveyt Türk and KFH Bahrain.

The Group's financing receivables as at 31 December 2020, 2019 and 2018 are set out below.

	As at 31 December		
	2020	**2019**	**2018**
		(KD thousands)	
Murabaha and wakala	10,477,176	9,176,889	8,773,431
Leased assets	2,138,729	2,003,959	1,972,101
Istisna'a and other receivables	88,407	90,864	89,306
	12,704,312	**11,271,712**	**10,834,838**
Less: deferred and suspended profit	(1,385,793)	(1,324,815)	(1,270,420)
Net financing receivables	**11,318,519**	**9,946,897**	**9,564,418**
Less: impairment	(570,983)	(473,145)	(374,183)
	10,747,536	**9,473,752**	**9,190,235**

Total assets

The Group's total assets increased by KD 2,111.5 million, or 10.9 per cent., from KD 19,390.9 million as at 31 December 2019 to KD 21,502.3 million as at 31 December 2020. This increase was primarily attributable to an increase of KD 1,273.8 million in the financing receivables, an increase of KD 450.1 million in investment in sukuk and an increase of KD 580.7 million in cash and balances with banks and financial institutions.

The Group's total assets increased by KD 1,620.6 million, or 9.1 per cent., from KD 17,770.3 million as at 31 December 2018 to KD 19,390.9 million as at 31 December 2019. This increase was primarily attributable to an increase of KD 528.9 million in cash and due from banks and an increase of KD 713.0 million in investment in sukuk.

Depositors' accounts

The Group's depositors' accounts comprise non-investment deposits in the form of current accounts and investment deposits in the form of investment savings accounts. Non-investment deposits/current accounts are not entitled to receive any profit and do not bear any risk of loss since the Group guarantees the payment of related balances on demand. Accordingly, from a *Shari'a* perspective, these deposits are considered *qard hassan* from depositors to the Group. On the other hand, investment deposits/investment savings accounts have fixed maturities specified in the contractual terms and are automatically renewable for the same term (unless the depositor notifies the Group to the contrary). Unless such termination notification is received from the depositor, such investment deposits/investment savings accounts are valid for an unlimited period.

In all cases, such investment deposits/investment savings accounts receive a proportion of the Group's profit or bear a share of the Group's loss (as determined by KFH's board of directors (the "**Board**")). The fair values of depositors' accounts do not differ from their carrying book values.

The Group's depositors' accounts increased by KD 1,764.7 million, or 13.0 per cent., from KD 13,552.6 million as at 31 December 2019 to KD 15,317.3 million as at 31 December 2020. This increase was primarily attributable to an increase in depositors' accounts of KFH, Kuveyt Türk and KFH Bahrain, reflecting customers' confidence in the Group.

The Group's depositors' accounts increased by KD 1,772.3 million, or 15.0 per cent., from KD 11,780.3 million as at 31 December 2018 to KD 13,552.6 million as at 31 December 2019. This increase was primarily attributable to an increase in the number of depositors' accounts of all banking subsidiaries of the Group, reflecting customers' confidence in the Group.

The Group's depositors' accounts comprised 79.0 per cent., 79.0 per cent. and 75.1 per cent., respectively, of the Group's total liabilities as at 31 December 2020, 2019 and 2018.

Total liabilities

The Group's total liabilities increased by KD 2,253.4 million, or 13.1 per cent., from KD 17,147.5 million as at 31 December 2019 to KD 19,400.9 million as at 31 December 2020. This increase was primarily attributable to an increase of KD 1,764.7 million in depositors' accounts and an increase of KD 526.9 million in due to banks.

The Group's total liabilities increased by KD 1,451.4 million, or 9.2 per cent., from KD 15,696.1 million as at 31 December 2018 to KD 17,147.5 million as at 31 December 2019. This increase was primarily attributable to an increase of KD 1,772.3 million in depositors' accounts and an increase of KD 119.6 million in other liabilities. This was partially offset by a decrease of KD 261.9 million in due to banks and a decrease of KD 178.6 million in sukuk payables.

Segmental Analysis

KFH principally operates through four business segments: Treasury, Retail and Private Banking, Corporate Banking and Investment. A segmental analysis of certain key income statement and financial position statement line items is set out below.

	As at and for the year ended 31 December 2020				
	Treasury	Retail and Private Banking	Corporate Banking	Investment	Total
			(KD thousands)		
Total assets	7,772,344	6,520,157	5,640,019	1,569,794	21,502,314
Total liabilities	3,692,572	12,270,709	2,980,421	457,214	19,400,916
Operating income	110,855	339,712	265,959	79,070	795,596
Provisions and impairment	(27,821)	(13,768)	(141,887)	(100,591)	(284,067)
Profit/(loss) for the year	68,539	151,227	57,374	(92,918)	184,222

	As at and for the year ended 31 December 2019				
	Treasury	Retail and Private Banking	Corporate Banking	Investment	Total
			(KD thousands)		
Total assets	6,433,023	6,085,972	4,978,542	1,893,321	19,390,858
Total liabilities	2,990,037	10,836,616	2,624,440	696,390	17,147,483
Operating income	100,119	301,044	230,580	182,659	814,402
Provisions and impairment	(1,935)	(15,113)	(78,810)	(101,050)	(196,908)
Profit/(loss) for the year	83,244	114,756	79,610	(15,789)	261,821

	As at and for the year ended 31 December 2018				
	Treasury	Retail and Private Banking	Corporate Banking	Investment	Total
			(KD thousands)		
Total assets	4,963,624	5,813,751	4,931,364	2,061,539	17,770,278
Total liabilities	3,500,725	9,467,206	2,142,414	585,763	15,696,108
Operating income	60,165	296,190	246,740	142,913	746,008
Provisions and impairment	(1,979)	(17,864)	(39,827)	(102,840)	(162,510)
Profit/(loss) for the year	45,608	103,742	140,070	(25,896)	263,524

For a geographical analysis of certain key income statement and financial position statement line items of the Group, please see Note 28 (*Segmental Analysis*) to the 2020 Consolidated Financial Statements as well as Note 28 (*Segmental Analysis*) to the 2019 Consolidated Financial Statements. The key items of segmental geographical analysis can be summarised as follows:

	As at 31 December		
	2020	2019	2018
		(KD thousands)	
Assets:			
Middle East	13,663,791	12,838,248	12,175,300
Europe	6,553,652	5,360,817	4,586,413
Other	1,284,871	1,191,793	1,008,565
	21,502,314	**19,390,858**	**17,770,278**

	Local			International			Total		
	Year ended 31 December								
	2020	2019	2018	2020	2019	2018	2020	2019	2018
				(KD thousands)					
Operating income	336,732	368,953	371,711	458,864	445,449	374,297	795,596	814,402	746,008
Profit for the year	69,472	191,671	162,130	114,750	70,150	101,394	184,222	261,821	263,524

Liquidity and Funding

The table below sets out the principal sources of the Group's liquidity and funding as at 31 December 2020, 2019 and 2018.

	As at 31 December		
	2020	2019	2018
		(KD thousands)	
Cash and cash equivalents	1,669,685	1,153,504	904,655
Due from banks	3,364,577	3,645,631	3,443,689
Due to banks and financial institutions	2,954,115	2,427,166	2,689,079
Depositors' accounts	15,317,335	13,552,645	11,780,310
Total equity attributable to the shareholders of KFH	1,936,041	2,060,392	1,893,905
	25,241,753	**22,839,338**	**20,711,638**

Cash and cash equivalents

The table below sets out the Group's cash and cash equivalents as at 31 December 2020, 2019 and 2018.

	As at 31 December		
	2020	2019	2018
		(KD thousands)	
Cash	222,389	222,319	218,746
Balances with Central Banks	1,761,063	1,043,565	701,407
Balances with banks and financial institutions - current accounts	507,349	644,204	461,017
Cash and balances with banks and financial institutions	**2,490,801**	**1,910,088**	**1,381,170**
Due from bank within three months of contract date	1,681,874	1,366,498	865,624
Less: statutory deposits with Central Banks[(1)]	(821,116)	(756,584)	(476,515)
Cash and cash equivalents	**3,351,559**	**2,520,002**	**1,770,279**

(1) Represent balances that are not available for use in the Group's day-to-day operations.

Due from banks

The table below sets out the Group's due from banks as at 31 December 2020, 2019 and 2018.

	As at 31 December		
	2020	2019	2018
		(KD thousands)	
Due from banks	1,351,362	1,695,201	1,329,215

	As at 31 December		
	2020	2019	2018
		(KD thousands)	
Due from Central Banks	2,013,215	1,950,430	2,114,474
	3,364,577	**3,645,631**	**3,443,689**

The fair values of balances due from banks do not materially differ from their respective carrying values.

Due to banks and financial institutions

The fair values of balances due to banks and financial institutions do not materially differ from their respective carrying values.

Sukuk payables

Sukuk payable comprises trust certificates issued by Kuveyt Türk. As at 31 December 2020, these trust certificates were denominated in U.S. dollars and Turkish lira. The profit rate payable by Kuveyt Türk on these trust certificates ranged from 5.13 per cent. to 9.95 per cent. (for trust certificates were denominated in U.S. dollars) and from 17.00 per cent. to 18.25 per cent. (for trust certificates denominated in Turkish lira). There is no direct recourse to KFH under these trust certificates.

Depositors' accounts

The Group's funding base principally consists of depositors' accounts. As at 31 December 2020, KFH's depositors' accounts (on an unconsolidated basis for KFH only) were 20.9 per cent. of the total deposits in local banks (in both KD and foreign currency) in Kuwait (compared to 18.4 per cent. as at 31 December 2019 and 18.6 per cent. as at 31 December 2018) (see also "*Banking Industry and Regulation in Kuwait – Banking System*"). A significant proportion of the Group's customer deposits are from its retail customers. Although such deposits have varying maturities, in practice these deposits have tended to be stable. As at 31 December 2020 (on an unconsolidated basis for KFH only) the 20 largest depositors of KFH accounted for 12.7 per cent. of the depositors' accounts at that date (compared to 10.9 per cent. as at 31 December 2019 and 15.1 per cent. as at 31 December 2018).

Total equity attributable to shareholders

The Group's total equity attributable to shareholders comprises the share capital, share premium, bonus shares, treasury shares, reserves and any proposed cash dividends. As at 31 December 2020, the Group's total equity attributable to shareholders amounted to KD 1,936.0 million (compared to KD 2,060.4 million at 31 December 2019 and KD 1,893.9 million as at 31 December 2018).

Kuwait legislation as well as KFH's articles of association require the transfer of 10.0 per cent. of the Group's profit for the year attributable to the shareholders before taxation into a non-distributable statutory reserve until such reserve equals 50.0 per cent. of KFH's issued share capital (see Note 21 (*Reserves*) to the 2020 Consolidated Financial Statements).

Other potential funding sources

KFH may also access the international debt capital markets, including through the issuance of Certificates under KFH Sukuk Company SPC Limited's U.S.$3 billion trust certificate issuance programme established in May 2018.

Maturity profile

The table below sets out the maturity profile of the Group's undiscounted liabilities as at 31 December 2020.

	Up to three months	Three to 12 months	After one year	Total
		(KD thousands)		
Due to banks and financial institutions	1,510,245	1,087,767	356,103	2,954,115
Sukuk payables	98,312	120,349	96,444	315,105
Depositors' accounts	11,173,859	717,892	3,425,584	15,317,335

	Up to three months	Three to 12 months	After one year	Total
		(KD thousands)		
Other liabilities	162,916	141,076	510,369	814,361
	12,945,332	**2,067,084**	**4,388,500**	**19,400,916**

Capital Adequacy

The Group manages its regulatory capital and capital adequacy ratios in accordance with the guidelines of the Basel Committee as adopted by the CBK.

The CBK's 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 capital adequacy requirements under Pillar 1 and Pillar 2 by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in Kuwait.

The Basel III minimum requirements for capital are underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. There are also buffer requirements in the form of a capital conservation buffer, a countercyclical capital buffer, and an additional surcharge for banks designated as domestic systemically important.

A key objective of the Group is to maximise shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with externally-imposed capital requirements. The Group's capital management is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value whilst maintaining credit ratings and always meeting minimum regulatory capital adequacy ratio requirements.

The table below sets out the minimum capital requirements and associated levels of regulatory capital expressed as a percentage of risk-weighted assets.

Minimum Capital Requirement[(1)]	**2020**	**2019**	**2018**
Risk-weighted assets[(2)]	13,356,763	13,192,800	12,201,132
Capital required	1,669,595	1,978,920	1,830,170

(1) Includes a Common Equity Tier 1 Capital Conservation buffer of 2.5 per cent. and a Common Equity Tier 1 Domestic Systemically-Important Bank buffer of 2 per cent.

(2) Reflects temporary adjustments/reductions of 2.5 per cent., applicable to and including 31 December 2020.

Effective 31 December 2016, the minimum total capital requirement for the Kuwait banking sector generally was raised to 13 per cent. from 12.5 per cent. The Group, having been designated as a Domestic Systemically-Important Bank (D-SIB), is required to maintain an additional minimum capital of 2 per cent. at all levels. As at the date of this Prospectus and for the years ended 31 December 2020, 2019 and 2018, the countercyclical capital buffer, ranging from 0 per cent. to 2.5 per cent., was not required in the minimum capital requirements and the CBK has not indicated when the countercyclical capital buffer may be required. To the extent such buffer is required, Basel Committee guidelines permit a lead period of 12 months to comply. In addition, in response to the COVID-19 crisis, the CBK temporarily relaxed the Capital Conservation Buffer of 2.5 per cent. in the form of the Common Equity Tier 1 until 30 June 2021. Additionally, pursuant to the CBK's instalment deferral programme (see further "*Financial Review of Kuwait Finance House K.S.C.P. – Significant Factors Affecting Results of Operations – Impact of the COVID-19 pandemic*"), the CBK has allowed, as part of the COVID-19 support measures, the modification loss from the deferral programme to be charged directly to retained earnings rather than being recognised in the consolidated statement of income as required by IFRS 9. Furthermore, for regulatory capital purposes, the modification losses are to be amortised equally against retained earnings over four years starting in

2021. The Group's modification loss on financing receivables in the year ended 31 December 2020 amounted to KD 95.6 million.

With effect from the quarterly reporting period ending 30 September 2019, the CBK has amended certain sections of its Basel III Capital Regulations relating to claims on sovereign and public-sector entities outside Kuwait. In particular, claims on a sovereign outside Kuwait denominated in the local currency will be risk-weighted at 0 per cent. only to the extent the claim represents mandatory liquidity requirements in the jurisdiction concerned, provided the local regulator also allows such treatment and the Group has a local operating presence. All claims on a sovereign beyond the liquidity requirements in its local currency will be risk-weighted based strictly on the relevant credit rating(s) assigned by accredited external credit assessment institutions, and at 100 per cent. if the sovereign is not rated. Claims on public sector enterprises outside Kuwait, will be risk-weighted one grade lower than their sovereign. In the light of such regulatory amendments, the Group has made adjustments to, and refined its capital, business portfolios and plans.

The table below sets out the Group's risk-weighted assets and capital base after considering the impact of dividends distribution as at 31 December 2020, 2019 and 2018.

	As at 31 December		
	2020	**2019**	**2018**
	(KD thousands, except percentage)		
Risk weighted assets	13,356,763	13,192,800	12,201,132
Capital required	1,669,595	1,978,920	1,830,170
Capital available:			
Tier 1 capital	2,133,231	2,124,702	1,941,387
Tier 2 capital	208,266	206,905	190,477
Total capital	**2,341,497**	**2,331,607**	**2,131,864**
Tier 1 capital adequacy ratio	15.97%	16.11%	15.91%
Total capital adequacy ratio	17.53%	17.67%	17.47%

The Group is also subject to a CBK Basel III financial leverage ratio requirement of 3 per cent. The Group's financial leverage ratio was 8.61 per cent. as at 31 December 2020, 9.54 per cent. as at 31 December 2019 and 9.63 per cent. as at 31 December 2018.

Contingencies and Capital Commitments

Credit-related commitments include standby letters of credit and guarantees which are off-balance sheet exposures and are designed to meet the requirements of the Group's customers. Letters of credit, guarantees and acceptances commit the Group to make payments on behalf of customers in the event of a specific act, such as the import of goods, or contingent upon the failure of the customer to perform under the terms of a contract. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The table below sets out the Group's contingent and commitment liabilities as at 31 December 2020, 2019 and 2018.

	As at 31 December		
	2020	**2019**	**2018**
	(KD thousands)		
Acceptances and letters of credit	159,067	140,041	151,421
Letters of guarantees	1,402,288	1,556,923	1,712,382
Contingencies	**1,561,355**	**1,696,964**	**1,863,803**
Capital commitments and others	**306,005**	**356,144**	**294,675**

Related Party Transactions

Certain related parties are depositors and financing facilities customers of the Group in the ordinary course of business. The transactions with these parties are made at arm's length and on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties. For further details of such transactions, please see Note 27 (*Related Party Transactions*) to the 2020 Consolidated Financial Statements and Note 27 (*Related Party Transactions*) to the 2019 Consolidated Financial Statements.

Recent Developments

The following information has been extracted without material adjustment from the 2021 Interim Financial Statements, which are set out elsewhere in this Prospectus (together with the review report thereon). The statements have been presented in KD.

Interim Condensed Consolidated Statement of Income

	Three months ended 31 March	
	2021	**2020**
	(Unaudited)	
	(KD thousands)	
Financing income	224,760	225,623
Financing cost and estimated distribution to depositors	(71,151)	(79,783)
Net financing income	**153,609**	**145,840**
Investment income	3,489	25,961
Fees and commission income	17,750	18,871
Net gain from foreign currencies	19,241	18,166
Other operating income	9,296	11,282
Total operating income	**203,385**	**220,120**
Staff costs	(47,274)	(48,494)
General and administrative expenses	(17,902)	(22,380)
Depreciation and amortisation	(10,603)	(10,182)
Total operating expenses	**(75,779)**	**(81,056)**
Net operating income before provisions and impairment	**127,606**	**139,064**
Provisions and impairment	(56,117)	(74,931)
Operating profit for the period before taxation	**71,489**	**64,133**
Taxation	(10,092)	(11,533)
Profit for the period	**61,397**	**52,600**
Attributable to:		
Shareholders of KFH	50,004	44,275
Non-controlling interests	11,393	8,325

Interim Condensed Consolidated Statement of Financial Position

	As at 31 March 2021	As at 31 December 2020
	(Unaudited)	*(Audited)*
	(KD thousands)	
Cash and balances with banks and financial institutions	3,014,176	2,490,801
Due from banks	2,693,824	3,364,577
Financing receivables	10,869,633	10,747,536
Investment in sukuk	2,716,959	2,742,100
Trading properties	102,087	102,395
Investments	207,023	192,347
Investment in associates and joint ventures	497,860	520,784
Investment properties	352,324	350,838
Other assets	510,361	728,059
Intangible assets and goodwill	32,954	32,390
Property and equipment	221,202	230,487
Total assets	**21,218,403**	**21,502,314**
Due to banks and financial institutions	2,771,471	2,954,115
Sukuk payables	241,139	315,105
Depositors' accounts	15,309,217	15,317,335
Other liabilities	871,217	814,361
Total liabilities	**19,193,044**	**19,400,916**
Share capital	844,155	767,414
Share premium	720,333	720,333
Proposed issue of bonus shares	–	76,741
Treasury shares	(27,739)	(27,739)
Reserves	329,060	323,199
	1,865,809	1,859,948
Proposed cash dividends	–	76,093
Total equity attributable to the shareholders of KFH	**1,865,809**	**1,936,041**

	As at 31 March 2021	As at 31 December 2020
	(Unaudited)	*(Audited)*
	(KD thousands)	
Non-controlling interests	159,550	165,357
Total equity	**2,025,359**	**2,101,398**
Total liabilities and equity	**21,218,403**	**21,502,314**

Results of Operation

The following is the summary of the results of operations for the three months ended 31 March 2021.

Financing income

The Group's financing income decreased by KD 0.9 million, or 0.4 per cent., from KD 225.6 million for the three months ended 31 March 2020 to KD 224.8 million for the three months ended 31 March 2021.

Investment income

The Group's investment income decreased by KD 22.5 million, or 86.6 per cent., from KD 26.0 million for the three months ended 31 March 2020 to KD 3.5 million for the three months ended 31 March 2021. This decrease was primarily attributable to losses on Islamic derivative transactions entered into by Kuveyt Türk.

Total operating income

The Group's total operating income decreased by KD 16.7 million, or 7.6 per cent., from KD 220.1 million for the three months ended 31 March 2020 to KD 203.4 million for the three months ended 31 March 2021. This decrease was primarily attributable to a decrease in the investment income for the period, which was partially offset by an increase in the net financing income due to lower financing costs and estimated distributions to depositors (which, in turn, was due to a decrease in benchmark rates globally and an improvement in current and saving accounts deposits for the period).

Total operating expenses

The Group's total operating expenses decreased by KD 5.3 million, or 6.5 per cent., from KD 81.1 million for the three months ended 31 March 2020 to KD 75.8 million for the three months ended 31 March 2021. This decrease was primarily attributable to a decrease of KD 4.5 million in general and administrative expenses and a decrease of KD 1.2 million in staff costs for the period.

Provisions and impairments

The Group's provisions and impairments decreased by KD 18.8 million, or 25.1 per cent., from KD 74.9 million for the three months ended 31 March 2020 to KD 56.1 million for the three months ended 31 March 2021. This decrease was primarily attributable to a reversal of ECLs for investment in sukuk due to improvements in macro-economic factors and a lower provision charge against financing receivables due to improvements in economic activity.

Profit for the period

Primarily for the reasons set out above, the Group's profit for the period increased by KD 8.8 million, or 16.7 per cent., from KD 52.6 million for the three months ended 31 March 2020 to KD 61.4 million for the three months ended 31 March 2021.

Capital Adequacy

As at 31 March 2021, KFH's:

- Tier 1 capital adequacy ratio was 15.74 per cent. (compared to 15.97 per cent. as at 31 December 2020); and
- total capital adequacy ratio was 16.98 per cent. (compared to 17.53 per cent. as at 31 December 2020).

DESCRIPTION OF KUWAIT FINANCE HOUSE K.S.C.P.

Overview

KFH was established by virtue of Kuwaiti Decree Law No. 72 of 1977 concerning the Licensing of a Kuwaiti Shareholding Company under the name of Kuwait Finance House and was incorporated on 23 March 1977 pursuant to the then applicable Law No. 15 of 1960 concerning the Commercial Companies Law (which has been replaced by Law No. 1 of 2016 (as amended) concerning the Companies Law). KFH was the first Islamic bank established in Kuwait. KFH was listed on Boursa Kuwait in 1984. KFH is registered with the Kuwait Ministry of Commerce, with commercial registration number 26066, is licensed to conduct banking activities and is regulated by the CBK. KFH's registered office is at Abdullah Al-Mubarak Street – Murqab, State of Kuwait with telephone number +965 2244 5050.

KFH is primarily engaged in the provision of banking, investment, real estate, trading and leasing activities in accordance with *Shari'a* principles. KFH principally operates through the following segments:

- *Treasury* – comprising liquidity management, murabaha investments, investments in sukuks, exchange of deposits with banks and financial institutions and international banking relationships;
- *Retail and Private Banking* – comprising of retail consumer banking providing a diversified range of products and services to individuals and additionally, private banking providing a comprehensive range of customised and innovative banking services to high net worth individuals;
- *Corporate Banking* – providing a range of banking services and investment products to corporate customers, including providing commodity and real estate murabaha finance, local leasing, wakala and istisna'a facilities to such customers; and
- *Investment* – managing direct equity and real estate investments, non-banking Group entities, associates and joint ventures.

KFH's Retail and Private Banking and Corporate Banking operations comprise its primary revenue earning activity. For the year ended 31 December 2020, the operating income generated by these segments was 76.1 per cent. of the Group's total operating income (compared to 65.3 per cent. for the year ended 31 December 2019). The operating income generated by the Investment segment was 9.9 per cent. of the Group's total operating income and Treasury segment was 13.9 per cent. of the Group's total operating income for the year ended 31 December 2020 (as compared to 22.4 per cent. and 12.3 per cent. respectively for the year ended 31 December 2019).

KFH operates through its head office in Kuwait and, as at the date of this Prospectus, around 517 other branches worldwide, including in Turkey, the Kingdom of Bahrain, Malaysia and Germany.

As at 31 December 2020, the Group had total assets of KD 21,502.3 million (including financing receivables of KD 10,747.5 million) and depositors' accounts of KD 15,317.3 million. For the year ended 31 December 2020, the Group had a net operating income of KD 499.6 million and net profit attributable to shareholders of KFH of KD 148.4 million.

History

Key milestones in the Group's history are set out below.

Month and Year	***Milestone***
March 1977	KFH established pursuant to Amiri Law Decree No. 72 of 1977
August 1978	KFH commenced banking activities
September 1984	KFH listed on Boursa Kuwait
March 1989	KFH established Kuveyt Türk (as a subsidiary)
March 1999	KFH established KFH Capital (as a subsidiary)
January 2002	KFH established KFH Bahrain (as a subsidiary)
May 2004	KFH registered as an Islamic bank with the CBK
May 2005	KFH established KFH Malaysia (as a subsidiary)
January 2010	KFH established Saudi Kuwait Finance House S.S.C. (as a subsidiary)

Month and Year	***Milestone***
July 2015	KFH established KT Bank AG. as its first branch in Europe (in Manheim city, Germany).

Capital Structure and Shareholders

KFH has been listed on Boursa Kuwait since 29 September 1984. As at 31 December 2020, KFH had the following shareholders which had direct and indirect holdings in excess of 5.0 per cent. of its issued share capital:

Name	**Ownership Form**	**Country**	**Ownership Ratio**
Kuwait Investment Authority	Direct	Kuwait	24.079%
Public Authority for Minors Affairs	Direct	Kuwait	10.484%
Kuwait Public Awqaf Foundation	Direct	Kuwait	7.296%
Public Institution for Social Securities[1]	Indirect	Kuwait	5.54%

(1) Held through a number of entities.

KFH's total market capitalisation as at 31 December 2020 was KD 5,151.5 billion while, as at the same date, its authorised share capital comprised 7,674,138,122 ordinary shares of KD 0.100 (100 fils) each, giving it an authorised share capital of KD 767.4 million.

The annual general assembly meeting of KFH's shareholders held on 22 March 2021 approved an increase of KD 76.7 million in KFH's issued and fully paid share capital by issuing 767,413,812 bonus shares.

As at 31 December 2020, the Group had a total capital adequacy ratio of 17.53 per cent. and a Tier 1 capital adequacy ratio of 15.97 per cent., in each case, calculated in accordance with Basel III methodology as adopted by CBK.

As at 31 December 2020, the Group had a financial leverage ratio of 8.61 per cent. calculated in accordance with CBK regulations.

Strategy

The Group's strategy covers both its domestic market in Kuwait as well as its global presence and its international expansion plans.

Domestically, KFH is one of the leading banks in Kuwait, including the second largest bank by total assets (see further "*Description of Kuwait Finance House K.S.C.P. – Competition and Competitive Strengths*"). In the domestic market, one of KFH's primary objectives is to maintain its leading position in the Kuwait market.

Globally, KFH is focused on developing its market presence and becoming a leading Islamic financial institution globally. In particular, KFH focuses on its strategic expansion through its banking subsidiaries in Turkey, the Kingdom of Bahrain, Malaysia and Germany, and looking to establish itself as a leading global bank for Islamic banking, offering a full portfolio of *Shari'a* compliant banking, financing and investment services across numerous jurisdictions.

From late 2014, KFH has embarked on a revision of its strategy which is now aimed at refocusing the Group on core banking businesses and divesting non-core equity and real estate investments. The Group has substantially delivered on this strategy and has managed to reduce its exposure to non-core investments.

Strategy plan 2020-2024

KFH defines its strategic objectives within a five-year rolling period, and is currently in the implementation cycle for 2020-2024 (inclusive). This allows it to refine its long-term strategy and develop short-term specific strategic and business goals.

KFH has built its strategy for the years 2020-2024 (inclusive) on three broad strategic themes comprising of:

- *growing customer base through upselling and cross-selling* – KFH is the second largest bank in Kuwait in terms of total assets, customer deposits and customer financings, according to the publicly available financial statements of KFH's main domestic competitors (see further "*Description of Kuwait Finance House K.S.C.P. – Competition and Competitive Strengths*"). Furthermore, KFH, through Kuveyt Türk, is currently the largest Islamic bank in Turkey on the basis of assets as well as deposits (according to publicly available financial information for Islamic banks in Turkey). As at and for the financial years ended 31 December 2020 and 2019, as a result of its expanding international footprint, the Group has strong market penetration across a number of geographies in the consumer, private and corporate banking segments. Given this significant advantage of geographic diversification, KFH seeks to grow its existing customer base by leveraging its existing sectoral and geographic experience as well as through upselling (offering customers upgraded features to help them better select higher-end products and increasing their portfolio held with KFH) and cross-product integration across its customer base. One such example is the ability of KFH to support its corporate customers' international operations and transactions through its branches across the world;

- *technology-driven innovation* – KFH believes that keeping pace with technological developments is crucial for the Group's business and, through prudent investments in technological systems, KFH will be able to simplify, automate and expedite processes which, in turn, would result in decreased costs of operation and increased employee performance and assist in increasing the levels of security and ability to managing risks, including cyber-attacks. At the same time, technological innovation on the customer side could help augment the Group's customer experience, as retail, corporate and institutional customers are expecting more technology-driven tools and features by their banking provider. The digitisation of bank products, services and processes with a heavy investment into IT growth and partnership are a key driver for KFH growth over the next three years. The Group is aware of the growing multitude of financial technology ("**fintech**") companies emerging to meet such customer demands and, rather than perceiving this trend as a threat, KFH seeks to be a key partner and a platform for fintech in the region, building new products and services on top of the latest generation IT infrastructure to support its clients' needs. KFH is looking to work with local companies to offer a cutting-edge customer experience to expand its market presence. In 2020, KFH launched a digital service for opening bank accounts online, allowing customers to open bank accounts within minutes and without having to visit a branch. Through KFH's e-branch "KFH-Go", customers can also use e-signatures to open accounts. KFH is also the first bank in the world to introduce a hybrid solution for issuing banking cards digitally, i.e., the customer can request a printed credit or debit card via a self-service kiosk, a customer service representative in a KFH branch can initiate the card printing and the customer can receive the printed card almost instantaneously from the same self-service kiosk. As at the date of this Prospectus, KFH offers this service through 107 kiosks which operate on a 24x7 basis;

- *operational excellence* – a positive customer experience is at the core of the Group's strategic decision-making process. In order to enhance customer satisfaction, the Group seeks to set the benchmark for banking service providers in each market of its operation. KFH recognises that its employees are the key points of interaction with KFH's customers and KFH continues to invest in its employees by providing resources to its staff to develop further their technical and commercial skills (see further "*Management and Employees – Employees*"). KFH is committed to developing its customer relationship management system being a technology to manage all of KFH's relationships and interactions with customers and potential customers helping KFH stay connected to customers, streamlining processes and improving profitability. KFH is also committed to developing its employee performance metrics in order to provide real-time understanding by the Group of customer needs while enabling and encouraging its employees to meet those needs.

KFH's strategy is approved, monitored and reviewed by its Board and executive management (the "**Executive Management**") on the basis of:

- *the business model canvas approach* – this is a strategic management template which describes KFH's or a key business segment's value proposition, infrastructure, customers and finances. This template enables the Board and Executive Management to understand the value creation strengths and opportunities of the current business models and can, therefore, be used to develop short-term, mid-term and long-term strategic goals for KFH's business and/or key business segments. In recent years, KFH has successfully developed a customer-centric culture throughout the organisation through this approach; and

- *the balanced scorecard approach* – this is a strategy performance management tool which allows the Board and Executive Management to identify goals, manage and measure performance and track the implementation of strategic priorities across the Group at various corporate levels (including at a business segment level, department level and individual level). The Group seeks to implement quantitative performance measures wherever feasible. The Group tracks qualitative indicators of performance as well as part of this approach.

Proactive management of the 2020-2024 strategy

KFH utilises a combination of the above approaches by developing high-level strategic goals for the Group and key business segments. These high-level strategic goals are then translated into strategic plans at department level and, at times, at individual level, with implementation being monitored through continuous evaluation of the performance of the relevant department and/or individual.

Retail Banking

KFH seeks to be the leader in customer service and technology innovation for Islamic retail banking via its focus on certain key sub segments (such as the youth segment) as well as its focus on improving its general experience. The retail banking segment's strategic priorities over the next three years are:

- to expand its customer base through advanced customer analytics and market segmentation and thereby delivering a fully integrated financial solution to meet changing customer needs;

- to fully digitise its front office functionality and general touch points (by unifying customer service standards and experiences through integration of all communication channels of KFH) accompanied by the automation of back-end processes for faster turnaround times;

- to re-design its physical branches and processes in order to improve customer experiences while optimising costs; and

- to continue offering market-leading payment, financing and savings products in order to grow current and new customers and financial portfolios.

Private Banking

KFH aims to leverage its strong private banking offering in Kuwait to reach and attract new markets in the GCC region and internationally. Simultaneously, KFH (together with KFH Capital) will continue to provide a value offering to its high net worth customers. The private banking segment's strategic priorities over the next three years are:

- to expand the number of branches and refine service quality by leveraging KFH's existing branch network to acquire new high net worth customers and retain existing high net worth customers;

- to better utilise the Group's international operations to ease cross-border transactions and improve service level quality for customers while sharing best practices across the Group; and

- to increase cross-selling opportunities across the Group, thereby increasing the number of offerings to high net worth customers under the KFH brand.

Corporate Banking

Through better co-ordination across its international operations, the Group seeks to become a key financial partner for its leading corporate customers by offering a broad range of products and facilitating and providing banking services to support the Group's local and international growth. The corporate banking segment's strategic priorities over the next three years are:

- to promote a "one-stop shop" solution for corporate customers where dedicated staff are on hand to cater to KFH's corporate customer requirements. As a result of the customer service value offering as well as through close and periodic interaction with customers, the Group seeks to be the banking choice for corporate customers;

- to continue to explore and expand cross-selling opportunities to corporate customers across the Group's different business lines across its global network; and
- to attract new corporate customers while increasing the total deposited amount via a diversified and improved product base.

Competition and Competitive Strengths

KFH is the second largest bank in Kuwait in terms of total assets, customer deposits and customer financings and advances according to the publicly available financial statements of KFH's main domestic competitors as at and for the financial year ended 31 December 2020 (including the comparative financial information for the year ended 31 December 2019).

The Kuwaiti banking sector and KFH's competitors comprise:

- excluding KFH, four local banks operating according to the provisions of Islamic *Shari'a* (Ahli United Bank, Boubyan Bank, Kuwait International Bank and Warba Bank);
- five local conventional banks (Al Ahli Bank of Kuwait, Burgan Bank, Commercial Bank of Kuwait, Gulf Bank and National Bank of Kuwait);
- one specialised bank (Industrial Bank of Kuwait, which was established by the Government with an emphasis on financing and enhancing industrial development in Kuwait); and
- 12 foreign bank branches (Abu Dhabi Commercial Bank, Al-Rajhi Bank, Bank of Bahrain and Kuwait, Bank Muscat, BNP Paribas, Citibank, Doha Bank, First Abu Dhabi Bank, HSBC, Industrial and Commercial Bank of China Limited, Mashreqbank and Qatar National Bank).

The table below shows rankings for the five largest Kuwaiti banks by total assets, by customer deposits and by customer financings and advances as at 31 December 2020 and 2019.

	As at 31 December	
	2020	**2019**
	(KD million)	
Ranking by total assets(1):		
National Bank of Kuwait	29,717	29,270
KFH	21,502	19,390
Burgan Bank	7,106	7,081
Gulf Bank	6,113	6,245
Al Ahli Bank of Kuwait	4,853	4,883
Ranking by customer deposits (conventional banks)/depositors' accounts (Islamic banks)(2):		
National Bank of Kuwait	17,104	15,930
KFH	15,317	13,552
Burgan Bank	4,091	3,991
Gulf Bank	4,034	3,950
Al Ahli Bank of Kuwait	3,486	3,320
Ranking by customer loans and advances (conventional banks)/financing receivable (Islamic banks)(3):		
National Bank of Kuwait	17,504	16,552
KFH	10,747	9,473
Burgan Bank	4,345	4,284
Gulf Bank	4,117	4,225
Al Ahli Bank of Kuwait	3,117	3,216

Source: 31 December 2020 annual financial statements for each bank.

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

(2) Customer deposits (conventional banks)/depositors' accounts (Islamic banks) are based on consolidated figures and include international customer deposits/depositors' accounts.

(3) Customer loans and advances (conventional banks)/financing receivables (Islamic banks) are based on consolidated figures and include international customer loans and advances/financing receivables.

KFH benefits from the following competitive strengths:

- *strong brand position* – KFH is recognised regionally and globally for its close adherence to Islamic values and high-level of transparency regarding *Shari'a*-compliance of its products and services. KFH is also reputed for developing several innovative products and services. For instance, KFH is the first and, as at the date of this Prospectus, the only bank in Kuwait with female-only branches. The strength of KFH's brand is demonstrated by its continuously growing deposit portfolio. Between 2016 to 2020, the Group's total deposits had a compound annual growth rate of 9.3 per cent.;

- *established track record* – as the first Islamic bank established in Kuwait, KFH has a track record of over 40 years in the Kuwaiti Islamic banking industry. As at 31 December 2020 and 2019, KFH was the second largest bank in Kuwait in terms of total assets, customer deposits and customer financings and advances according to the publicly available financial statements of KFH's main domestic competitors. According to KFH's estimates, as at 31 December 2020, KFH's corporate and retail banking customers comprised approximately around a fifth of the aggregate retail customer base in Kuwait.

  In recognition of this strong presence and market leading position, KFH has received a number of awards in recent years, including:

Award	**Awarded by**	**Year**
Best Sukuk House	EMEA Finance	2020
World's Best Islamic Institution	Global Finance	2020
World's Best Islamic Fund Manager (KFH Capital)	Global Finance	2020
World's Best Islamic Takaful (KFH Takaful)	Global Finance	2020
Best Domestic Bank in Kuwait	Asiamoney	2020
Safest Islamic Bank in the GCC (ranked fifth in the Middle East and 14th in the World's Safest Emerging Market Banks)	Global Finance	2020
Best Islamic Wealth Management Bank – Kuwait	Global Business Outlook	2020
Bank of the Year	The Banker	2020
Middle East Best Islamic Bank	EMEA Finance	2020
Best Islamic Bank (KFH Bahrain)	EMEA Finance	2020
Best Bank – Kuwait	EMEA Finance	2020
Best Islamic Bank – Kuwait	EMEA Finance	2020
Best Bank for Treasury and Cash Management – Kuwait	Global Finance	2020
Best Bank – Kuwait	Euromoney	2020
Best Bank – Kuwait	Euromoney	2019
Kuwait's Best Bank for Asia	Asiamoney	2019

- *large and diverse financing portfolio* – KFH's financing base comprises of a large and diverse portfolio of retail and corporate customers which illustrates its market penetration and has a number of advantages for KFH's business (including reduced credit risk and increased cross-selling opportunities). For instance, KFH's corporate customer base comprises a diversified mix of primary growth industries (such as oil and gas, power, petrochemicals, construction, food, co-operative societies and real estate). Similarly, KFH's retail banking products include financing new and existing cars, fleet services, construction works and materials financing, furniture and house appliances financing and medical care financing;

- *extensive accessibility options* – KFH has a very wide distribution network comprising branches (including female-only branches), automated teller machines/cash deposit machines ("**ATMs**") and extreme teller machines (which provide cash deposit facilities and video links to tellers) ("**XTMs**"), each of which is supported by comprehensive internet and mobile banking options. In addition, KFH has a strong relationship management team with extensive experience through which KFH is able to provide consistent and reliable services to its customers across the retail, private and corporate banking segments (see further "*Description of Kuwait Finance House K.S.C.P – Branches and Other Distribution Channels*");

- *strong credit position* – KFH has a long-term foreign currency issuer default rating of A+ with negative outlook from Fitch and a long-term bank deposits rating of A2 with stable outlook from Moody's. These credit ratings demonstrate KFH's robust capitalisation metrics as well as its healthy funding and liquidity profile (see further "*Selected Financial Information – Selected Ratios*" and "*Financial Review of Kuwait Finance House K.S.C.P – Liquidity and Funding*");

- *strong risk management approach* – risk management is an integral part of the decision-making processes for KFH and, in recent years, KFH has often met and exceeded the expectations of its stakeholders, regulators and rating agencies in this regard by having strong risk management processes and procedures. This, in turn, has resulted in improved asset quality indicators and credit ratings (see further "*Selected Financial Information – Selected Ratios*" and "*Description of Kuwait Finance House K.S.C.P. – Risk Management*");

- *international reach* – with key subsidiaries and significant operations (see further "*Description of Kuwait Finance House K.S.C.P – Subsidiaries, Associates and Joint Ventures*") across Kuwait, Turkey, the Kingdom of Bahrain, Malaysia and Germany, KFH is able to offer international Islamic banking opportunities and financial services to new and existing customers base. Kuveyt Türk is one example of a very successful subsidiary for KFH operating outside the domestic Kuwait market. Among its key strengths, Kuveyt Türk has a competitive advantage among all the participating banks in Turkey given its existing presence in Turkey and has available to it certain retail and private banking channels and products, including some various first to market product launches like gold bullion accounts, syndication murabaha, sukuk or XTMs as compared to its competitors. That capacity to innovate allows Kuveyt Türk to position itself among the top 10 banks in service quality in Turkey; and

- *innovation-based culture* – one of KFH's key competitive strengths is its focus on delivering innovative and customised financial and investment products to fit the changing needs of its customer base. For instance, KFH was one of the first banks in the region to adopt digital banking allowing banking transactions to be performed online with no need to visit a physical branch. KFH has also invested significantly in establishing an advanced analytics centre which enables it to match internal offerings with its customers' needs and expectations while improving cost efficiencies in retail branches. KFH also actively seeks to partner with other companies in order to accelerate its technology adoption and innovation initiatives.

Key Business Activities

The Group's principal activities are focused around the following business segments: (i) Treasury; (ii) Retail and Private Banking; (iii) Corporate Banking; (iv) Investments.

In addition to the above business segments, KFH is involved in certain other financial and investment activities (such as Islamic money markets, sukuk issuances and real estate investments).

A description of KFH's key business activities is set out below.

Treasury

Treasury manages the Group's assets and liabilities and liquidity requirements. In particular, the responsibility to monitor and maintain a positive spread between the Group's assets and liabilities rests with Treasury. It is also responsible for ensuring sufficient liquidity in order to meet the Group's business growth needs while complying with CBK's liquidity ratios. In order to achieve this, Treasury also has some oversight over cross-selling and multichannel distributions to customers in order to diversify long-term stable funding and widen KFH's depositor base.

In addition, Treasury:

- manages the Group's money market books and money market funding positions for the Group's own account,

- manages the Group's foreign exchange business (own account as well on behalf of the Group's customer base); and

- maintains a portfolio of sukuk in order to manage the Group's liquidity position.

Retail and Private Banking

The Retail and Private Banking segment comprises the Group's primary revenue earning activity. This segment offers a full range of *Shari'a*-compliant banking services to customers through the following sub-segments.

Retail Banking

Retail banking offers a wide range of consumer banking products and related services through its integrated distribution network and various Group subsidiaries (including Kuveyt Türk, KFH Bahrain and KFH Malaysia). KFH's retail banking products include savings, current and time-deposit accounts, personal financing solutions and long-term investment products. Customers can also invest for their future education, marriage or retirement needs through a number of investment deposits and have the option to lock their savings in gold (buying and selling through KFH). For a description of retail distribution channels, see further "*Description of Kuwait Finance House K.S.C.P – Branches and Other Distribution Channels*".

Private Banking

Private banking targets high net worth customers, catering to their specific investment and financial needs. With a strong brand presence in markets of growing investor interest (such as Malaysia and Turkey) and supported by extensive in-house expertise in a number of key sectors (in particular, real estate), KFH offers high net worth customers a range of portfolio management services as well as finance and investment products.

KFH's private banking services include a wide range of *Shari'a* compliant investment products to suit its customers' investing requirements across various asset classes, including cash, commodities, fixed income securities and equities. Along with structures developed in-house, KFH also partners with leading investment houses to provide a range of investment choices to its private banking customers (for instance, with varied currencies and maturities, exposures to different markets and capital protection options).

Corporate Banking

KFH offers its corporate customers (including SMEs) a range of banking products and services, including project financings, working capital financings and trade financings. The corporate banking segment also supports its customers' import and export activities by providing letters of credit (by sight as well as on acceptance basis and including murabaha letters of credit and export letters of credit) and letters of guarantee.

KFH's corporate banking customers comprise multinationals, local corporate entities, banks and other financial institutions, as well as governmental and quasi-governmental organisations and entities. As at 31 December 2020, KFH had over 845,900 corporate banking customers within and outside Kuwait and these corporate banking relationships were instrumental in leveraging cross-selling opportunities across other business segments.

Investment

KFH Capital manages the Group's investment portfolio comprising direct equity and real estate investments, investments in subsidiaries and associates, international leasing and dealing in securities (including sukuk) in accordance with the principles of *Shari'a*. In addition, KFH Capital also offers a range of investment banking services to customers (such as sukuk and equity capital markets, mergers and acquisitions and corporate restructuring advice). KFH Capital also offers bespoke brokerage and trading services through its brokerage division (see further "*Description of Kuwait Finance House K.S.C.P – Subsidiaries, Associates and Joint Ventures – KFH Capital*").

Branches and Other Distribution Channels

As at the date of this Prospectus, KFH has a global network of around 517 branches (not including its head office in Kuwait). Of these, around 63 branches were in Kuwait, with the remaining branches being in Turkey, Malaysia, the Kingdom of Bahrain and Germany. A typical KFH branch is headed by a branch manager, staffed by around eight employees and aims to service the needs of KFH's customer base at the relevant location.

Moreover, KFH offers an easy banking experience through its unique digital branch "KFH Go" which offers several banking services through ATMs and XTM that operate on a 24x7 basis. An XTM digital device that resembles an ATM with the capability of connecting to XTM call centre operators allows customers to conclude a number of transactions that would otherwise be conducted at a branch (such as opening add-on accounts, card-less cash withdrawal and deposit, transfer to own accounts or other KFH accounts or other beneficiaries, cheque deposits, instant cheque book printing). XTMs also have the ability to dispense 10 gram gold bars, allowing customers to buy these physically from XTMs without the need to visit a branch. As at the date of this Prospectus, KFH has a global network of approximately 1,535 ATMs and its customers had access to a total shared network of approximately 500 ATMs in Kuwait. As at the date of this Prospectus, KFH has a global network of approximately 98 XTMs (including 10 XTMs in Kuwait).

KFH also has a wide range of distribution channels apart from branches, ATMs and XTMs, including phone banking, internet banking and mobile banking. Phone banking allows customers to access certain account-linked functions (such as checking account balances and transferring funds between certain accounts) via phone and without such customer having to visit a branch. The internet banking platform allows customers to access their accounts securely and reliably, open new accounts, transfer funds between own accounts and other KFH accounts, pay utility and credit card bills, manage cheques and perform SWIFT transfers. KFH's mobile application "KFHOnline", which is available in Arabic and English for iOS and Android devices, also allows users to login and complete banking transactions such as opening accounts, making and tracking bank transfers, viewing PINs for credit and debit cards, transferring money to credit and prepaid cards, reporting lost credit or ATM cards, requesting cheque books, depositing cheques and updating KYC information. In addition, KFHOnline allows customers to obtain a summary of their account balances and deposits, view their financing obligations and investment plans with KFH, open a gold account and trade gold through the app and apply for various KFH financing options. KFHOnline offers a PUSH notification service which displays on smartphones even if the app is not in use at the time.

KFH also operates a call centre on a 24x7 basis which can be accessed by customers to conduct a variety of transactions, including reporting lost or stolen cards, performing account transfers and bill payments and making enquiries and complaints. In 2020, this call centre handled over 2,394,000 calls.

In addition to the above, KFH has a direct sales force in Kuwait located at key locations such as car dealerships, Government ministries as well as KFH branches.

KFH also has a strong relationship management team with extensive experience through which KFH is able to provide consistent and reliable services to its customers across the retail, private and corporate banking segments.

Subsidiaries, Associates and Joint Ventures

As at 31 December 2020, KFH had 16 principal wholly-owned or majority-owned operating subsidiaries (see also Note 18 (*Subsidiaries*) to the 2020 Consolidated Financial Statements). In addition, as at 31 December 2020, KFH had three key associates and three key joint ventures (see also Note 13 (*Investment in Associates*) and Note 14 (*Investment in Joint Ventures*) to the 2020 Consolidated Financial Statements). Of these, KFH considers the following to be its most important subsidiaries, associates and/or joint ventures (as applicable) in terms of their strategic importance, revenues and future growth potential.

Kuveyt Türk Katilim Bankasi A.Ş.

Overview

Kuveyt Türk Katilim Bankasi Anonim Şirketi (which translates to Kuveyt Türk Participation Bank Inc.) is a full service bank operating primarily in Turkey and is a subsidiary of KFH. As at 31 December 2020, KFH held a 62.24 per cent. stake in Kuveyt Türk.

Kuveyt Türk was incorporated in Turkey in 1989 under the name Kuveyt Türk Participation Bank and was subsequently renamed Kuveyt Türk Katilim Bankasi A.Ş. in 2006. It is licensed by the Central Bank of Turkey to operate as a special finance institution. Kuveyt Türk offers a full range of *Shari'a*-compliant banking products to its customers as part of its consumer banking, corporate and investment banking and wealth management services. Kuveyt Türk's business is undertaken in compliance with the principles of interest-free banking, known as participation banking in Turkey. Kuveyt Türk's commercial registration number is 250489. Its registered address is Büyükdere Cad. No. 129, 34394 Esentepe-Sisli, Istanbul and its telephone number is +90 212 354 11 11. As at the date of this Prospectus, Kuveyt Türk is regulated by the BRSA and in accordance with Turkish Banking Law No. 5411, dated 1 November 2005 ("**Banking Law**").

Kuveyt Türk's core business segments are:

- ***Retail Banking***: which principally focuses on handling individual customers' current, saving and investment accounts and providing consumer financings, credit cards facilities and funds transfer facilities. Kuveyt Türk's Retail Banking Group comprises the following sub-segments: (i) the retail segment portfolio which encompasses all individual Turkish customers with deposits or sukuk and investment funds of under TRY 2 million, real estate financings that are less than TRY 1 million in the Istanbul region or TRY 500,000 in the Anatolian region, vehicle financings that are less than TRY 350,000 in all regions and all individual foreign national customers with real estate financings of less than TRY 500,000; and (ii) the private segment portfolio which consists of all individual Turkish customers with deposits or sukuk and investment funds more than TRY 2 million, real estate financings that are more than TRY 1 million in the Istanbul region or TRY 500,000 in the Anatolian region, vehicle financings that are more than TRY 350,000 in all regions and all individual foreign national customers with real estate financings of more than TRY 500,000;

- ***SME Banking***: which focuses on deposit taking (current and participation accounts), the granting of financings, credit facilities and current, saving and investment accounts for institutional customers (SMEs). Kuveyt Türk's SME Banking Group comprises the following sub-segments: (i) the small business segment portfolio which encompasses all businesses that have an annual sales turnover of between TRY 5 million and TRY 50 million and their individual owners; and (ii) the micro segment portfolio which consists of all businesses that have annual sales turnover below TRY 5 million and their individual owners; and

- ***Commercial Banking***: which focuses on granting of financings, other credit facilities and banking services to institutional customers. Kuveyt Türk's Commercial Banking Group comprises the following sub-segments: (i) the commercial segment portfolio which encompasses all businesses that have an annual sales turnover in excess of TRY 50 million and their individual owners excluding customers of corporate branches; and (ii) the corporate segment portfolio which consists of all businesses which are customers of corporate branches.

In addition, Kuveyt Türk's Treasury Group manages Kuveyt Türk's assets and liabilities and liquidity requirements.

As at 31 December 2020, Kuveyt Türk had approximately 5.1 million individual customers, 5,328 private customers, 6,531 corporate customers, 800,203 small business banking clients (comprising both small business and micro business) and 42,597 commercial clients, over 99 per cent. of which originated from Turkey, to which it provided retail, small business, commercial, corporate and international banking services. Kuveyt Türk expanded its branch network in Turkey by opening 17 branches in 2018 and 16 branches in 2019. In 2020, Kuveyt Türk added four new branches, bringing the total number of branches in Turkey to 435. Approximately 41.8 per cent. of Kuveyt Türk's branches are in Istanbul, with the rest spread across Turkey.

In addition to its head office in İstanbul and its branches spread across Turkey, Kuveyt Türk provides banking services to international customers through its wholesale banking branch in the Kingdom of Bahrain and its financial services branches in Frankfurt, Berlin, Mannheim and Cologne in Germany.

Segmental analysis

The following tables set out the segmental analysis of Kuveyt Türk:

	As at and for the year ended 31 December 2020				
	Retail Banking	SME Banking and Commercial Banking	Treasury and International Banking	Unallocated	Total
			(TRY million)		
Total assets	29,925	43,516	72,524	12,232	158,197
Total liabilities and equity	105,236	21,636	16,988	14,337	158,197
Operating income	3,100	8,516	1,235	–	11,022
Net income/(loss) for the year	1,011	5,938	(1,371)	(3,865)	1,713

	As at and for the year ended 31 December 2019				
	Retail Banking	SME Banking and Commercial Banking	Treasury and International Banking	Unallocated	Total
			(TRY million)		
Total assets	19,680	35,203	50,268	3,850	109,002
Total liabilities and equity	73,910	14,083	9,252	11,757	109,002
Operating income	5,290	3,986	1,391	1,159	11,826
Net income/(loss) for the year	3,934	266	(476)	(2,448)	1,276

Strategy

Kuveyt Türk's primary objectives are to be amongst the top 10 banks (in return on average equity) and top five banks (in service quality) in Turkey by 2023 and to have an asset size of over TRY 170,000 million. Kuveyt Türk's strategy to achieve its objectives can be summarised by these headline items:

- growing local customer base through expansion of branch network and alternative distribution channels;
- selective growth focused on value generating and unique products;
- leverage off existing customer base through enhanced product offerings and increasing product diversity and service quality, with a special focus on consumer experience;
- enhancing profitability through operational excellence and digital transformation; and
- strategic investments and international expansion.

In addition to Kuveyt Türk's overall strategy, Kuveyt Türk has also developed specific strategies for each of its core business segments to improve its business and maintain sustainable growth and profitability:

- *Retail Banking* – Kuveyt Türk aims to target young customers, particularly university students and new workforce entrants, as well as female customers. In addition, Kuveyt Türk plans to increase its product range to enhance its customer base and to target its existing high net worth clients and new high net worth individuals by offering *Shari'a*-compliant investment services focused on asset management and financing;
- *SME Business* – Kuveyt Türk focuses on providing banking services for small and medium sized enterprises and companies including all credit-related products and financing products. Operating within an interest-free banking framework, Kuveyt Türk seeks to provide innovative, practical and cost effective financing solutions for the specific requirements of its small and medium-sized business customers; and
- *Commercial Banking* – Kuveyt Türk intends to increase its market share in financing and deposits by enhancing its focus on commercial and mid-sized businesses, in particular by increasing the volume of its project financings made available under leasing facilities and gradually expanding the volume of its commercial property financings. Kuveyt Türk intends to continue developing and

enhancing its asset base and building a more diversified portfolio. In addition, Kuveyt Türk designs and offers business solutions to corporates through dedicated client care teams which enables Kuveyt Türk to provide project based solutions to companies with a view to becoming a long-term strategic partner and bank of choice for such companies.

Further, Kuveyt Türk also aims to consolidate and strengthen the various departments within its international banking business segment by increasing the rate of uptake by its customers for investment services products through cross-selling treasury and investment services to selected retail and corporate banking clients. Kuveyt Türk intends to broaden the scope of its investment services capabilities to allow customers to benefit from its expanding interest-free banking product range (including hedging, foreign exchange operations, fixed income, equity and commodity markets access). In addition, Kuveyt Türk aims to further develop its direct risk management advisory and financial advisory capabilities.

Competition

Although the banking industry in Turkey is highly competitive, Kuveyt Türk's management believes that it is well positioned to compete in this environment due to its expanding branch network, international network and strong customer deposit base and an overall growth in demand for interest-free products and banking services.

Competitive strengths

Kuveyt Türk enjoys a number of key competitive advantages, including the following:

- *committed and strong majority shareholder support* – Kuveyt Türk's majority shareholder, KFH, is one of the world's largest Islamic banks in terms of assets. KFH has over 35 years of experience in providing *Shari'a*-compliant banking services and Kuveyt Türk has been able to leverage this experience when developing and introducing new products to the Turkish market, as well as in adopting best practices within its operations, including practices relating to reporting and risk management systems;

- *growing and attractive interest-free banking market* – market data indicates that the Turkish banking sector has been one of the fastest growing in the MENAT region in terms of volume of financings provided. In addition, market data also indicates that the participation bank segment of the Turkish banking sector is growing at a faster rate than conventional banks in terms of assets, and Kuveyt Türk believes that the participation banking sector has significant growth potential given its current low share of total banking assets in Turkey;

- *strong balance sheet and extensive customer deposit base with well-functioning and diversified funding base* – through the expansion of its branch network, Kuveyt Türk has a strong and diversified deposit base. Kuveyt Türk also has a track record of increasing customer deposits and reducing the costs of deposits and actively endeavours to diversify its funding base through the establishment of international branches;

- *a strong track record in innovation of interest-free products and services* – Kuveyt Türk provides a wide range of innovative and tailor-made products for its customers across all segments, allowing it to best meet the developing needs of its diverse client base;

- *well established strategy for improving service quality and customer oriented business* – Kuveyt Türk continues to emphasise the importance of high quality service and customer satisfaction in all its operations and at all levels in its organisation;

- *flexibility of Kuveyt Türk's operating model* – as a participation bank, Kuveyt Türk benefits from certain advantages with respect to risk management not generally available in conventional banks; and

- *experienced management team with a proven track record* – Kuveyt Türk has a highly experienced management team with a clearly defined, long-term focus on developing Kuveyt Türk's operations and a proven track record in growing Kuveyt Türk's operations and profitability in a competitive banking market.

As at 31 December 2020, Kuveyt Türk's total assets were TRY 158,197.1 million (compared to TRY 109,001.6 million as at 31 December 2019). For the year ended 31 December 2020, Kuveyt Türk's net profit was TRY 1,712.9 million (compared to TRY 1,276.4 million for the year ended 31 December 2019).

As at 31 December 2020 (after inter-Group adjustments and eliminations), Kuveyt Türk contributed 29.5 per cent. to the Group's total assets (compared to 27.7 per cent. as at 31 December 2019). For the year ended 31 December 2020, Kuveyt Türk contributed 40.6 per cent. to the Group's profit to shareholders after taxation (compared to 1.2 per cent. for the year ended 31 December 2019).

The financial information above related to Kuveyt Türk has been extracted from Group's accounting records (after adjustments and eliminations).

KFH Capital

As at 31 December 2020, KFH Capital's total assets were KD 286.0 million (compared to KD 268.9 million as at 31 December 2019). For the year ended 31 December 2020, KFH Capital's loss after taxation was KD 18.0 million (compared to loss after taxation of KD 12.3 million for the year ended 31 December 2019).

KFH Bahrain

As at 31 December 2020, KFH Bahrain was a wholly-owned subsidiary of KFH. KFH Bahrain was incorporated in the Kingdom of Bahrain in 2002 as a closed joint stock company. KFH Bahrain offers a full range of *Shari'a*-compliant banking products and services to its customers. KFH Bahrain is regulated and supervised by the Central Bank of Bahrain and has an Islamic retail banking license.

As at 31 December 2020, KFH Bahrain's total assets were Bahraini dinar 1,756.0 million (compared to Bahraini dinar 1,670.0 million as at 31 December 2019). For the year ended 31 December 2020, KFH Bahrain's profit after taxation was Bahraini dinar 15.2 million (compared to Bahraini dinar 25.0 million for the year ended 31 December 2019).

As at 31 December 2020 (after inter-Group adjustments and eliminations), KFH Bahrain contributed 5.8 per cent. to the Group's total assets (compared to 6.1 per cent. as at 31 December 2019). For the year ended 31 December 2020, KFH Bahrain contributed 8.5 per cent. to the Group's profit to shareholders after taxation (compared to 7.8 per cent. for the year ended 31 December 2019).

KFH Malaysia

As at 31 December 2020, KFH Malaysia was a wholly-owned subsidiary of KFH. KFH Malaysia was incorporated in Malaysia in 2005 and was the first foreign Islamic bank that was granted a licence under the Malaysian Islamic Banking Act of 1983. KFH Malaysia offers a full range of *Shari'a*-compliant banking products to its customers as part of its retail and consumer banking, corporate and investment banking, commercial, treasury and international business services.

As at 31 December 2020, KFH Malaysia's total assets were Malaysian Ringgit 8,582.9 million (compared to Malaysian Ringgit 9,076.5 million as at 31 December 2019). For the year ended 31 December 2020, KFH Malaysia's loss after taxation was Malaysian Ringgit 13.2 million (compared to Malaysian Ringgit 79.0 million for the year ended 31 December 2019).

As at 31 December 2020 (after inter-Group adjustments and eliminations), KFH Malaysia contributed 3.1 per cent. to the Group's total assets (compared to 3.5 per cent. as at 31 December 2019). For the year ended 31 December 2020, KFH Malaysia contributed 2.7 per cent. to the Group's profit to shareholders after taxation (compared to (negative) 3.4 per cent. for the year ended 31 December 2019).

Risk Management

Risk management is an integral part of the decision-making processes for KFH. This is implemented through a governance process that emphasises independent risk assessment, control and monitoring and is directly overseen by the Board and the Executive Management. KFH operates a "three lines of defence" system for managing risk:

- the *first* line of defence recognises that risks are raised by the business units and within their business. In KFH all employees (credit officers, dealers, operations, etc.) are required to ensure the effective management of risks within their organisational responsibilities;

- the *second* line of defence comprises KFH's Risk Management Department ("**GRM**"), which is responsible for ensuring that the Group's risks are managed in accordance within the stated risk parameters; and

- the *third* line of defence is the independent assurance provided by KFH's internal audit function.

Risk governance structure

The Board is ultimately responsible for oversight of risk management and control in KFH and sets the Group's risk parameters. The Board discharges its risk management function with the assistance of the Board's Risk Committee and Audit and Compliance Committee.

At the senior management level, risk management is headed by the GRM and the Internal Audit Department ("**Internal Audit**"). GRM plays a vital role in evaluating risk exposures on an enterprise-wide basis by, for instance, conducting stress tests, monitoring the Group's risk profile and assisting with strategic initiatives to support capital optimisation. Internal Audit, on the other hand, conducts internal audits to test and monitor if the overall system of control effectiveness is working as required within the risk management framework. All Internal Audit findings are reported to the relevant management and governance bodies within the Group. KFH has also appointed an independent Chief Risk Officer and an independent Internal Audit Manager who have direct access to the Risk Committee and Audit and Compliance Committee, respectively.

On a day-to-day basis, the Risk Committee is organised in the following functional lines (with relevant management executives being responsible for the relevant functions): operational risk management, market and liquidity risk management, investment risk management, technology risk management, anti-money laundering and countering financing of terrorism ("**AML/CFT**"), and regulatory compliance and reporting. The AML/CFT and regulatory compliance functions report directly to the Audit and Compliance Committee.

The risk management functions described above operate independently from the business units and the investment risk management function provide rigorous review and challenge for all investment and financing proposals as well as strategic initiatives (such as new products and markets). Market and liquidity risk management also promote better balance sheet management through capital optimisation and work closely with Treasury to mitigate funding and liquidity related risks in respect of the currencies to which the Group has exposure.

A description of the key risks facing KFH is set out below and the relevant applicable risk governance. For further details, see Note 29 (*Risk Management*), Note 30 (*Credit Risk*), Note 31 (*Liquidity Risk*), Note 32 (*Market Risk*) and Note 33 (*Capital Management*) to the 2020 Consolidated Financial Statements.

Group Internal Audit Department

The Group Internal Audit Department is headed by the Group Chief Internal Auditor, who reports functionally to the Board's Audit and Compliance Committee and has unrestricted access to the Chairman of the Board.

KFH has not assigned executive responsibilities to its internal auditors and the Group Internal Audit Department performs its duties and prepares its report independently.

The Group Internal Audit Department assesses whether the Group's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning.

The Group Internal Audit Department applies a risk based audit approach whereby the frequency of the audit is linked with the risk categorisation of the audit entities. A three-year strategic internal audit plan and the annual internal audit plan are reviewed and approved by the Board's Audit and Compliance Committee.

The internal control systems within the Group Internal Audit Department are subject to annual review by an external audit firm; additionally, the Group Internal Audit Department generally conforms with the international internal audit standards of the Institute of Internal Auditors ("**IIA**") based on the result of quality assurance review performed by an external audit firm.

The Group Internal Audit Department is responsible for following-up corrective actions being taken to resolve all observations raised by the Group Internal Audit Department and the external auditors on the internal control systems. The results of the Group Internal Audit Department along with the follow up progress are reported quarterly to the Board's Audit and Compliance Committee.

As per the requirements of the CBK, KFH appoints annually an external audit firm to assess the accounting and other records and internal control systems. The external auditor's opinion is disclosed in the bank's annual report.

Credit risk

As part of its banking operations, KFH provides financing to retail and corporate customers via a number of products (including tawarruq, murabaha, istisna'a and ijara financings). Accordingly, KFH is exposed to credit risk arising from customers' inability or unwillingness to perform their payment obligations towards KFH. Such credit risk may arise from various factors such as the nature of customer activity, changes in market trends or internal failure in following the procedures/policies for granting finance to customers. Default may be complete or partial.

Furthermore, default may also result from non-cash financing products such as a letter of credit (when a customer defaults in paying relevant amounts to the beneficiary which results in KFH having to pay the relevant amounts on such customer's behalf) or a letter of guarantee (when the customer defaults in delivering relevant services to the contract counterparty which results in KFH having to reimburse the contract counterparty for contract costs and any damages). In cases of letters of credit and letters of guarantee issued at the request of its clients, KFH protects itself against calls on such instruments by ordinarily obtaining more than 100 per cent. cash collateral, including the principal amount and certain cash margins to be blocked as against the contingent liabilities under such issued letters of credit or letters of guarantee. When financing specific projects, KFH ordinarily obtains a security interest by way of an authenticated assignment of rights over the project's proceeds to cover the financed amount of such letters of credit or letters of guarantee.

Credit risk may be exacerbated due to large exposures to a small number of individuals or groups or due to concentrations of financing in any particular sector which is (or may become) subject to financial stress.

Credit risk mitigation strategy

Portfolio diversification is the cornerstone of the Group's credit risk mitigation strategy, which is implemented through customer, industry and geographical exposure limit structures.

In accordance with CBK regulations, the Group limits its credit concentration per group of related entities to 15.0 per cent. of its regulatory capital. This does not apply to government and quasi-government entities, agencies and departments in the GCC countries that do not work on a commercial basis or to banks.

The Group also measures its concentration levels across sectors, geographies and products to ensure and enhance its portfolio oversight and diversification.

Credit risk mitigants, such as collateral and guarantees from third parties, are effective mitigating factors within the Group's portfolio and collateral quality is continuously monitored and assessed.

Additional practices used to manage the Group's credit exposures include risk transfer in the form of syndications or risk participation arrangements with other banks.

The main types of collateral accepted by the Group are:

- cash collateral;
- quoted shares and units in collective investment schemes;
- bank guarantees;

- commercial and residential real estate; and
- eligible debt instruments.

In accordance with the Group's credit policies, banks and creditworthy companies and individuals with a high net worth are accepted as guarantor counterparties, subject to credit risk assessment.

Furthermore, in accordance with the CBK Basel III framework, only cash collateral, quoted shares, eligible debt instruments, real estate collaterals under ijara contracts and units in collective investment schemes are recognised as risk mitigants for capital adequacy purposes.

The eligibility of commercial real estate (other than real estate collaterals under ijara contracts) for capital adequacy purposes is being gradually phased-out as part of the CBK Basel III framework. The custody and daily mark-to-market of financial collateral are performed independently of the business units. Except for private residences, real estate collateral is valued on an annual basis. For each of the years ended 31 December 2020 and 2019, a significant portion of the Group's financings, advances and Islamic financing to customers was secured by collateral, primarily comprising of cash, shares and real estate collateral.

The Group is authorised to liquidate the portfolio of collateral at its discretion in the event of any default in the payment of the secured financing. The most liquid collateral (such as cash and listed shares) can then be liquidated within a matter of days and the proceeds applied to discharge the amounts outstanding on the relevant financing.

The collateral enforcement process in Kuwait in respect of real estate involves a number of steps. Given the fact that the relevant debtor and/or guarantor may raise objections at each stage, if enforcement is contested the typical time taken to finalise enforcement proceedings in relation to real estate is between 36 and 48 months and, in difficult cases, up to 60 months.

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

Credit risk governance

KFH's credit risk governance aims at establishing and maintaining a performing financing portfolio that minimises the incidence of customer default. The process of risk management begins with the relationship manager who is responsible for developing an understanding of the customer's financing needs and financial position with a view to ensuring that the customer is not exposed to excessive leverage in its financing activities. In KFH, credit decisions based on an assessment of the customer's ability to service debt. Precautions, such as collateral, are taken as security to mitigate loss in the event of a default by the customer. In order to avoid excessive risk concentrations, KFH's policies and procedures include specific guidelines for maintaining diversified financial portfolios, thus establishing control over certain credit risk concentrations.

With the exception of financing to retail banking customers, applications for new or renewed financing are reviewed independently of KFH's Credit Committee before being submitted to the GRM for assessment and recommendation. The Credit Committee reviews all applications and approves or denies those that fall within its delegated authority. The Chief Risk Officer is a non-voting member in the Credit Committee and provides an independent recommendation. The Chief Risk Officer has the authority to escalate a proposal to the Board if he disagrees with the decision of the Credit Committee. The Board decides on proposals that are not included within the Credit Committee's delegated authorities (or if any proposal is escalated to the Board by the Chief Risk Officer). In addition, a special purpose committee meets on a monthly basis to review the corporate banking customer portfolios and analyse the performance of such portfolios. This committee also reviews customers in default, their collateral coverage ratios, exceptions granted, limits expiry and other similar provisions.

KFH also uses credit mitigation techniques to manage risk concentrations at the relationship and industry levels. For instance, credit facilities are classified as "past due" when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is considered as "past due and impaired" if the profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. "Past due" and "past due and impaired" facilities are managed and monitored as "irregular facilities" and are classified into the following four categories which are then used to guide the provisioning process:

Category	Criteria
Watchlist	Irregular for a period up to 90 days (inclusive)
Substandard	Irregular for a period between 91 and 180 days (inclusive)
Doubtful	Irregular for a period between 181 days and 365 days (inclusive)
Bad	Irregular for a period exceeding 365 days

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

Further, KFH ensures the diversification of exposures according to standard portfolios, business sectors and geographical distributions borders in addition to continuous evaluation of risk mitigation methods against finance obligations and credit limits of the customer as per KFH's analysis of the customer's financial position.

Eligible collaterals and guarantees are calculated as per the CBK's instructions. Netting is applied for exchange of deposits with banks and financial institutions. Standard supervisory haircuts are applied on the eligible collaterals according to the CBK's regulations.

Market risk

Market risk is the risk that the value of an asset or liability will fluctuate as a result of changes in market prices or as a result of fluctuations in the prices of commodities, sukuk, share and/or real estate. KFH's market risk exposure arises from fluctuations in foreign exchange rates which affect its banking and investment portfolio. The profit rate risks that KFH is exposed to are limited as all Islamic financing and investment transactions are interest free and all Islamic finance contracts (comprising mudaraba and musharaka transactions) are based on profit and loss sharing. Moreover, other Islamic finance transactions are related to real economic transactions such as purchase and sale of merchandise through murabaha, istisna'a, ijara or salaam transactions.

Market risk governance

Treasury manages foreign exchange risk and commodity risk arising from its activities. Treasury also manages sukuk exposure risk. Equity price risk is managed through KFH Capital. The quantum of the exposures is measured and monitored by GRM and overseen by KFH's Assets and Liabilities Management Committee ("**ALCO**"). The ALCO functions under the supervision of the Risk Committee of the Board. Real estate price risk arising from collateral pledged for financing facilities is managed by active monitoring of collateral values and topping up the collateral where the coverage of the debt is no longer acceptable.

Liquidity risk

Liquidity risk is the risk arising from KFH's inability to meet its obligations when due as a result of unavailability of funds at an economically viable price. Liquidity risk may arise from unexpected withdrawals of deposits or an inability to sell assets in the market due to absence of buyers.

Liquidity risk governance

KFH has a liquidity risk management framework which sets out specific responsibilities of internal departments (such as Treasury and GRM) in relation to measuring, monitoring and assessing KFH's funding requirements in the short-term and medium-term under normal operating and stressed conditions in order to ensure the availability of sufficient liquidity to meet its commitments (both expected and unexpected). Furthermore, KFH is in compliance with the Basel III regulatory requirements as implemented by the CBK. KFH also has a contingency funding plan in case of indications of a future liquidity shortfall (based on triggers specified in the liquidity risk management framework).

KFH's liquidity risk management framework is monitored, maintained and updated by the ALCO (overseen by the Board Risk Committee).

Operational risk

Sources of risk

KFH is exposed to the risk of loss as a result of inadequate or failed internal processes, people and systems or from external events, including legal risk.

Operational risk could be broken down as follows:

- *operational risk* – risk of losses resulting from execution, delivery and process management, damage to physical assets, violation of employment practices and workplace safety regulations and products or business practices;

- *legal and compliance risk* – risk of incurring losses due to violations of or ambiguous practices regarding laws, rules, regulations, policies procedures, contractual obligations or ethical standards or failures in regulatory compliance leading to fines or intensive scrutiny;

- *technology risk* – risk of losses or service disruptions arising from the failure of information technology, *e.g.* system defects, faults, or incompleteness in computer operations, in addition to illegal or unauthorised use of computer systems that may lead to an adverse impact on the confidentiality, availability and integrity of the systems and data;

- *theft and fraud risk* – risk of losses due to theft or internal fraud, *e.g.* fraud by employees, and external fraud, *e.g.* third-party theft and forgery; and

- *Shari'a risk* – risk of losses resulting from failure to comply with *Shari'a* requirements.

Governance and organisation

Since operational risks arise from a multitude of factors, the Group's primary focus of operational risk management is on developing awareness of internal control weaknesses, strengthening such controls and installing additional risk mitigation where required.

Operational risk management is primarily the responsibility of all employees and business management. Each department head has responsibility for maintaining oversight over operational risk and internal control, covering all processes for which they are responsible.

Other committees and departments in the organisation which are responsible for the governance of operational risk management are as follows:

- *Board Risk Committee* – the committee is ultimately responsible for ensuring effective operational risk management. It sets the operational risk appetite for the bank and approves the major policies for managing operational risk. The Board also oversees the risk profile of KFH;

- *Risk Management Department* – the department primarily assists the management in discharging its responsibility to oversee operational risk within their departments. It is also responsible for maintaining the operational risk management framework, monitoring the level of operational losses and the effectiveness of the control environment, and operational risk reporting; and

- *Internal Audit* – the department provides the Board and senior management with an independent assurance process for operational risk controls across the organisation.

Methods and processes

The objective of the Group's operational risk management framework is to manage and control operational risks in a cost-effective manner within targeted levels of operational risk consistent with the approved risk appetite.

KFH is implementing the Risk Control Self-Assessment ("**RCSA**") process which entails defining business objectives and the respective key risks, mapping control activities to the risks, assigning control activities to employees, owners, assessing the effectiveness of controls and the residual risks and developing risk mitigation action plans intended to reduce risks.

KFH has also defined a number of operational key risk indicators which are measured and monitored for key business activities (see further "*Description of Kuwait Finance House K.S.C.P. – Key Business Activities*").

KFH also systematically captures risk event data from its businesses and functional departments through the loss data management system and collection workflow.

In terms of business continuity management, KFH has in place a committee monitoring the implementation of its business continuity plan. To date, a complete business impact analysis has been developed and signed-off.

KFH has adopted the basic indicator approach under Pillar 2 to measure the capital required for operational risk.

Reputation risk

KFH defines reputation risk as risks arising from negative perception of KFH or any member of the Group by customers or other parties, such as shareholders, investors, employees or regulators that could adversely affect KFH's ability to maintain current relationships or establish new relationships. In addition, given the Islamic nature of KFH's activities, KFH is also exposed to the risk of reputation arising from non-adherence to *Shari'a*, which may lead to loss of customers. Reputation risk may arise from a failure on the part of KFH to perform as expected by its relevant stakeholders. As such this risk is mitigated through monitoring and managing KFH's primary operational processes.

Strategic risk

KFH defines strategic risks as risks arising from changes in market conditions and the results of decisions of business units and strategies of competitors or inappropriate responses to market developments, which may lead to KFH losing out on profitable investment opportunities. In addition, strategic risks also arise from failure to properly implement KFH's strategic plan or from incorrect execution of the plan's objectives. KFH's strategic plan was put in place with the full involvement of the Board and senior management and is managed pro-actively. Any deviations from this plan are raised with senior management in order to take the necessary actions to achieve the stated objectives.

Information Technology and Data Security

To assist with KFH's digital innovation strategy (see further "*Description of Kuwait Finance House K.S.C.P. – Strategy – Plan 2020-2024 – Technology-driven innovation*"), KFH's information technology ("**IT**") department continuously assembles necessary technology components to support KFH's digital transformation aspirations as well as to create a sustainable foundation allowing such transformation to be implemented at scale and at an ever-increasing pace. KFH's IT strategy is centred on utilising enterprise solutions that offer seamless and consistent experience, promote customer centricity and address fragmentation issues.

KFH is also committed to using IT advancements as a means of contributing to inter-Group synergies through a variety of initiatives that allow KFH to standardise applications, optimise costs and achieve high levels of data quality, speed and security. For instance, a majority of KFH's recently launched products and services are technology-based, reflecting the Group's move towards digital transformation. Such products and services include ripple cross-border remittance based on block chain technology, "Digital Wallet", customer service chatbots, digital customer on-boarding, XTMs and recognition of e-signatures for account openings.

KFH recently completed the construction of a state-of-the-art tier 3 data centre and also has an offsite IT operations centre as well as a disaster recovery site that can be activated when required. These facilities ensure that all critical systems are fully operational at all times in order to provide essential services to its customers. KFH carries out periodic data back-ups which are stored in the main data centre and replicated online (in real time) to the disaster recovery centre. Additionally, KFH provides real time back-ups of all critical systems and data to an international location in compliance with CBK instructions. KFH also carries out various security assessments using external agencies and has adopted the latest technologies to assist in mitigating cyber threats.

Islamic Insurance

KFH maintains various Islamic insurance policies and coverage. These include standard property insurance coverage for its assets (premises and contents) within and outside Kuwait, staff private medical insurance coverage and professional indemnity insurance coverage. KFH also maintains a banker's blanket insurance policy. The Group's assets are generally insured on a reinstatement cost basis. KFH's aim is to maintain market standard insurance coverage.

Litigation

Litigation commenced against banks is a reasonably common occurrence in the banking industry due to the nature of the business undertaken. KFH has formal controls and policies for managing legal claims. Advice is obtained from KFH's internal legal team as well as external legal counsel in the relevant jurisdiction and an early case assessment is completed. This assessment includes a reasonable estimate of the potential amount of loss (if any) and KFH makes adjustments to account for any adverse effects which the claims may have on its financial standing. There are, and have been, no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which KFH is aware) during the 12 months preceding the date of this Prospectus that may have, or have had, significant effects on the Group's financial position or profitability.

MANAGEMENT AND EMPLOYEES

Corporate Governance Framework

KFH has developed a corporate governance framework which is based on international best practice and the CBK's "Rules and Standards of Corporate Governance" which were issued during September 2019.

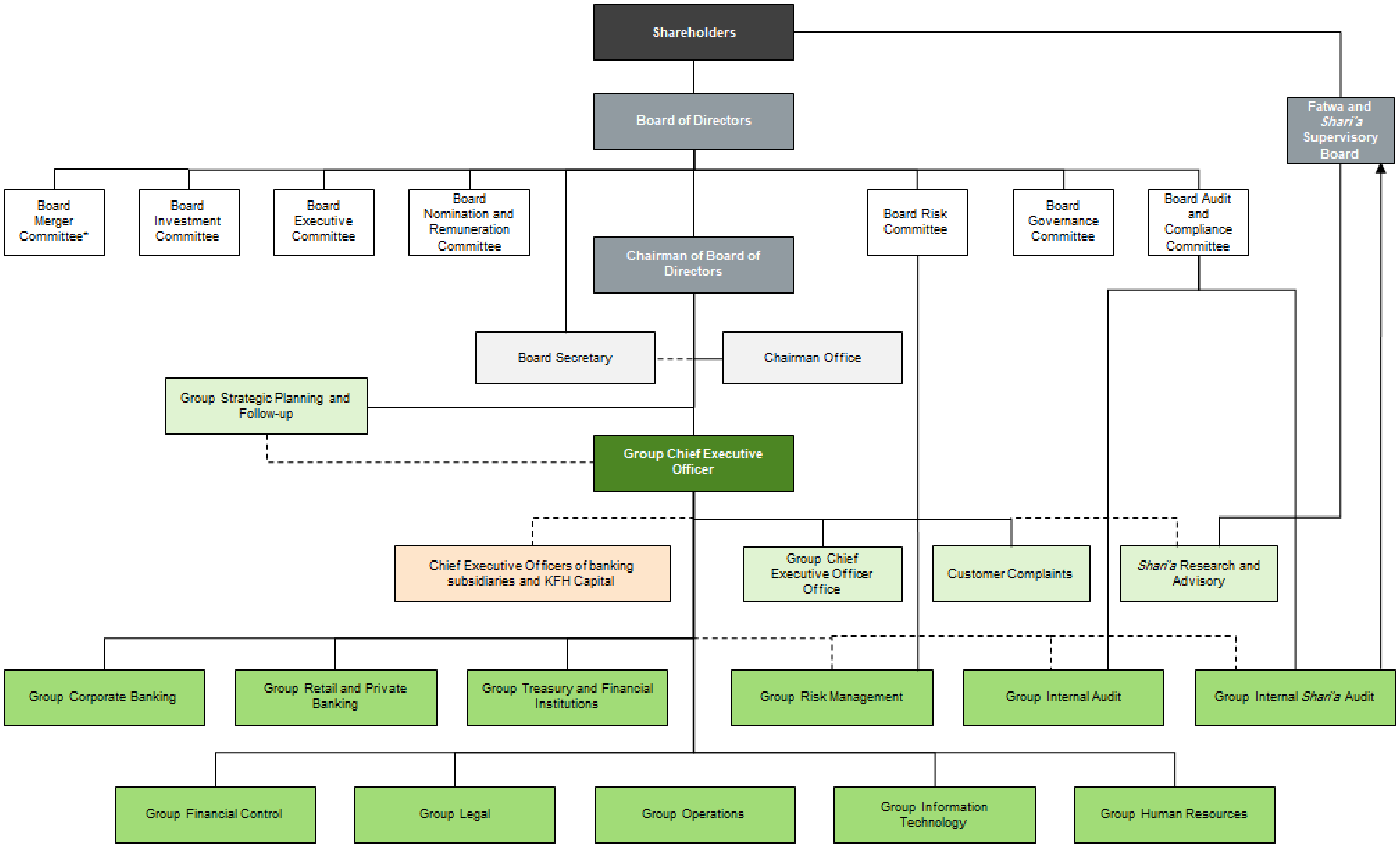
The Board has the overall responsibility for adequate corporate governance across KFH and ensuring that governance policies and mechanisms appropriate to the structure, business and risks of KFH are in place. To assist with its supervision of KFH's corporate governance framework, the Board has also established the Governance Committee (see further "*Management and Employees – Board Committees – Governance Committee*"). The Board, together with the Governance Committee, evaluates such policies annually in order to align these with the growth, complexity and geographic expansion of KFH. KFH's corporate governance framework is documented in a corporate governance manual maintained by the Governance Committee. The corporate governance report is included in KFH's annual reports.

Whilst the Board takes responsibility for providing the requisite guidance and leadership to KFH, the Executive Management is responsible for preparing and implementing the strategies and policies approved by the Board. The Executive Management therefore ensures that the corporate governance framework is implemented through appropriate procedures.

In addition, KFH also has a Fatwa and *Shari'a* Supervisory Board to ensure that KFH's operations are in compliance with *Shari'a* rules and regulations.

Organisation Structure

The following chart summarises the principal features of the organisational structure within KFH:


Shareholders
Board of Directors
Fatwa and *Shari'a* Supervisory Board
Board Merger Committee*
Board Investment Committee
Board Executive Committee
Board Nomination and Remuneration Committee
Board Risk Committee
Board Governance Committee
Board Audit and Compliance Committee
Chairman of Board of Directors
Board Secretary
Chairman Office
Group Strategic Planning and Follow-up
Group Chief Executive Officer
Chief Executive Officers of banking subsidiaries and KFH Capital
Group Chief Executive Officer Office
Customer Complaints
Shari'a Research and Advisory
Group Corporate Banking
Group Retail and Private Banking
Group Treasury and Financial Institutions
Group Risk Management
Group Internal Audit
Group Internal *Shari'a* Audit
Group Financial Control
Group Legal
Group Operations
Group Information Technology
Group Human Resources

* As at the date of this Prospectus, the Board Merger Committee is suspended.

Board

KFH operates under the direction of the Board, which is the principal decision-making forum with overall responsibility for the development of KFH's strategic goals, risk strategy and sound governance principles and for monitoring performance of KFH's businesses and the Executive Management. As at the date of this Prospectus, the Board comprises 12 members. Each member of the Board is elected at a shareholders' general assembly meeting for a period of three years. All elected directors seeking to serve an additional term are required to seek re-election by the shareholders every three years.

In line with CBK requirements, the Board convenes at least once each quarter. The Board convened 22 times in 2020.

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

Name	*Position*	*Year of Appointment*
Mr. Hamad Abdul Mohsen Al Marzouq	Chairman	March 2014
Mr. Abdul Aziz Yacoub Alnafisi	Vice-Chairman	March 2014
Mr. Fahd Ali AlGhanim	Board Member	March 2014
Mr. Muad Saud Al Osaimi	Board Member	March 2014
Mr. Khaled Salem Al Nisf	Board Member	March 2014
Mr. Noorur Rahman Abid	Board Member	March 2014
Mr. Motlaq Mubarak Al-Sanei	Board Member	March 2017
Mr. Salah Abdulaziz Al-Muraikhi	Board Member	May 2018
Ms. Hanan Yousif Ali Yousif	Board Member	July 2019
Mr. Mohammed Nasser Al Fouzan	Board Member	September 2020
Mr. Hamad Abdullateef Al Barjas	Board Member	September 2020
Mr. Ahmed Meshari Al Faris	Board Member	September 2020

The business address of each member of the Board is Kuwait Finance House K.S.C.P., P.O. Box 24989, Safat 13110, State of Kuwait.

Brief biographies

Detailed below is brief biographical information about each member of the Board as at the date of this Prospectus.

Mr. Hamad Abdul Mohsen Al Marzouq – Chairman

Mr. Al Marzouq has been a member of the Board since March 2014 and was appointed as the Chairman of the Board in March 2014. He is also the Chairman of the Executive Committee and the Chairman of the Governance Committee (see further "*Management and Employees – Board Committees*").

Mr. Al Marzouq has over 30 years' experience in banking and finance sectors within and outside Kuwait. As at the date of this Prospectus, he is a board member of the Kuwait Banking Association (which position he has held since 2002, including as Chairman of the Kuwait Banking Association from 2010 to 2016). Previously, Mr. Al Marzouq was the Vice-Chairman of Ahli United Bank United Kingdom (1998 until 2014), the Vice-Chairman of Ahli United Bank Bahrain (2000 until 2014), a board member of Kuwait and Middle East Financial Investment Company (2002 until 2010) (where he also served as the Chairman and the Vice-Chairman), the Chairman and Managing Director of Ahli United Bank Kuwait (2002 until 2014), a board member of the Union of Arab Banks (2003 until 2010), a board member of the Kuwait Institute of Banking Studies (2003 until 2014), a member of the board of trustees of the Arab Academy for Financial and Banking Sciences (2004 until 2009), the Vice-Chairman of Ahli Bank Qatar (2004 until 2013), the Vice-Chairman of Ahli United Bank Egypt (2006 until 2014), the Vice-Chairman of Commercial Bank of Iraq (2006 until 2014), the Vice-Chairman of Ahli United Bank Oman (2007 until 2014), a board member of the Public Authority for Applied Education and Training (2007 until 2016) and the Vice-Chairman of Middle East Financial Investment Company (2009 until 2013). He has also previously held key positions at the CBK (including as the Manager of the Financial Control Department (1996 until 1998)).

Mr. Al Marzouq holds a Master's Degree in International Finance and Business Management from Claremont Graduate University, United States (1987) and a Bachelor's Degree in Industrial Systems Engineering from University of Southern California, United States (1985).

Mr. Abdul Aziz Yacoub Alnafisi – Vice-Chairman

Mr. Alnafisi has been a member of the Board since March 2014 and was appointed as the Vice-Chairman of the Board in March 2014.

Mr. Alnafisi has considerable experience within and outside Kuwait in the banking and finance, real estate and telecommunication sectors. As at the date of this Prospectus, he is the General Manager of Abdul Aziz Alnafisi General Trading Company. Previously, Mr. Alnafisi was the Deputy General Manager of Yacoub Alnafisi General Trading and Contracting Establishment (1984 until 1990), the Chairman of KFIC Brokerage Company (1989 until 1992) (where was also the Managing Director from 1989 until 1990), a board member of Kuwait Investment Projects Company (1993 until 1996), the Chief Executive Officer of Alnafisi National Real Estate Group (1996 until 2010), the Chairman of Al Madar Finance and Investment Company (1998 until 2004), a board member of Wethaq Takaful Insurance Company (2000 until 2004), the Chairman of Mada Communication Company (2001 until 2011) and a board member of the Zain Group (2005 until 2017) (where he was also the Vice-Chairman for a number of years until 2013) as well as a board member of various Zain Group entities in the MENAT region (including Zain Saudi Arabia, Zain Iran, Zain Jordan, Zain Sudan and Celtel).

Mr. Alnafisi holds a Bachelor's Degree in Economics from Whittier College, United States (1977).

Mr. Fahd Ali AlGhanim – Board Member

Mr. AlGhanim has been a member of the Board since March 2014. He is also the Chairman of the Investment Committee (see further "*Management and Employees – Board Committees*").

As at the date of this Prospectus, he is a board member of Kuwait Building Materials Manufacturing Company, a board member of Kuwait Sports Club (where he is also the Treasurer), the Chief Executive Officer of Ali Mohammed Thunayan AlGhanim and Sons Automotive Group of Companies, the Chairman of Aayan Leasing and Investment Company and the Vice-Chairman of AlAhlia Heavy Vehicles Selling and Import Company. Previously, Mr. AlGhanim was the Chairman and Chief Executive Officer of AlAhlia Heavy Vehicles Selling and Import Company (2005 until 2011), the Chairman of the Restructuring Committee of Aayan Leasing and Investment Company (2010 until 2011) and a board member of the Representatives Board of the World Agents of Mclaren Motors Company (representatives of the Middle East) (2010 until 2015).

Mr. AlGhanim holds a Bachelor's Degree in Civil Engineering from Kuwait University, Kuwait (2002) and is a member of Kuwait Society of Engineers.

Mr. Muad Saud Al Osaimi – Board Member

Mr. Al Osaimi has been a member of the Board since March 2014.

As at the date of this Prospectus, he is the Chairman of KFH Malaysia and the Chief Executive Officer of Faiha International Real Estate Company. Previously, Mr. Al Osaimi was the Deputy General Manager of Global Retail Company (2003 until 2020), a board member of Kuwait Gate Holding Company (2004 until 2014), a board member of Al Raya International Holding Company (2005 until 2009) and Al Raya International Holding Company of Kuwait Financial Centre Company (2008 until 2011).

Mr. Al Osaimi holds a Bachelor's Degree in Finance from George Mason University, United States (2001).

Mr. Khaled Salem Al Nisf – Board Member

Mr. Al Nisf has been a member of the Board since March 2014.

As at the date of this Prospectus, he is a board member of Kuwaiti Digital Computer Company, the Chief Executive Officer of Mohamed Bin Yusuf Al Nisf & Partners Company, the Chief Executive Officer of Trading and Industrial Equipment Company, a board member of Al-Shamiya Holding Company and a board member of Al Tadamon Al Kuwaitiya Holding Company (where he also serves as the Chief

Executive Officer). Previously, Mr. Al Nisf was the Deputy Chairman of Kuwaiti Digital Computer Company (2016 until 2019) and held a number of executive positions in the Al Nisf Group (including as the Chairman of the Executive Board and the Administration Manager).

Mr. Al Nisf holds a Bachelor's Degree in Finance from Kuwait University, Kuwait (1995).

Mr. Noorur Rahman Abid – Board Member

Mr. Abid has been a member of the Board since March 2014. He is also the Chairman of the Audit and Compliance Committee and the Chairman of the Nomination and Remuneration Committee (see further "*Management and Employees – Board Committees*").

Mr. Abid has over 40 years' experience in the banking and finance sectors. As at the date of this Prospectus, he is a board member of Meezan Bank (where he is also the Chairman of the Audit Committee and the Chairman of the Board Human Resources Committee), a board member of Arcapita Company (where he is also the Chairman of the Audit Committee), a board member of Dr. Soliman Fakeeh Hospital in Jeddah (where he is also the Chairman of the Audit Committee) and a member of the board of trustees of the Accounting and Auditing Organisation for Islamic Financial Institutions ("**AAOIFI**"). Previously, Mr. Abid was the Chairman of the Accounting Standards Committee of AAOIFI, the Vice-Chairman of the Accounting and Auditing Standards Board of AAOIFI and the Assurance Leader for Ernst & Young Middle East and North Africa. In 2012, Mr. Abid received the World Islamic Banking Conference Industry Leadership Award in recognition of his contribution to the Islamic banking industry.

Mr. Abid is a Fellow Chartered Accountant from the Institute of Chartered Accountants in England and Wales (since 1976).

Mr. Motlaq Mubarak Al-Sanei – Board Member

Mr. Al-Sanei has been a member of the Board since March 2017 as a representative of the Kuwait Investment Authority (which is one of the largest shareholders of KFH, see further "*Description of Kuwait Finance House K.S.C.P. – Capital Structure and Shareholders*").

Previously, Mr. Al-Sanei was the General Manager of the Kuwaiti Real Estate Investment Group Office in Tunisia (until 2000), a board member of Arab Authority for Investment and Agricultural Development in Sudan (2011 until 2008), the Chairman of Tunisian Kuwaiti Bank (2001 until 2011), the Chairman of Kuwait Small Projects Development Company (2005 until 2011), a board member of Arab Investment Company in the Kingdom of Saudi Arabia (2008 until 2015), a board member of Kuwait Airways Company (2011), a board member of Bank of Bahrain and Kuwait (2011 until 2017) and a board member of Tri International Consulting Group (2014 until 2016). He was also previously the Chairman and General Manager of the Kuwaiti Tunisian Development Group and a board member of Kuwaiti United Company in Syria. Mr. Al-Sanei also served as the Director General of Kuwait Authority for Partnership Projects, headed the privatisation committee of Kuwait Airways Company (in 2010) and was a member of the privatisation committee of Kuwait Stock Exchange (in 2011). He also headed the founding committee of Warba Bank and was a member of the founding committee of Media City Company (in 2008). He was a member of the Kuwait Economic Society (2006 until 2014).

Mr. Al-Sanei holds a Bachelor's Degree in Economics from Kuwait University, Kuwait (1983).

Mr. Salah Abdulaziz Al-Muraikhi – Board Member

Mr. Al-Muraikhi has been a member of the Board since May 2018 as a representative of the Kuwait Investment Authority (which is one of the largest shareholders of KFH, see further "*Description of Kuwait Finance House K.S.C.P. – Capital Structure and Shareholders*").

As at the date of this Prospectus, he is the Manager of the Hedge Fund Department of the Kuwait Investment Authority. Previously, Mr. Al-Muraikhi was a board member of Housing Bank in Amman, Jordan (1997 until 2001), the Vice-Chairman of Kuwait Real Estate Investment Consortium (1998 until 2000) (where he also served as the Managing Director from 1999 to 2000), a board member of Grupo Plastico Company in Spain (2004 until 2005), the Chairman of Pakistan Kuwait Investment Company (2007 until 2012), a board member of Kuwaiti Egyptian Investment Company (2007 until 2013), a board member of Kuwait Investment Company (2012 until 2018) and the Chairman of Farah Al-Maghreb Company (previously known as Moroccan Kuwaiti Development Group) (2015 until 2018).

Mr. Al-Muraikhi holds a Master's Degree in Business Management and Financial Accounting from Claremont Graduate University, United States (1987) and a Bachelor's Degree in Finance from Kuwait University, Kuwait (1984).

Ms. Hanan Yousif Ali Yousif – Board Member

Ms. Yousif has been a member of the Board since July 2019 as a representative of Kuwait Awqaf Public Foundation (see further "*Description of Kuwait Finance House K.S.C.P. – Capital Structure and Shareholders*").

As at the date of this Prospectus, she is the Director of the Investments Management Department of Kuwait Awqaf Public Foundation (where she has previously held a number of key positions including as the Head of Financial Investment Unit and the Investment Management Controller) and the board member of Rasameel Investment Company as a representative Kuwait Awqaf Public Foundation (where she is also the Chairman of the Board Audit Committee and the Chairman of the Board Risk Committee). Previously, Ms. Yousif was a board member representing Kuwait Awqaf Public Foundation in Public Services Company (2003 until 2006), Al Masar Leasing & Investment Company (2005 until 2012) and Al Madar Finance & Investment Company (2006 until 2007).

Ms. Yousif holds a Bachelor's Degree in Business Administration in Finance and Banking from Kuwait University, Kuwait (1996).

Mr. Mohammed Nasser Al Fouzan – Board Member

Mr. Al Fouzan has been a member of the Board since September 2020.

As at the date of this Prospectus, he is the Vice-Chairman of KFH Bahrain and a board member of KFH Malaysia. Previously, Mr. Al Fouzan was the Chairman of Shared Electronic Banking Company (KNET) (2005 until 2008) and the Chairman of International Turnkey Systems Group (2008 until 2012). He has also previously held several executive positions in the Group, including Acting Chief Executive Officer (2014) and Office Consultant to the Chief Executive Officer (2014 until 2018).

Mr. Al Fouzan holds a Higher Banking Diploma from the Arab Institute for Banking Studies, Jordan (1989) and a Bachelor's Degree in Business Administration from Kuwait University, Kuwait (1986).

Mr. Hamad Abdullateef Al Barjas – Board Member

Mr. Al Barjas has been a member of the Board since September 2020 as a representative of Public Authority for Minor Affairs (see further "*Description of Kuwait Finance House K.S.C.P. – Capital Structure and Shareholders*").

As at the date of this Prospectus, he is a board member of Al Durra Company and the Deputy General Manager of Minors Affairs. Previously, Mr. Al Barjas was a board member of REAM Real Estate Company (2007 until 2015) and the Deputy General Manager for the Administrative and Financial Affairs Department of the Public Authority for Minors Affairs (2017 until 2018).

Mr. Al Barjas holds a Bachelor's Degree in Civil Engineering from Kuwait University, Kuwait (1993).

Mr. Ahmed Meshari Al Faris – Board Member

Mr. Al Faris has been a member of the Board since September 2020. He is also the Chairman of the Risk Committee (see further "*Management and Employees – Board Committees*").

As at the date of this Prospectus, he is the Board Secretary of Kuwait Telecommunication Company and Board Treasurer of Kuwait Transparency Society. Previously, Mr. Al Faris was the Assistant Under-Secretary for the Corporate Affairs and Commercial Licenses at the Ministry of Commerce and Industry (2017 until 2018), the Board Secretary of the Kuwait Accountants and Auditors Association (2017 until 2019) (where he has also served as the Chairman from 2015 to 2017 and as a board member from 2007 to 2015), a board member of the Public Authority for Industry (2017 until 2018), a board member of the CBK (2018) and the Acting Chief of the Internal Audit Department at Kuwait Telecommunication Company (2019 until 2020).

Mr. Al Faris holds a Higher Diploma in Islamic Finance from Kuwait University, Kuwait (2010), a Master's Degree in Business Administration from Maastricht School of Management, Kuwait (2009), a Postgraduate Diploma in Business Administration from Maastricht School of Management, Kuwait (2006) and a Bachelor's Degree in Accounting from Kuwait University, Kuwait (2000).

Conflicts of interest

Certain related parties (members of the Board and the Executive Management, officers of KFH, their families, associated companies and companies of which they are the principal owners) are depositors and financing facility customers of KFH in the ordinary course of business. The transactions with these parties are made at arm's length and on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties (see further, Note 27 (*Related Party Transactions*) to the 2020 Consolidated Financial Statements).

Further, each member of the Board has outside interests in entities other than KFH, including employment and/or directorships with third parties (as set out in their respective biographies). Given the wide scope of KFH's operations, such entities have banking and/or other commercial relationships with KFH. Some Board members also have personal banking relationships with KFH. As the directors are involved in KFH's decision-making process and have knowledge of KFH's products and services, including the commercial terms thereof, a potential conflict of interest may arise.

KFH is committed to managing all related party transactions and potential conflicts of interest which may arise and has adopted written policies concerning related parties (including the rules and procedures regulating operations with related parties) as well a "Conflict of Interests Policy" in line with IAS 24 and related CBK instructions. These policies provide the processes for dealing with any such potential conflict, including related party transactions being approved by the shareholders' general assembly and/or relevant director being excluded from voting at board meetings on issues which relate to the relevant director's (and/or other connected entity's) dealings with KFH.

Subject to the preceding paragraphs, no member of the Board has any actual or potential conflict of interest between his duties to KFH and his private interests and/or other duties.

Board Committees

The Board has established the six Board committees which are described below. The roles and authorities of each Board committee are defined and delegated by the Board.

Audit and Compliance Committee

The key role of the Audit and Compliance Committee is to assist the Board with fulfilling and complying with its supervisory responsibilities *vis-à-vis* KFH's accounting operations, financial control systems, internal audit controls, compliance and risk management systems as well as with the management of financial reports in co-operation with internal and external auditors to ensure compliance with applicable regulatory requirements.

The Audit and Compliance Committee comprises five Board members with at least two of the members required to have knowledge in financial matters in order to perform their duties as members of the Audit and Compliance Committee. As at the date of this Prospectus, the members of the Audit and Compliance Committee are: Mr. Noorur Rahman Abid (Chairman), Mr. Fahd Ali AlGhanim, Mr. Salah Abdulaziz Al-Muraikhi, Mr. Mohammed Nasser Al Fouzan and Mr. Hamad Abdullateef Al Barjas.

The Audit and Compliance Committee is required to convene at least once every three months and provide regular reports to the Board. In 2020, the Audit and Compliance Committee convened five times.

Nominations and Remuneration Committee

The key role of the Nomination and Remuneration Committee is to assist the Board with selecting qualified individuals for the Board and Executive Management and assessing the performance of the Board and its committees. In addition, the Nomination and Remuneration Committee also assists the Board in supervising short-term and long-term remuneration systems.

The Nomination and Remuneration Committee comprises at least four Board members. As at the date of this Prospectus, the members of the Nomination and Remuneration Committee are: Mr. Noorur Rahman Abid (Chairman), Mr. Abdul Aziz Yacoub Alnafisi, Mr. Motlaq Mubarak Al-Sanei and Mr. Hamad Abdullateef Al Barjas.

The Nomination and Remuneration Committee is required to convene at least bi-annually and provide regular reports to the Board. In 2020, the Nomination and Remuneration Committee convened eight times.

Risk Committee

The key role of the Risk Committee is to assist the Board with supervision of KFH's risk conditions, risk strategy and appetite towards credit, banking, real estate and investment activities risks as well as all related policies and procedures (see further "*Description of Kuwait Finance House K.S.C.P. – Risk Management*").

The Risk Committee comprises at least five Board members. As at the date of this Prospectus, the members of the Risk Committee are: Mr. Ahmed Meshari Al Faris (Chairman), Mr. Muad Saud Al Osaimi, Mr. Khaled Salem Al Nisf, Mr. Motlaq Mubarak Al-Sanei and Ms. Hanan Yousif Ali Yousif.

The Risk Committee is required to convene at least four times each year and provide regular reports to the Board. In 2020, the Risk Committee convened five times.

Governance Committee

The key role of the Governance Committee is to assist the Board with supervising the corporate governance framework as well as developing and assessing governance policies and procedures (including KFH's professional code of ethics and code of conduct).

The Governance Committee comprises five Board members. As at the date of this Prospectus, the members of the Governance Committee are: Mr. Hamad Abdul Mohsen Al Marzouq (Chairman), Mr. Salah Abdulaziz Al-Muraikhi, Ms. Hanan Yousif Ali Yousif, Mr. Hamad Abdullateef Al Barjas and Mr. Ahmed Meshari Al Faris.

The Governance Committee is required to convene at least bi-annually and provide regular reports to the Board. In 2020, the Governance Committee convened three times.

Executive Committee

The key role of the Executive Committee is to assist the Board with supervision of KFH's investment and banking activities by, amongst other things, supervising the implementation of KFH's strategy, monitoring performance efficiency, reviewing investment offers, approving suggestions related to finance, liquidity and/or market risks, reviewing proposed provisioning and management plans for retrieval of bad debts (if any) and reviewing the diversity and credibility of KFH's finance portfolio.

The Executive Committee comprises at least six Board members. As at the date of this Prospectus, the members of the Executive Committee are: Mr. Hamad Abdul Mohsen Al Marzouq (Chairman), Mr. Abdul Aziz Yacoub Alnafisi, Mr. Fahd Ali AlGhanim, Mr. Muad Saud Al Osaimi, Mr. Khaled Salem Al Nisf and Mr. Motlaq Mubarak Al-Sanei.

The Executive Committee is required to convene at least four times each year and provide regular reports to the Board. In 2020, the Executive Committee convened nine times.

Investment Committee

The key role of the Investment Committee is to assist the Board with establishing a framework for, and supervising, KFH's investment activities in compliance with KFH's strategic investment objectives.

The Investment Committee comprises at least five Board members. As at the date of this Prospectus, the members of the Investment Committee are: Mr. Fahd Ali AlGhanim (Chairman), Mr. Muad Saud Al Osaimi, Mr. Khaled Salem Al Nisf, Mr. Salah Abdulaziz Al-Muraikhi and Mr. Mohammed Nasser Al Fouzan.

The Investment Committee is required to convene at least four times each year and provide regular reports to the Board. In 2020, the Investment Committee convened four times.

Fatwa and Shari'a Supervisory Board

KFH's Fatwa and *Shari'a* Supervisory Board has the primary responsibility for reviewing and endorsing KFH's policies, products, services and activities as *Shari'a*-compliant. The Fatwa and *Shari'a* Supervisory Board is appointed at a shareholders' general assembly meeting and its activities include presenting an annual report at the general meeting on conformity of KFH's activities with *Shari'a* rules, supervising KFH's *Shari'a* Control and Advisory Department (which, in turn, supervises the execution of the resolutions and recommendations of the Fatwa and *Shari'a* Supervisory Board) and supervising training programmes for KFH's employees to enable them to perform their duties in compliance with *Shari'a* rules. The Fatwa and *Shari'a* Supervisory Board convened 30 times in 2020.

The Fatwa and *Shari'a* Supervisory Board comprises scholars of high repute with extensive experience of and exposure to law, economics and banking systems in various jurisdictions. The table below shows the names of the members of the Fatwa and *Shari'a* Supervisory Board as at the date of this Prospectus.

Name	Position
Sheikh Dr. Sayyid Mohammad Al-Sayyid Abdul Razzaq Al-Tabtaba'e	Chairman
Sheikh Dr. Mubarak Jaza Al-Harbi	Member
Sheikh Dr. Anwar Shuaib Abdulsalam	Member
Sheikh Dr. Khaled Shuja' Al-Otaibi	Member
Sheikh Dr. Esam Abdulrahim Al-Ghareeb	Member

Brief biographies

Detailed below is brief biographical information about each member of the Fatwa and *Shari'a* Supervisory Board as at the date of this Prospectus.

Sheikh Dr. Sayyid Mohammad Al-Sayyid Abdul Razzaq Al-Tabtaba'e – Chairman

Sheikh Dr. Sayyid Mohammad Al-Sayyid Abdul Razzaq Al-Tabtaba'e chairs the Fatwa Board of the Kuwait Ministry of Awqaf and Islamic Affairs. Previously, he was the Chairman of the Supreme Committee for working on applying Islamic *Shari'a* Law, and Member of the Board of Trustees of AAOIFI. He was the former Dean of the *Shari'a* and Islamic Studies College at Kuwait University (where he was also the Deputy Manager of Kuwait University and a teaching faculty member).

He holds a PhD in Islamic Jurisprudence from the Supreme Institute of Justice at Al-Imam Muhammad Ibn Saud Islamic University, the Kingdom of Saudi Arabia.

Sheikh Dr. Mubarak Jaza Al-Harbi – Member

Sheikh Dr. Mubarak Jaza Al-Harbi is the former Head of the Department of Comparative Islamic Jurisprudence and *Shari'a* Policy Department at the *Shari'a* and Islamic Studies College at Kuwait University, Kuwait. He is also a member of the Fatwa and *Shari'a* Supervisory Board for KFH Bahrain, a member of the Fatwa Board at the Ministry of Awqaf and Islamic Affairs in Kuwait and a member of the fatwa and *Shari'a* supervisory boards at various Islamic financial institutions and organisations within and outside Kuwait.

He holds a PhD in Comparative Islamic Jurisprudence from the Dar Al Ulum Faculty at Cairo University, Egypt.

Sheikh Dr. Anwar Shuaib Abdulsalam – Member

Sheikh Dr. Anwar Shuaib Abdulsalam is the former Head of the Department of Islamic Jurisprudence and Usul Al-Fiqh at the *Shari'a* and Islamic Studies College at Kuwait University. He is also a member of fatwa and *Shari'a* supervisory boards at various Islamic financial institutions and organisations within and outside Kuwait.

He holds a PhD in Islamic Jurisprudence and Usul Al-Fiqh from Al-Azhar University, Egypt.

Sheikh Dr. Khaled Shuja' Al-Otaibi – Member

Sheikh Dr. Khaled Shuja' Al-Otaibi is a member of the teaching staff at the Department of Islamic Jurisprudence and Usul Al-Fiqh at the *Shari'a* and Islamic Studies College at Kuwait University. He is also the Head of the *Shari'a* Supervisory Board of the Kuwait Zakat House, a general advisor for the Kuwait Hajj Delegation and a member of fatwa and *Shari'a* supervisory boards at various Islamic financial institutions and organisations within and outside Kuwait.

He holds a PhD in Islamic Jurisprudence and Usul Al-Fiqh from the Islamic University of Medina, the Kingdom of Saudi Arabia.

Sheikh Dr. Esam Abdulrahim Al-Ghareeb – Member

Sheikh Dr. Esam Abdul-Raheem Ghareeb is a member of the teaching staff at the Department of Islamic Jurisprudence and Usul Al-Fiqh at the *Shari'a* and Islamic Studies College at Kuwait University. He is also a member of the teaching staff at the Faculty of Law at Kuwait University, Kuwait (where he was previously the Assistant Dean). He was previously the member of the Supreme Committee working on applying Islamic *Shari'a* law.

He holds a PhD in Islamic Jurisprudence and Usul Al-Fiqh from the University of Birmingham, United Kingdom.

Executive Management

The Executive Management is responsible for day-to-day supervision and control of KFH's business, particularly with respect to ensuring compliance, risk control, independence of functions and segregation of duties. Under the direction of the Board, the Executive Management ensures that KFH's activities are consistent with the business strategy, risk appetite and policies approved by the Board.

The table below shows the names of the members of the Executive Management as at the date of this Prospectus.

Name	***Position***
Mr. Abdulwahab Issa Al-Rushood	Acting Group Chief Executive Officer and Group Chief Treasury Officer
Mr. Shadi Ahmad Zahran	Group Chief Financial Officer
Mr. Fahad Khaled Al-Mukhaizeem	Group Chief Strategy Officer
Mr. Gehad Mohamed El-Bendary	Group Chief Risk Officer
Mr. Srood Ahmed Sherif	Group Chief Information Officer
Mr. Ahmed Soud AlKharji	Group Chief Corporate Banking Officer
Mr. Waleed Khaled Mandani	Group Chief Retail and Private Banking Officer
Mr. Abdullah Mohammed Abu Alhous	Group Chief Operations Officer
Mr. Wissam Sami El-Kari	Group Chief Internal Auditor
Mr. Frederick Jacobus Carstens	Group Chief Human Resources Officer
Dr. Khaled Mohammed Al-Jumah	Group General Manager of Legal
Mr. Khaled Yousif Al-Shamlan	General Manager of Corporate Banking (Kuwait)
Mr. Abdulla Abdulmohsen Al-Mejhem	General Manager of Private Banking (Kuwait)
Mr. Ahmad Eissa Al-Sumait	General Manager of Treasury (Kuwait)
Ms. Lamya Barrak Altabtebai	Group General Manager of Information Technology and Deputy Group Chief Information Officer

Biography of the Acting Group Chief Executive Officer

Detailed below is brief biographical information about the Acting Group Chief Executive Officer as at the date of this Prospectus.

Mr. Abdulwahab Issa Al-Rushood – Acting Group Chief Executive Officer

Mr. Al-Rushood has been the Acting Group Chief Executive Officer since October 2020.

Mr. Al-Rushood has over 30 years' experience in the banking sector. As at the date of this Prospectus, he is the Chairman of KFH Capital Investment Company, a board member of KFH Bahrain and a board member of Aviation Lease and Finance Company. Mr. Al-Rushood also represents KFH at the General Council for Islamic Banks and Financial Institutions (CIBAFI) in Bahrain and serves as a member of its Advisory Board. Previously, Mr. Al-Rushood was a board member of KFH Malaysia (2007 until 2013), Liquidity Management House (KFH Investment Company) (2008 until 2013), Liquidity Management Centre in Bahrain (2006 until 2016) and Development Enterprises Holding Company (2014 until 2016).

Mr. Al-Rushood holds a Bachelor's Degree in Mathematics and Computer Science from Western Oregon State College, United States (1987).

Conflicts of interest

No member of the Executive Management has any actual or potential conflict of interest between his duties to KFH and his private interests and/or other duties.

Employees

As at 31 December 2020, KFH had 2,682 employees (compared to 2,674 employees as at 31 December 2019).

KFH believes that its human capital is a fundamental part of its success and therefore KFH seeks to ensure that it attracts the best talent and remains committed to developing its human resource. In addition, and in line with the Government's Kuwaitisation policy, KFH is committed to identifying, attracting and developing Kuwaiti nationals in its workforce. As at 31 December 2020, KFH had a Kuwaitisation level of 72.6 per cent. (compared to 71.3 per cent. as at 31 December 2019), which was above the Government's recommended Kuwaitisation level of 70.0 per cent. Moreover, KFH believes that a diverse workforce is a competitive and strategic benefit. As at 31 December 2020, women constituted 22.3 per cent. of KFH's employees (compared to 21.9 per cent. as at 31 December 2019). KFH continues to endeavour to increase this percentage by proactively seeking to attract and develop talented female employees.

As part of its human resource development programme, KFH invests in training for its workforce through partnerships with a number of world-class service providers (including INSEAD, International Institute for Management Development, LinkedIn, IQUAD Learning Solutions, Thomson Reuters and Harvard Business School). KFH's training department periodically evaluates the effectiveness of such training programmes by assessing these against employees' needs. To address specific employee development requirements, KFH also provides specialised training (including "Forsa" for training recently graduated, new employees and leadership courses for KFH's future leaders identified through approved succession plans). For the year ended 31 December 2020, and despite the COVID-19 pandemic impacting the availability and logistics of training programmes, KFH's employees completed 34,083 training hours (which is an average of 13.3 hours per employee). KFH also provides opportunities to its employees for continuing their higher education by, for instance, providing scholarships for obtaining a master's degree. KFH conducts an annual employee satisfaction survey which serves as a platform for KFH's workforce to voice their opinions and provide any comments or evaluations in respect of KFH's working environment as a whole.

During 2020, KFH's human resources department was at the forefront of KFH's COVID-19 mitigation strategy and supported KFH by working with various business areas to implement and enable remote working processes (such as hybrid attendance models). At the same time, employee wellness continued to be front and centre of KFH's human resources department strategy and processes and KFH launched a second version of its employee wellness programme during 2020. This programme is tailored to assist KFH's employees with achieving their wellness goals through interactions with a personal wellness coach.

OVERVIEW OF KUWAIT

Unless indicated otherwise, information in this section has been derived from Kuwaiti government publications.

Overview

Kuwait is located in the north-east of the Arabian Peninsula in Western Asia. It is bordered by the Kingdom of Saudi Arabia to the south at Khafji and the Republic of Iraq to the north at Basra. To the east, Kuwait has approximately 499 kilometres of coastline on the Arabian Gulf.

Kuwait covers an area of approximately 17,818 square kilometres, which is divided into six Governorates (Al-Ahmadi, Al-'Asimah (the capital), Al-Farwaniyah, Al-Jahra', Hawalli and Mubarak Al-Kabir). Each Governorate is headed by a governor, a representative of the Emir, who is supported by a council. Governors are usually members of the ruling family or close allies. Membership of the Governorate councils is by appointment. Each Governorate is divided into districts or areas and each district is headed by a mayor or chief (*Mukhtar*) who reports to the Kuwait Ministry of Interior. The capital and administrative centre of Kuwait is Kuwait City, where the Government and most of the other state institutions are located. The official language in Kuwait is Arabic, but the use of English is widespread, especially in business transactions.

Kuwait's economy benefits from some of the largest oil reserves in the world as well as very low relative oil production costs. According to OPEC's 2020 Annual Statistical Bulletin (the "**OPEC 2020 Bulletin**"), Kuwait has the fifth largest oil reserves in the world estimated at around 101.5 billion barrels (accounting for 6.5 per cent. of the world's total oil reserves). According to the OPEC 2020 Bulletin, Kuwait was the world's eighth largest oil producer (accounting for 3.6 per cent. of the world's total oil production) and the world's eighth largest oil exporter (accounting for 4.4 per cent. of the world's total oil exports) for the year ended 31 December 2019. According to the same source, Kuwait's production levels were 2.7 million barrels per day on average for the year ended 31 December 2019. As a founding member of OPEC, Kuwait's oil production is subject to any agreements that are reached by OPEC to limit oil production and, in April 2020, Kuwait participated in the 'OPEC plus' agreement, and the subsequent extension in July 2020, to cut global oil production in response to the reduced demand for oil following the outbreak of COVID-19.

Population

The latest official Kuwait census for which data has been published was conducted in April 2011. Accordingly, all population figures for subsequent years are estimates based on historic data.

The most recent estimate of the population in Kuwait published by the Public Authority for Civil Information estimated the population to be approximately 4.7 million as at 31 December 2020, of which approximately 1.5 million were Kuwaiti nationals (31.0 per cent.) and approximately 3.2 million were non-Kuwaiti nationals (69.0 per cent.).

Economic Overview

Since oil was discovered in Kuwait in 1937, Kuwait's economy has grown significantly, principally due to the revenues generated from the export of crude oil and related products. Kuwait's major industries include petroleum, petrochemicals, cement, shipbuilding and repair, water desalination, food processing and construction.

According to provisional figures prepared by the Statistics Bureau, Kuwait's real GDP increased by 0.6 per cent. in 2015 and 2.9 per cent. in 2016, declined by 4.7 per cent. in 2017 before increasing by 1.2 per cent. in 2018 and 0.4 per cent. in 2019 to KD 39.4 billion. According to preliminary IMF data (as of October 2020), Kuwait's real GDP is projected to have declined by 8.1 per cent. in 2020 and is projected to increase by 0.6 per cent. in 2021.

According to data from Kuwait's Ministry of Finance, oil revenues comprised 35.8 per cent. of total Government revenues for the fiscal year ended 31 December 2020. According to the Statistics Bureau, oil and oil products represented 33.5 per cent. of total exports for the year ended 31 December 2020. Kuwait's economy previously benefitted from healthy fiscal and current account surpluses, although lower oil prices since mid-2014 meant that Kuwait realised a net budget deficit (after transfers to the Future Generations Fund (the "**FGF**")) for the fiscal years ended 31 March 2015, 2016, 2017, 2018, 2019 and 2020. However, Kuwait's economic performance in 2020 suffered from the twin shocks of COVID-19 and the decline of oil prices. Both factors contributed to an increase in fiscal deficit which has put pressure on fiscal buffers in the absence of a public debt law.

The monthly average OPEC Reference Basket price per barrel in June 2014 was U.S.$107.90. The annual average OPEC Reference Basket prices in each of 2014, 2015, 2016, 2017, 2018 and 2019 were U.S.$96.29, U.S.$49.49, U.S.$40.76, U.S.$52.43, U.S.$69.78 and U.S.$64.04, respectively. In 2020, the OPEC Reference Basket price per barrel fell significantly, reaching lows of U.S.$12.22 in April 2020, before beginning to recover in May 2020. As at 31 December 2020, the OPEC Reference Basket price per barrel was U.S.$50.24. The price per barrel of Kuwait Export Crude Oil (which is produced by Kuwait and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

While the oil industry has historically dominated and continues to be the largest part of, Kuwait's economy (with oil (excluding refining) accounting for approximately 33.5 per cent. of real GDP for the year ended 31 December 2020 according to provisional figures from the Statistics Bureau), for the past several years, Kuwait has been concentrating on the diversification of its economy by encouraging private sector participation and promoting foreign investment in non-oil sectors as articulated in the New Kuwait 2035 plan. These efforts have gained special importance in light of the onset in mid-2014 of the current low oil price environment. Based on provisional figures from the Statistics Bureau, the non-oil sector of the economy (including oil refining) contributed approximately 66.5 per cent. of Kuwait's real GDP in the year ended 31 December 2020.

Kuwait's public finances benefit from one of the world's largest sovereign wealth funds. Based on third party public sources, as at 31 December 2020, the Kuwait Investment Authority (the "**KIA**") was ranked as the world's fifth largest sovereign wealth fund with approximately U.S.$533.6 billion in assets according to the Sovereign Wealth Fund Institute. The KIA is prohibited by law from publicly discussing the exact size of its holdings. The KIA is responsible for the management of Kuwait's General Reserve Fund (the "**GRF**") and its FGF, as well as other funds entrusted to it by the Minister of Finance for and on behalf of Kuwait. On an annual basis and by law, a minimum of 10 per cent. of all Government revenues were transferred to the FGF, though in 2020 this rule was modified such that transfers are suspended when the budget is in deficit. The GRF is available to fund budget deficits in Kuwait and Kuwait has never drawn down on the funds in the FGF since the FGF's inception in 1976, other than for liberation and reconstruction costs related to the Iraqi invasion.

Inflation

The following table sets forth the consumer price index and annual inflation rate in Kuwait for the years ended 31 December 2019, 2018 and 2017, respectively.

	Average for the year ended 31 December		
	2019	**2018**	**2017**
Consumer price index (base year 2013=100)	114.2	113.0	112.3
Inflation (percentage change, year on year)	1.1	0.6	1.5

Source: Statistics Bureau.

Government, Political and Legal System

Kuwait is a constitutional monarchy with a parliamentary system of government. Under its Constitution, which entered into force in 1963, the head of the State is the Emir, who is chosen from among the members of the ruling Al-Sabah family and confirmed by the National Assembly. The current Emir is His Highness Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah, who acceded to the throne in September 2020. The Emir has, among other powers, the power to appoint the Prime Minister, dissolve the National Assembly, suspend certain parts of the Constitution and refer bills to the National Assembly for consideration. The Emir has the right to propose legislation as well as the right to promulgate and sanction laws. His Highness Sheikh Meshal Al-Ahmad Al-Sabah is the current Crown Prince. Historically, the Emir has been selected by family consensus although the Emir Succession Law provides for National Assembly input under certain circumstances.

Kuwait was the first member of the GCC to establish a directly elected National Assembly in 1963. The National Assembly comprises 50 directly elected members who serve four-year terms. The National

Assembly has the power to question and dismiss ministers through a vote of no-confidence, including the Prime Minister, and to propose, enact or block enactment of legislation introduced by the Government.

The Council of Ministers forms the executive level of government and advises and assists the Prime Minister, who is appointed by the Emir. The current Prime Minister is His Highness Sheikh Sabah Al-Khalid Al-Sabah who was re-appointed in 2021.

Kuwait's legal system is primarily modelled on the French civil law system, Egyptian civil code and elements of Islamic *Shari'a* law. Although Kuwait is a democratic nation where sovereignty rests with the people, its system is based on the principles of justice, liberty and equality and governed by a Constitution of delegated powers to the legislative, the executive and the judicial authorities. In descending order of importance, the Constitution is followed by laws and their implementing instruments such as regulations and ministerial resolutions.

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; and
- *global position*: enhance Kuwait's regional and global presence in spheres such as diplomacy, trade, culture and philanthropy.

Foreign Relations and International Organisations

Kuwait, together with the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar, the Sultanate of Oman 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 WTO, 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).

BANKING SECTOR IN KUWAIT

According to IMF data, credit growth in Kuwait increased to 4.4 per cent. in the year ended 2019 compared to 4.2 per cent. for the same period in 2018. This increase was primarily due to growth of 3.9 per cent. in credit extended in personal facilities and 9.3 per cent. in credit extended in real estate facilities. Credit facilities extended to non-bank financial institutions in Kuwait also increased by 9.0 per cent. during the period and credit extended to the trade sector decreased by 2.7 per cent. in the same period. Additionally, amended regulations issued by the CBK concerning the maximum limit of consumer loans (which raised the maximum limit of loans and Islamic financing for consumer purposes to 25 times the net monthly salary of the client subject to a maximum of KD 25,000) resulted in consumer loans increasing by 35.9 per cent. in the year ended 31 December 2019 compared to the year ended 31 December 2018 which also contributed to the increase in credit growth, according to data published by the CBK.

According to data published by the CBK, total deposits in Kuwait grew by 0.3 per cent. in the year ended 31 December 2019, driven by growth in Government deposits whereas private sector deposits fell by 1.7 per cent. in the same period.

In line with CBK requirements, the banking sector in Kuwait had a Basel III capital adequacy ratio of 18.5 per cent. as at 31 December 2019. In 2019, the banking sector's non-performing loans ("**NPLs**") coverage ratio was 270.6 per cent. with NPLs representing 1.8 per cent. of total loans compared to 1.6 per cent. as at 31 December 2018. In 2019, local banks in Kuwait maintained high liquidity levels, with total bank liquid reserves (comprising cash, deposits with the CBK and CBK bonds and *tawarruq*) being KD 6.8 billion as at 31 December 2019, equivalent to 9.6 per cent. of local banks' total assets, compared to 9.3 per cent. as at 31 December 2018.

According to CBK publications, local banks' profits in Kuwait for the year ended 31 December 2019 were KD 918 million, representing a decrease of 1.1 per cent. compared to the same period in 2018.

BANKING INDUSTRY AND REGULATION IN KUWAIT

Central Bank of Kuwait

Kuwait's monetary, banking and financial system is regulated and supervised by the CBK, which was formed by Law No. 32 of 1968 (as amended) (the "**CBK Law**"). The CBK commenced operations on 1 April 1969. Since 2003, the CBK has retained supervision over Islamic banks by virtue of Law No. 30 of 2003 (the "**Islamic Banking Law**") which amends the CBK Law to include rules and regulations governing Islamic banks. According to Article 15 of the CBK Law, its objectives are to:

- issue currency on behalf of Kuwait;
- secure the stability of the Kuwaiti dinar and its free convertibility into other currencies;
- direct credit policy in order to contribute to Kuwait's social and economic progress and the growth of national income;
- supervise the banking system in Kuwait;
- serve as the Government's bank; and
- render financial advice to the Government.

The CBK is largely independent of Kuwait's executive and legislative branches and is managed by a board of directors, consisting of the Governor of the CBK, who also acts as the Chairman, the Deputy Governor of the CBK, a representative from each of the Kuwait Ministry of Finance and the Kuwait Ministry of Commerce and Industry ("**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). The four additional board members are drawn from expert practitioners in the fields of economics, finance or banking and are appointed by an Emiri Decree for a three-year renewable term. The Governor and the Deputy Governor of the CBK are each appointed by an Emiri Decree for a five-year renewable term, pursuant to a recommendation from the Minister of Finance (which is conditional on them having experience in the banking sector).

The CBK's total assets as at 31 December 2020 were KD 14.0 billion, an increase of 20.3 per cent. as compared to KD 11.6 billion as at 31 December 2019.

Bank Regulation and Supervision

All banks operating within Kuwait are subject to the supervision of the CBK, which is the primary regulator of banks and financial institutions in Kuwait whilst the CMA exercises supervisory authority over all Kuwaiti entities (including banks and financial institutions) which are listed on Boursa Kuwait or engage in securities activities as discussed further below. Apart from instructions issued to both Islamic and conventional banks, the CBK also issues specific instructions for Islamic banks.

Off-site and On-site Supervision Department

The CBK's off-site supervision department receives periodic financial reports from institutions under its supervision, issues supervisory regulations, resolutions and instructions to such institutions, examines ongoing banking and financial trends and monitors their impact on the soundness and stability of these institutions. The department also conducts studies to assess applications to establish new banking and financial institutions or for new branches, articles of association, banking services and by-laws, and organises and maintains registers of the institutions subject to CBK supervision. The off-site supervision department also prepares CBK recommendations on issues concerning banking and supervisory conditions, and develops a dialogue with worldwide supervisory bodies and concerned international institutions to stay informed and updated on the latest global trends and developments in the area of supervision of banking and financial activities.

The CBK also has an on-site supervision department that is responsible for monitoring the activities of institutions under its supervision to ensure their compliance with the provisions of relevant laws and supervisory regulations and instructions. In addition, the on-site supervision department is responsible for the combat of money laundering and financing of terrorism (through an anti-money laundering section within the on-site supervision department), following up on complaints and appeals submitted to the CBK by those dealing with CBK-regulated entities, and proposing related supervisory regulations and instructions.

Financial Stability Office

The CBK has also established a Financial Stability Office (the "**FSO**"), which aims to contribute to a sound financial system in Kuwait capable of withstanding financial and economic shocks by identifying key vulnerabilities in the financial system and suggesting appropriate corrective measures. The FSO annually publishes its flagship Financial Stability Report (the "**FSR**"), covering key developments in the banking sector (making an assessment of financial intermediation, analysing key risks in the banking sector and examining the trends in banks' profitability, solvency and resilience against major shocks), domestic markets (money, foreign exchange, equity and real estate markets) and the payment and settlement systems. The aim of publishing the annual FSR is to identify risks to the stability of the financial system and to promote transparency and encourage informed public discourse on various developments in the financial system.

The FSO also prepares other analytical reports for internal use on major developments and key risks in the banking sector and financial markets, making use of appropriate tools and techniques, such as stress testing, in early identification of vulnerabilities in the financial system.

Banking Regulations

Liquidity regulations

Prior to April 2020, the CBK required banks to maintain 18 per cent. of their Kuwaiti dinar customer deposits in the form of balances with the CBK and (in the case of conventional banks) Kuwait Government treasury bonds and (in the case of Islamic banks) financing sukuk issued by the IDB or governments of the GCC member countries (provided existence of underlying liquidity and no less than investment grade "BBB") or financing sukuk issued by the International Islamic Liquidity Management Corporation.

Bank liquidity in Kuwait is monitored using the "Maturity Ladder Approach" under which future cash inflows are compared with future cash outflows. The resulting liquidity mismatches are then examined in time bands against approved limits for each band. The relevant instruction relating to liquidity establishes the elements to be included when calculating assets and liabilities for the purpose of determining liquidity.

The CBK also introduced, in 2014, the LCR and, later in 2015, the NSFR guidelines, which are aimed at improving banks' capacity to withstand liquidity stress and making their funding structure stable.

The CBK introduced the LCR in a phased manner, setting a benchmark requirement of 70 per cent. in 2016 which increased by 10 per cent. each year and remained at 100 per cent. between January 2019 and April 2020. Banks are required to submit, along with existing liquidity reports, their LCR reports on a daily and monthly basis for monitoring purposes as well as LCRs by major currency.

The minimum required NSFR is calculated as a percentage of available stable funding to required stable funding. The requirement to maintain an NSFR of 100 per cent. became effective in January 2018, although banks were to start reporting their NSFR to the CBK in January 2016.

In April 2020, as part of the measures implemented to support the Kuwaiti economy following the outbreak of COVID-19, the CBK decreased banks' liquidity ratio requirements from 18 per cent. to 15 per cent., their LCR requirements from 100 per cent. to 80 per cent and their NSFR requirements from 100 per cent. to 80 per cent. Additionally, the CBK increased the limit for the maximum negative cumulative gap for liquidity and also increased the limit for the maximum permissible financing from 90 per cent. to 100 per cent. These measures imposed by the CBK remained valid until 30 June 2021.

Capital adequacy regulations

Over the past few years, the CBK has refined its existing regulations to reflect global best practices. The CBK has already implemented the full set of Basel III regulations, covering capital adequacy, leverage, and liquidity. The CBK has enhanced its capital adequacy regime by setting out higher and better quality capital for Kuwaiti banks to further strengthen their loss absorbing capacity. The CBK has also put up additional capital requirements for systemically important banks and introduced the Leverage Ratio (which is defined as the "capital" measure – made up of Tier 1 capital – *divided by* the "exposure" measure – being the sum of on-balance sheet assets, derivative exposures and off-balance sheet exposures) as a supplementary measure to ensure that Kuwaiti banks do not become overly leveraged.

The CBK's Instructions relating to Basel III require that the terms and conditions of Tier 1 or Tier 2 instruments issued by a licensed bank in Kuwait must contain a provision that permits such instruments to either be written-off or converted into common equity, as determined by the CBK, should a Trigger Event (as defined below) occur. Pursuant to the Instructions, a "**Trigger Event**" will have occurred if either of the following events occurs:

- the issuing bank is instructed by its regulator to write-off or convert such instruments, on the grounds of non-viability; or

- an immediate injection of capital is required, by way of an emergency intervention, without which the issuing bank would become non-viable.

Notwithstanding the definition of Trigger Event set out above, the Conditions only allow for a Write-down (as defined in the Conditions), and not a conversion into ordinary shares, of the Certificates to take place following the occurrence of a Trigger Event.

Credit risk regulations

- *Loan/financing to deposit ratio* – Kuwaiti banks are restricted by the CBK from lending amounts/providing financings in excess of a prescribed percentage of qualifying deposits. With effect from October 2016 to April 2020, the prescribed percentage was 90 per cent., irrespective of the maturity profile of such deposits. As described above, the prescribed percentage was increased to 100 per cent. in April 2020 following the outbreak of the COVID-19 pandemic.

- *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 payment of an instalment is not made, amounts due are not paid on the maturity date or the debit balance exceeds the drawing limits determined for the customer.

- *Consumer and instalment loans/financings* – Consumer credit facilities are granted with the CBK's regulatory framework, lending/funding limits and in accordance with the bank's internal credit policy. In November 2018, the CBK amended the regulations on granting personal loans/financings. Taking into consideration changes in macroeconomic conditions and the changes in customer demographics, these amendments increased the ceiling for both consumer loans and Islamic financing. In general, the maximum eligible limit for a consumer loan/financing is 25 times the net monthly salary (or continuous monthly income) of the consumer, or KD 25,000, whichever is lower, with a maximum payment tenor of five years. An "instalment" loan/financing is a long-term personal loan/financing intended for non-commercial purposes, in particular for renovation or purchase of a private residence. The maximum limit on instalment loans/financings is KD 70,000 (which is in addition to the maximum limit on any "consumer" loan/financing advanced to the same customer). The maximum payment tenor for an instalment loan/financing is 15 years. A customer's total monthly payment liability (consumer and instalment loans/financing)s must not exceed 40 per cent. of that customer's net monthly salary (or continuous monthly income).

- *Extension of facilities for non-residents* – Local banks are permitted to extend credit facilities in Kuwaiti dinar to non-residents without the need for prior consent from the CBK only in connection with financing contracts awarded by government bodies in Kuwait whose value does not exceed KD 40 million and where the loan/financing does not exceed 70 per cent. of the total value of the contract. In all other cases, CBK consent is required for loans/financings to non-residents.

- *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

- *Investment limits* – The total ratio of the securities portfolio held by a Kuwaiti bank should not exceed 50 per cent. of the bank's capital in its comprehensive concept, as defined under the CBK's instructions to the local banks in respect of the capital adequacy ratio and the CBK instruction no. BS/101/1995 (as amended) in respect of the credit concentration limits. Further, the ratio of the 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.

- *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 regulatory capital.

- *Clustering limit – total limit for large concentrations* – The aggregate of large credit concentrations (being concentrations which exceed 10 per cent. of a bank's regulatory capital), including any exceptions approved by the CBK, may not exceed four times a bank's regulatory capital.

Interest/profit rate cap regulations

The CBK's resolutions issued in respect of interest/profit rate ceilings provide that the maximum limits for interest/profit rates on Kuwaiti dinar loans/financings to corporates should not exceed:

- 2.5 per cent. over the CBK's discount rate in the case of commercial loans/financings with a maturity of one year or less; and

- 4 per cent. over the CBK's discount rate in the case of commercial loans/financings exceeding one year.

Interest/profit rates for consumer and instalment loans/financings denominated in Kuwaiti dinar are currently capped at the CBK discount rate *plus* 3 per cent. for each block of five years. Such interest/profit rates may be adjusted by no more than *plus* or *minus* 2 per cent. for each subsequent block of five years.

Interest/profit rates for loans/financings in currencies other than the Kuwaiti dinar are not regulated by the CBK.

Corporate governance

On 10 September 2019, the CBK issued a revised version of the "Rules and Standards of Corporate Governance" (the "**Corporate Governance Rules**") which apply to all banks in Kuwait and is required to be implemented with effect from 30 June 2020. This new regulation replaces the previous "Rules and Standards of Corporate Governance in Kuwaiti Banks" issued in 2012. The Corporate Governance Rules provide principles that should be applied by Kuwaiti banks in order to ensure proper governance. They comprise nine pillars that cover, amongst other things, board composition, independent board members, risk management governance, compliance governance, cyber-security, disclosure and transparency, remuneration policies and systems, and overall protection of shareholder and stakeholder's rights. The Corporate Governance Rules require each bank to adopt a corporate governance manual and establish a corporate governance committee, tasked with devising an overall framework for the adherence to the governance manual.

The Corporate Governance Rules require the existence of independent directors in the composition of a banks' board of directors and the board committees. With effect from 30 June 2020, a bank's board must comprise no less than 11 board members, two of whom must be deemed "independent" but in no circumstance should the independent board members occupy more than half of the board seats. Another two independent board members are to be included to provide a total of four independent board members from the, at least, 11 board members. Following the outbreak of the COVID-19 pandemic, the CBK granted Kuwaiti banks an extension to this requirement until 31 December 2020.

The Corporate Governance Rules define the role of a bank's board of directors and executive management (including the chief executive officer and other members of senior management), the executive committee (which is to include the chief executive officer), the risk committee, the audit committee, and any other committees that have an active role in the business of the bank.

KFH has developed a corporate governance framework which is based on international best practice and adheres to the CBK's requirements under the Corporate Governance Rules (see further "*Management and Employees – Corporate Governance Framework*").

Third party portfolio management

Instructions apply to portfolios managed by banks and investment companies for the account of third parties and invested in foreign securities and other financial instruments.

Shari'a Supervisory Board

The CBK has issued instructions in respect of *Shari'a* supervisory regulations for Islamic banks. 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.

Other Instructions

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

Application of CBK Regulations to KFH

KFH is incorporated as a public shareholding company in Kuwait. KFH is licensed by the CBK to conduct *Shari'a*-compliant banking activities and operates under its supervision. KFH is also listed on Boursa Kuwait. As a company incorporated in Kuwait under the applicable companies' laws, for KFH to perform any commercial activities, it must have a valid commercial license issued by the MOCI. The MOCI issued commercial license is renewable every four years. KFH has a valid commercial license which expires on 24 October 2022. KFH has no reason to believe that its commercial licence will not be renewed by the MOCI.

The CBK is tasked with maintaining the stability of Kuwait's banking system. As an entity subject to the CBK's oversight, KFH is required to submit various periodic and one-off reports to the CBK. The CBK also conducts inspections of banking and financial institutions (banks, investment companies and money exchange companies) which are subject to its supervision in order to ascertain their financial sustainability and their adherence to their constitutive documents. These inspections may be in the form of a specific inspection or a full audit of all activities. The CBK routinely and periodically inspects all entities subject to its oversight.

Alongside the CBK, KFH is also regulated by the CMA due to it being a publicly traded company with shares listed on Boursa Kuwait and conducts some of the "Securities Activities" listed in Module 5 article 1-2 of the CMA Bylaws.

Banking System

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 the CBK Law. As at 31 December 2020, total local bank assets in the Kuwaiti banking sector amounted to KD 71.0 billion and total credit facilities to Kuwaiti residents advanced by local banks amounted to KD 38.4 billion (*source*: CBK).

The key performance indicators of the Islamic Kuwaiti banks as at 31 December 2020 are set out below (*source*: financial statements and investor publications published on the company website of each bank listed below):

	As at and for the year ended 31 December 2020			
	Cost to Income Ratio	**Return on Average Assets**	**Return on Average Equity**	**Earnings Per Share**
		(%)		*(fils)*
Ahli United Bank	29.3	1.2	10.4	13.1[(1)]
Boubyan Bank	44.4	0.6	5.3	9.7
KFH	37.2	0.9	7.6	19.5
Kuwait International Bank	35.5	0.0	0.0	(5.1)
Warba Bank	33.3	0.2	0.3	0.4

(1) Ahli United Bank reports its financial results in U.S. dollars. The figure above has been converted at an exchange rate of U.S.$1.00 = KD 3.05 (see "*Presentation of Financial and Other Information – Presentation of Other Information – Certain Conventions*").

In addition, as at 31 December 2020, the following banks also operated in Kuwait:

- five conventional banks (Al Ahli Bank of Kuwait, Burgan Bank, Commercial Bank of Kuwait, Gulf Bank and National Bank of Kuwait);
- one specialised bank (Industrial Bank of Kuwait, which was established by the Government with an emphasis on financing and enhancing industrial development in Kuwait); and
- 12 foreign bank branches (Abu Dhabi Commercial Bank, Al-Rajhi Bank, Bank of Bahrain and Kuwait, Bank Muscat, BNP Paribas, Citibank, Doha Bank, First Abu Dhabi Bank, HSBC, Industrial and Commercial Bank of China Limited, Mashreqbank and Qatar National Bank).

Financial Stability Law and Deposit Guarantee Law

In response to the global financial crisis in 2008, the Government took a number of measures, including the passing of Decree No. 2 of 2009 (the "**Financial Stability Law**"). The Financial Stability Law sought to stabilise the financial sector in Kuwait and other economic sectors so as to encourage the financing of such sectors by local banks. The Financial Stability Law applies only to specific classes of economic ventures which had been entered into as at 31 December 2008.

As a further measure, the Government passed Law No. 30 of 2008 regarding the guarantee of deposits held with local banks (the "**Deposit Guarantee Law**"). Under the Deposit Guarantee Law, the Government has undertaken to guarantee the principal (but not interest) of all deposits held with local banks in Kuwait, including savings accounts and current accounts.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (*as defined in the Conditions*).

Declaration of Trust

The Declaration of Trust will be entered into on the Issue Date between the Bank, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets will comprise (i) the cash proceeds of the issuance of the Certificates pending application thereof in accordance with the terms of the Transaction Documents; (ii) all of the Trustee's rights, title, interest, benefit and entitlements, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets; (iii) all of the Trustee's rights, title, interest, benefit and entitlements, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant to indemnify the Trustee given by the Bank pursuant to the Declaration of Trust); and (iv) all amounts standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

The Declaration of Trust shall provide that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available therefor from the Trust Assets, subject to the priority of payments set out in Condition 5.3 (*Application of Proceeds from Trust Assets*). After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

(a) hold the Trust Assets on trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and

(b) 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 Declaration of Trust and the Conditions.

In the Declaration of Trust, the Trustee shall irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), trusts, 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 relevant provisions of the Declaration of Trust 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 and have all the protections of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents, (ii) take such other steps as the Delegate may consider necessary to recover amounts due to Certificateholders and (iii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together the "**Delegation of the Relevant Powers**"), **provided that**: (a) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation of the Relevant Powers; (b) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets; and (c) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject to certain provisions of the Declaration of Trust, shall not affect the Trustee's continuing role and obligations as trustee. Pursuant to the Declaration of Trust:

(a) upon the occurrence of a Bank Event and the delivery of a Dissolution Notice by the Delegate to the Trustee, to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 12.1 (*Bank Events*), the Delegate may at its discretion (acting on behalf of Certificateholders) or shall, if so directed by an Extraordinary Resolution of the Certificateholders or if so requested in writing by Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding or on the requisition of an Extraordinary Resolution, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction take one or more of the following steps: (i) institute any steps, actions or proceedings for the winding-up of the Bank and/or (ii) prove in the winding-up of the Bank and/or (iii) institute steps, actions or proceedings for the bankruptcy of the Bank; and/or (iv) claim in the liquidation of the Bank and/or (v) take such other steps, actions or proceedings which, under the laws of Kuwait, have an analogous effect to the actions referred to in (i) to (iv) above, in each case for (subject to the provisos contained in Condition 12.3(a) (*Proceedings for Winding-up*)) all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents; and

(b) without prejudice to Conditions 12.1 (*Bank Events*) and 12.3 (*Winding-up*, *dissolution or liquidation*) and the provisions of clause 17 (*Enforcement of Rights*) of the Declaration of Trust, the Trustee (or the Delegate) may at its discretion and the Delegate shall, if so directed by an Extraordinary Resolution of the Certificateholders or if so requested in writing by Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding, or on the requisition of an Extraordinary Resolution and without further notice (subject in each case to Condition 12.3(e)(i) (*Realisation of Trust Assets*)) institute such steps, actions or proceedings against the Bank and/or the Trustee, as it may think fit to enforce any term or condition binding on the Bank or the Trustee (as the case may be) under the Certificates and the Transaction Documents (other than any payment obligation of the Bank under or arising from the Transaction Documents, including, without limitation, payment of any principal or premium or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations) including, without limitation, any failure by the Bank to procure the substitution of the Trustee in the circumstances described in Condition 12.2 (*Trustee Events*). However, in no event shall the Bank, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents.

A Transaction Account will be established in London in the name of the Trustee. Monies received in the Transaction Account will, *inter alia*, comprise payments of amounts payable under the Mudaraba Agreement immediately prior to each Periodic Distribution Date (see "*—Mudaraba Agreement*" below). The Declaration of Trust shall provide that all monies credited to the Transaction Account from time to time will be applied in the order of priority set out in Condition 5.3 (*Application of Proceeds from Trust Assets*).

Mudaraba Agreement

The Mudaraba Agreement will be entered into on or before the Issue Date between the Bank (as the Mudareb) and KFH Tier 1 Sukuk Limited (as Trustee and Rab-al-Maal) and will be governed by English law.

The Mudaraba will commence on the date of payment of the Mudaraba Capital to the Mudareb and will end on (i) the date on which the Certificates are redeemed in whole but not in part in accordance with the Conditions following the liquidation of the Mudaraba in accordance with the terms of the Mudaraba Agreement (the "**Mudaraba End Date**") or (ii) if earlier, and in the case of a Write-down in whole only, on the Non-Viability Event Write-down Date.

Pursuant to the Mudaraba Agreement the proceeds of the issue of the Certificates will be contributed by the Rab-al-Maal to the Mudareb and shall form the Mudaraba Capital. The Mudaraba Capital shall be invested by the Bank (as Mudareb), on an unrestricted co-mingling basis, in its general business activities carried out through the General Mudaraba Pool in accordance with the investment plan prepared by the Mudareb and scheduled to the Mudaraba Agreement (the "**Investment Plan**"). The Mudareb will acknowledge and agree in the Mudaraba Agreement that the Investment Plan was prepared by it with due skill, care and attention, and acknowledge that the Trustee has entered into the Mudaraba in reliance on the Investment Plan. The General Mudaraba Pool does not include any other investment pool maintained by the Bank.

The Mudareb is expressly authorised to co-mingle the Mudaraba Capital with its shareholders' equity and such amounts may be co-mingled in its general business activities carried out through the General Mudaraba Pool, **provided that** prior to the calculation of any Mudaraba Profit or Final Mudaraba Profit the Mudareb shall deduct a proportion of any profit earned (including, for the avoidance of doubt, any profit earned in respect of the proceeds of all current savings and investment deposit accounts forming part of the General Mudaraba Pool) for its own account.

The Mudaraba Agreement provides that the profit (if any) generated by the Mudaraba will be distributed by the Mudareb on each Mudaraba Profit Distribution Date on the basis of a constructive liquidation of the Mudaraba by the Mudareb in accordance with the following profit sharing ratio:

(a) the Trustee 99 per cent.; and

(b) the Mudareb 1 per cent.

If the Mudareb elects to make a payment of Mudaraba Profit, or Final Mudaraba Profit is otherwise payable pursuant to the Mudaraba Agreement, and if the Trustee's share of the Mudaraba Profit (the "**Rab-al-Maal Mudaraba Profit**") or the Trustee's share of the Final Mudaraba Profit (the "**Rab-al-Maal Final Mudaraba Profit**") (as applicable) payable to the Trustee is (i) greater than the then applicable Periodic Distribution Amount, the amount of any excess shall be credited to a reserve account (the "**Mudaraba Reserve**") and the Rab-al-Maal Mudaraba Profit or the Rab-al-Maal Final Mudaraba Profit (as applicable) payable to the Trustee will be reduced accordingly; or (ii) is less than the then applicable Periodic Distribution Amount, the Mudareb shall first utilise any amount available in the Mudaraba Reserve (after re-crediting amounts to it in accordance with the terms of the Mudaraba Agreement if there is any such shortfall) and, if a shortfall still exists following such re-credit, it may (at its sole discretion) elect (but shall not be obliged) to make one or more payments from its own cash resources in order to cover such shortfall (the aggregate of such amounts used to cover such shortfall and not yet recovered by the Mudareb being the "**Shortfall Cover Amount**").

The Mudareb shall be entitled to deduct amounts standing to the credit of the Mudaraba Reserve (at its sole discretion) at any time prior to the Mudaraba End Date and to use such amounts for its own purposes **provided that** such amounts shall be repaid by it to the Mudaraba Reserve if so required to fund a shortfall.

If the Mudareb makes a Non-Payment Election or a Non-Payment Event occurs, then the Mudareb shall give notice to the Trustee, the Principal Paying Agent, the Delegate and the Certificateholders, in each case providing details of such Non-Payment Election or Non-Payment Event in accordance with the notice periods set out in the Mudaraba Agreement. The Trustee shall have no claim in respect of any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit not paid as a result of either a Non-Payment Event or (in the case of any Rab-al-Maal Mudaraba Profit only) a Non-Payment Election and such non-payment in whole or in part, as applicable, in such circumstance will not constitute a Dissolution Event. If any amount of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit is not paid as a consequence of a Non-Payment Election or a Non-Payment Event, then from the date of such Non-Payment Election or Non-Payment Event (the "**Dividend Stopper Date**"), the Mudareb shall be prohibited from declaring or paying certain distributions or dividends, declaring or paying profit or other distributions on certain of its securities, or redeeming, purchasing, cancelling, reducing or otherwise acquiring certain of its share capital and securities, in each case unless or until (i) two consecutive payments of Rab-al-Maal Mudaraba Profit or, (ii) as the case may be, Rab-al-Maal Final Mudaraba Profit, in each case following a Dividend Stopper Date, have been made in full to the Trustee following such Non-Payment Election or Non-Payment Event (or an amount equal to that amount has been duly set aside or provided for in full for the benefit of the Trustee).

Subject to certain conditions as set out in the Mudaraba Agreement, the Bank (as Mudareb) may (in its sole discretion) liquidate the Mudaraba in whole, but not in part, on the basis of a final constructive liquidation of the Mudaraba in the following circumstances:

(a) on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter, by giving not less than 20 nor more than 35 days' prior notice to the Trustee; or

(b) on any date, on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 20 nor more than 35 days' prior notice to the Trustee:

  (i) upon the occurrence of a Tax Event; or

  (ii) upon the occurrence of a Capital Event.

If the Mudareb were to exercise its option to liquidate in accordance with paragraph (a) or (b) above and the proceeds to be returned to the Trustee which would be generated upon such liquidation are less than the Required Liquidation Amount, the Mudareb shall either continue investing the Mudaraba Capital in the Mudaraba, and accordingly no distribution of the liquidation proceeds shall occur, or shall, if it were to proceed with such final constructive liquidation, indemnify the Trustee in respect of such shortfall and shall pay an amount equal to the Required Liquidation Amount to the Trustee in which case there shall be a final constructive liquidation of the Mudaraba. The "**Required Liquidation Amount**" means: (a) the Mudaraba Capital and, in the case of a final liquidation following the occurrence of a Capital Event pursuant to paragraph (b)(ii) above only and prior to the First Call Date, the Capital Event Profit Amount (being an amount equal to one per cent. of the Mudaraba Capital on the date of such liquidation); (b) Subject to a Non-Payment Event not having occurred and being continuing and **provided that** a Non-Payment Event will not occur as a result of such payments, the Rab-Al-Maal Final Mudaraba Profit (being an amount equal to the Periodic Distribution Amount payable on the redemption of the Certificates in full); and (c) the Shortfall Cover Amount (if any).

Under the terms of the Mudaraba Agreement, the Mudaraba will mandatorily be liquidated in whole but not in part if a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1 (*Bank Events*). The Mudareb acknowledges under the Mudaraba Agreement that the Trustee shall in such case be entitled to claim for all amounts due in accordance with the terms of the Mudaraba Agreement in such winding-up, bankruptcy, dissolution or liquidation (or analogous event) subject to certain conditions being satisfied.

The Mudaraba Agreement also **provides that** if a Non-Viability Event occurs, a Write-down (in whole or in part, as applicable) will take place. In such circumstances, in the case of a Write-down in whole only, the Mudaraba Agreement will be automatically terminated (and the Trustee shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets) and in the case of a Write-down in part only, the Mudaraba Capital shall be reduced in proportion to the face amount of the Certificates that are to be written-down and the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally written-down in the same manner as the Certificates.

The Bank (as Mudareb) and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by the Bank to be varied upon the occurrence of a Tax Event or a Capital Event pursuant to the Conditions, to make such variations to the Mudaraba Agreement as are necessary to ensure that the Certificates become or, as appropriate, remain Qualifying Tier 1 Instruments.

The Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by the Mudareb's (i) breach of the Mudaraba Agreement or (ii) gross negligence, wilful misconduct or fraud.

The Mudareb shall exercise its rights, powers and discretions under the Mudaraba Agreement and shall take such action as it deems appropriate, in each case, in accordance with material applicable laws, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to *Shari'a*.

Other than its share of profit from the Mudaraba and any incentive fee payable in accordance with the Mudaraba Agreement, the Mudareb shall not be entitled to receive any remuneration from the Mudaraba.

The Mudareb will agree in the Mudaraba Agreement that all payments by it under the Mudaraba Agreement will be made free and clear of, and without any withholding or deduction for, or on account of, Taxes, unless such withholding or deduction is required by law, and provide for the payment of Additional Amounts so that the net amounts received by the Certificateholders shall equal the respective amounts that would have been received in the absence of such withholding or deduction. Any taxes incurred in connection with the operation of the Mudaraba (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the Mudaraba Term), but excluding the Mudareb's obligations (if any) to pay any Taxes and/or Additional Amounts, will be borne by the Mudaraba itself.

Agency Agreement

The Agency Agreement will be entered into on the Issue Date between the Trustee, the Bank, the Delegate, the Principal Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent.

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to authenticate (or procure the authentication of) and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay amounts due in respect of the Certificates on behalf of the Trustee; the Calculation Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to calculate the Profit Rate in respect of each Reset Period commencing on the relevant Reset Date, subject to and in accordance with the Conditions; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer and issue Definitive Certificates.

On the Issue Date, the Registrar will (i) authenticate (or procure the authentication of) the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

The Trustee shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Transaction Documents.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the liquidation of the Mudaraba, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in Condition 5.3 (*Application of Proceeds from Trust Assets*).

***Shari'a* Compliance**

Each Transaction Document will provide that each of KFH Tier 1 Sukuk Limited and Kuwait Finance House 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) are *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*.

TAXATION

The following is a general description of certain Cayman Islands, Kuwait, European Union and United States 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. 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 Prospectus and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion of 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 the Certificates 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 received an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, that for a period of 20 years from 12 May 2021 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 Act (As Revised). 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 Prospectus. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT would 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 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 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. The following paragraphs in this section are therefore applicable only 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 – Risk Factors 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.

However, the Trustee shall be able to rely on the provisions in the Mudaraba Agreement, which require the Mudareb to gross up each payment by an amount equal to any deduction, irrespective of whether a tax clearance certificate is presented or not.

Other taxes

Save as described above, all payments in respect of the Certificates and the Mudaraba Agreement may be made without withholding, deduction or retention 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.

The Proposed Financial Transactions Tax (the "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. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to 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.

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 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 the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the 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 the Certificates, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally 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.

Certificateholders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Joint Lead Managers, the Trustee and the Bank have, in a subscription agreement (the "**Subscription Agreement**") dated 28 June 2021, agreed that the Trustee will sell to the Joint Lead Managers U.S.$750,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe for the Certificates.

In accordance with the terms of the Subscription Agreement, each of the Trustee and the Bank has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the Certificates and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

General

Each Joint Lead Manager has agreed 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 offers or sells any Certificates or possesses or distributes this Prospectus and neither the Trustee, the Bank nor any of the other Joint Lead Managers shall have any responsibility therefor.

Neither the Trustee, the Bank nor any of the Joint Lead Managers represents that (i) Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale or (ii) any action has been, or will be, taken in any jurisdiction that would permit a public offering of any Certificates, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

United States

The Certificates have not been and will not be registered under the Securities Act, or with any securities regulatory authority of ant state of the United States and may not be offered, sold, pledged or otherwise transferred directly or indirectly within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act and applicable state or local state laws. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Certificates and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, 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 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.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of Certificates within the United States by a dealer/manager that is 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 registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the UK. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(i) 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 or the Bank; and

(ii) 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 UK.

Cayman Islands

Each Joint Lead Manager has represented and agreed that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in the Cayman Islands.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Certificates 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 Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(i) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority rulebook (the "**DFSA Rulebook**"); and

(ii) 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.

State of Kuwait

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, marketed and/or sold by it in Kuwait, except through a licensed person duly authorised to undertake such activity pursuant to Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and Regulating of Securities Activities and its executive bylaws (each as amended) (the "**CML Rules**") and unless all necessary approvals from the CMA pursuant to the CML Rules, together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature or type), or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing and/or sale of the Certificates.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates, except on a private placement basis, to persons in Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(i) 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;

(ii) 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

(iii) 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 Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the Capital Market Authority resolution number 1-7-2021 dated 14 January 2021 (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 Joint Lead Manager has represented and agreed that any offer of Certificates made by it to a Saudi Investor will be made in compliance with Article 11 and either Article 9 or Article 10 of 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, but is subject to the restrictions on secondary market activity under Article 15 of 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: (i) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (ii) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre).

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold, and will not offer or sell any

Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other laws and regulations of Japan.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates, except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Malaysia

Each Joint Lead Manager has represented and agreed that:

(i) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**"); and

(ii) accordingly, the Certificates have not been and will not be offered or sold, 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.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Each Joint Lead Manager has represented and agreed 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 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 Securities and Futures Act, Chapter 289 of Singapore (as modified or amended from time to time, 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 to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in

Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) 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

(ii) 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 (as defined in Section 239(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:

(a) 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;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Singapore SFA Product Classification: *In connection with Section 309B of the SFA and 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*).

Switzerland

The offering of the Certificates in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**") because the Certificates (i) have a minimum denomination of CHF 100,000 (or equivalent in another currency) or more and (ii) will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Prospectus does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Certificates.

Each Joint Lead Manager has represented and agreed that: (i) the Certificates may not be publicly offered directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act, and (ii) neither this Prospectus nor any other offering or marketing material relating to the Certificates may be publicly distributed or otherwise made publicly available in Switzerland.

GENERAL INFORMATION

Listing

Application has been made to the FCA for the Certificates to be admitted to listing on the Official List and to the London Stock Exchange and for trading on the Regulated Market. The Regulated Market is a UK regulated market for the purposes of UK MiFIR. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the Regulated Market will be granted on or around the Issue Date. The total expenses related to the admission to trading are estimated at GBP 7,800.

Legal Entity Identifier

The legal entity identifier ("**LEI**") of the Trustee is 549300JVNRIBUMSCDU79.

The LEI of the Bank is 2549007KX0N057S9BC98.

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 6 May 2021. The Trustee has obtained all necessary consents, approvals and authorisations in connection with the issue of the Certificates and the entry into the Transaction Documents.

The entry by the Bank into the Transaction Documents was authorised by the directors of the Bank on 8 March 2021.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 233891266 and ISIN XS2338912665.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial performance or financial position of the Bank or the Group since 31 March 2021 and there has been no material adverse change in the prospects of the Bank or the Group since 31 December 2020.

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

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 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.

Auditors

The auditors of the Bank are EY and Deloitte. The business address of EY is P.O. Box 74, 18 – 21st Floor, Baitak Tower, Ahmed Al Jaber Street, Safat Square 13001, Kuwait and the business address of Deloitte is Ahmed Al-Jaber Street, Sharq, Dar Al-Awadi Complex, Floors 7 & 9, P.O. Box 20174, Safat 13062, Kuwait. Each of EY and Deloitte is regulated in Kuwait by the CMA and is a registered auditor licensed to act as an auditor in Kuwait by the Kuwaiti Ministry of Commerce and Industry.

EY and Deloitte have audited, without qualification, each of the consolidated financial statements of the Bank as at and for the years ended 31 December 2020 and 31 December 2019 in accordance with the ISAs, as stated in their reports incorporated by reference herein.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Documents Available

For as long as the Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available for inspection and/or collection from the registered office of the Trustee and the specified office of the Principal Paying Agent, and available online at https://www.kfh.com/home/Investor-Relations.html/:

(a) the Declaration of Trust;

(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 2020 and 31 December 2019, in each case, together with the audit reports thereon and the notes thereto;

(d) the most recently published consolidated financial statements of the Bank and interim condensed consolidated financial information of the Bank, in each case, together with any audit or review reports thereon and the notes thereto; and

(e) this Prospectus together with any supplement to this Prospectus.

This Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Act (As Revised) of the Cayman Islands (the "**DPA**") on 18 May 2017 which was brought into force on 30 September 2019. The DPA introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Trustee Administrator) with certain personal information which constitutes personal data within the meaning of the DPA. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Trustee Administrator, may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPA to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Trustee Administrator by email at dubai@maples.com), which provides an outline of investors' data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

Joint Lead Managers Transacting with the Bank

Certain of the Joint Lead Managers 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 the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Bank and their affiliates, including, without limitation, the Certificates. Certain of the Joint Lead Managers or their affiliates that have a financing relationship with the Bank and its affiliates may routinely hedge their credit exposure to the Bank and its affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers 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

KFH Tier 1 Sukuk Limited
c/o MaplesFS Limited
P.O. Box 1093, Queensgate House
Grand Cayman
KY1-1102
Cayman Islands

THE BANK

Kuwait Finance House K.S.C.P.
Abdullah Al Mubarak Street
Al Mirqab Area
Kuwait City
P.O. Box 24989
Safat 13110
Kuwait City
State of Kuwait

THE DELEGATE

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt
Germany

PRINCIPAL PAYING AGENT, CALCULATION AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
Citigroup Centre
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Canary Wharf
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United Kingdom

LEGAL ADVISERS

To the Trustee as to Cayman Islands law

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To the Trustee and the Bank as to English law

Clifford Chance LLP
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To the Bank as to Kuwaiti law

International Counsel Bureau
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Safat 13070
Kuwait

To the Joint Lead Managers as to English law

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Level 18, Boulevard Plaza 2
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PO Box 1756
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United Arab Emirates

To the Joint Lead Managers as to Kuwaiti law

ASAR – Al-Ruwayeh & Partners
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To the Delegate as to English law

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AUDITORS TO THE BANK

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Kuwait

Ernst & Young Al Aiban, Al Osaimi & Partners
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18 – 21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001
Kuwait

JOINT GLOBAL CO-ORDINATORS

KFH Capital Investment Company K.S.C.C.
P.O. Box 3946
Safat, 13040
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7th Floor Building One, Gate Precinct
Dubai International Financial Centre
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United Arab Emirates

JOINT LEAD MANAGERS

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United Arab Emirates

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