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# Memorandum & Articles of Association

Kuwait Finance House (K.S.C.P)

Kuwait  
2023 AD  
1445 AH



# Memorandum of Association

## Article 1

Pursuant to this Memorandum of Association the Ministry of Awqaf and Islamic Affairs, Ministry of Finance and the Public Authority for Minors' Affairs have established a Kuwaiti Shareholding Company as per the provisions of the Law.

## Article 2

The founders declare that the Company has been established pursuant to the provisions of Law Decree No. 72 of 1977. The Company is governed by the provisions of Law No. 32 of 1968 on Currency, the Central Bank of Kuwait and the regulation of Banking Profession, its amendments, Companies Law No. 1/2016, and its executive regulations, Law No. 7 of 2010 on the Establishment of Capital Markets Authority and regulating Securities Activity, its Executive Regulations and the provisions of this Memorandum.

The Company is deemed as a legal entity effective from the date of issuance of the Law Decree of its incorporation.

## Article 3

Company's name is:

"Kuwait Finance House - Kuwaiti Shareholding Company Public (K.S.C.P)".

## Article 4

The company's head office and legal address shall be in Kuwait City. The Board of Directors may establish branches, offices or agencies for the Company inside and outside Kuwait.

## Article 5

The Term of the Company shall be unlimited, and shall commence effective the issuance date of the decree of its incorporation. The Company shall be dissolved for any legal reasons demanding dissolution.

## **Article 6**

Company's Establishment objectives shall be as follows:

**First:** Conduct all banking operations and services regular and digital for its own benefit, or for the benefit of any other third parties, without engaging in "Riba", whether in the form of interest or in any other form. The Company may, including but not limited, carry out the following:

1. Receive various types of cash deposits, either for safe-custody or for conditional or unconditional re-investment in accordance with Islamic Sharia regulations.
2. Purchase and sell gold bullion, supply foreign currencies, and sell or purchase of currency drafts.
3. Provide short-term financing against collaterals in the form of commercial securities and at an agreed commercial return in accordance with Islamic Sharia regulations.
4. Issue letters of credit and provide banking facilities with or without security.
5. Issue letter of guarantees in favor of third parties, with or without collaterals.
6. Collecting transfers, promissory notes, cheques, bills of lading and all other instruments against a commission for the account of customers and others.
7. Collect financial placements related to the establishment of new shareholding companies or increase of capital.
8. Purchase of shares, investments or other types of securities, either for the benefit of the Company or for the benefit of others in accordance with Islamic Sharia regulations.
9. Safe-keep all kinds of currencies, precious metals, jewelry, documents, packages and parcels, and renting safe deposits.
10. Act as trustee and agent, accept agencies and appoint agents with or without commission.

In general, the Company may carry out all banking operations and services as well as other operations permissible by law, regulations and statutes observed by banks in Accordance with Islamic Sharia regulations.

**Second:** Carry out investments activities directly or by the purchase and finance of projects or activities owned by others, without engaging in “Riba”. The Company may for example carry out the following:-

1. Establish or participate in establishing new companies or provide financing to existing companies.
2. Provide individuals and governmental organizations with all types of studies, expertise, research and advice on the employment of funds and provide all types of services concerning such operations.
3. Purchase of lands or other Realestate either for the purpose of selling it in its original condition or after dividing it, or for renting them vacant or with buildings and equipment.
4. Financing of investments in all types of construction activities.
5. Engage in the securities business, including Sukuk, Investment Consultant & Subscription Agent without contradiction to Islamic Sharia regulations.

In general, the Company may carry out all such activities to achieve its banking and investment objectives directly or in cooperation with other organizations, companies and governments in compliance with Sharia regulations.

#### 6. Property Management

7. Carrying out real estate appraisal procedures including built and under construction real estate, vacant lands of all types, as well as residential units.

In general, the Company may carry out all such activities to achieve its banking and investment objectives directly or in cooperation with other organizations, companies and governments in compliance with Sharia regulations.

### **Article 7**

Pursuant to this Memorandum of Association the Ministry of Awqaf and Islamic Affairs, the Ministry of Finance and the Public Authority of Minors' Affairs have established a Kuwaiti Shareholding Company to be governed by the provisions of the Articles of Association attached hereto.

### **Article 8**

An independent committee named “Fatwa and Shari’a Supervisory Board” is to be formed in the Company, comprising not less than three scholars specialized in Islamic Jurisprudence and holding university degrees in that field at least. Committee members shall be appointed by the company’s general assembly.

K) Sharia committee shall have the following tasks:

L) Express Sharia opinion on the company’s activities and actions.

M) Verify company’s compliance with the Islamic Shari’a principles.

N) Provide the Company’s General Assembly with an annual report stating therein the extent of company’s business, activities and operations with Sharia principles and management’s compliance with Sharia committee opinions in this respect and express any remarks on the company’s business.

This report shall be included in the Company's annual report.

Decisions shall be made by majority of votes. In case no majority decision is achieved or in case of any dispute arises between the committee members, the matter shall be referred to the Fatwa Committee at the Ministry of Awqaf and Islamic Affairs through the Board of Directors to the Higher Sharia Supervisory Board of Kuwait Central Bank.

### **Article 9**

The company's authorized capital is KD 1,476,445,657.200 (One Billion Four Hundred Seventy Six Million Four Hundred Forty Five Thousand Six Hundred Fifty Seven Kuwait Dinars and Two Hundred Fils) distributed to 14,764,456,572 shares (Fourteen Billion Seven Hundred Sixty Four Million Four Hundred Fifty Six Thousand and Five Hundred Seventy Two Shares) of Hundred Fils each. All shares are in cash.

The company's issued and paid up capital is KD 1,476,445,657.200 (One Billion Four Hundred Seventy Six Million Four Hundred Forty Five Thousand Six Hundred Fifty Seven Kuwait Dinars and Two Hundred Fils) distributed to 14,764,456,572 shares (Fourteen Billion Seven Hundred Sixty Four Million Four Hundred Fifty Six Thousand and Five Hundred Seventy Two Shares) of Hundred Fils each. All shares are in cash.

### **Article 10**

The founders have subscribed in the company's capital with shares amounting Four Million Nine Hundred Thousand shares to be divided amongst them as follows:

- Ministry of Awqaf and Islamic Affairs: Nine hundred thousand shares with a value amounting Nine Hundred Thousand Kuwaiti Dinars.
- Ministry of Finance: Two million shares with a value amounting Two Million Kuwaiti Dinars.
- Public Authority for Minors of Minors' Affairs: Two million shares with a value amounting Two Million Kuwaiti Dinars.

They shall undertake to deposit 25% of the shares' value in any of the banks operating in Kuwait.

Remaining shares shall be offered for public subscription in Kuwait.

### **Article 11**

Establishment expenses which the company shall pay is an amount of Fifty Thousand Kuwaiti Dinars approximately. These expenses shall be deducted from the general expenses account.

### **Article 12**

The founders shall take all necessary procedures to complete the company's final establishment process and offering of shares for public subscription.

They may entrust the execution of these procedures to a committee to be formed as per founders' decision. The founders shall determine the names of the persons assigned to complete all documentation required in addition to those authorized to deposit placement amounts, draw amounts from expenses account and complete the allocation process in an appropriate way.

**Article 13**

An original copy of the Company's Memorandum of Association shall be kept at its main office and uploaded on its website. An original copy of this Memorandum shall also be kept in the Company's files and in the custody of the competent department at the Ministry of Commerce and Industry.

Duplicate copies of this memorandum may be obtained from the company against a certain fee to be determined by the company.

**Article 14**

Company's capital may be increased or treasury shares may be used to encourage efficient employees to work for the company and create the employees share purchase option as prepared by the board of directors. Priority in benefiting from the capital increase shares shall be granted to eligible employees. Shareholders shall denounce their priority right in regard to the shares allocated to employees as per the said system.

# Articles of Association

## Article 1

Established in accordance with the provisions of Law No. 72 of 1977 and this article among the owners of shares as indicated later, Kuwait Finance House is a public shareholding company. This is without prejudice to the provisions of the existing laws from which this company has been excluded and stated in the article, and for which law has been issued licensing its establishment, and is considered an endorsement of it as well.

The company is subject to the provisions of the companies Law No. 1/2016 and it's relevant executive regulations, and Law No. 32 of 1968 regarding the Currency policy, the Central Bank of Kuwait regulations, the Organization of the Banking Profession procedures, and Law No. 7 of 2010 regarding establishment of the Capital Markets of Authority, the regulations of Securities activity as well as it's relevant executive regulations.

## Article 2

The company's head office and selected legal address shall be at the State of Kuwait – Mirqab area – Sheikh/ Abdullah Al-Mubarak Al-Sabah Street being the selected legal address for receiving all correspondences and legal notices. No change on this address shall be valid unless entered in the commercial register. The Board of Directors may establish branches, offices or agencies for the Company inside and outside Kuwait.

## Article 3

Duration of the Company shall be unlimited.

## Article 4

Notwithstanding the provisions of the Companies Law No. 1/2016 and executive regulations and amendments thereof, the objectives for which the company is established are as follows:

**First:** Conduct all banking operations and services for its account or for the benefit of others, without engaging in "Riba", whether in the form of interest or in any other form. The Company may for example carry out the following

1. Accept various types of cash deposits, either for safe-custody or for conditional or unconditional re-investment in compliance with Sharia regulations.
2. Purchase and sell gold bullions and supply, sell and purchase of foreign currency and drafts.
3. Provide short-term financing against collaterals in the form of commercial papers with agreed commercial returns in compliance with Sharia regulations.
4. Issue letters of credit and provide banking facilities, with or without collaterals.
5. Issue guarantees in favor of third parties, with or without collaterals.



6. Provide collection services of drafts, promissory notes, cheques, bills of lading and all other instruments against a commission for the benefit of customers and other parties.
7. Receive subscriptions during various establishment stages of new shareholding companies or capital increases.
8. Purchase shares, investment certificates and similar securities for the benefit of the Company or for the benefit of others in accordance with Islamic Shari'a regulations.
9. Safe-keeping of all kinds of currencies, precious metals, jewelry, documents, packages and parcels, and the rental of safe deposits.
10. Act as trustee and agent, accept agencies and appoint agents with or without commission.

In general, the Company has the right to carry out all types of banking operations and services as well as other operations permissible by banking laws, rules and regulations in compliance with Sharia regulations

Second: Carry out direct investment activities, purchase or finance projects or activities owned by others without practicing "Riba". The Company has the right, for example, carry out the following:

1. Establish new companies, or participate in or finance existing companies.
2. Provide individuals and government entities with studies, expertise, researches and advice on capital placements, and provide all services concerning such operations.
3. Purchase of lands and other Realestate either for the purpose of selling it in its original condition or after dividing, or rent the same in a vacant condition or with facilities, buildings and equipment added thereto.
4. Provide investment financing services for all types of construction activities.
5. Engage in the securities business, including Sukuk, Investment Consultant & Subscription Agent in compliance with Islamic Sharia regulations.
6. Property Management
7. Carrying out real estate appraisal procedures including built and under construction real estate, vacant lands of all types, as well as residential units.

In general, the Company may carry out all activities, which may assist the company in achieving its banking and investment objectives, directly or in cooperation with entities, companies and governments in compliance with Sharia regulations.

## **Article 5**

The company's authorized capital is KD 1,476,445,657.200 (One Billion Four Hundred Seventy Six Million Four Hundred Fourty Five Thousand Six Hundred Fifty Seven Kuwait Dinars and Two Hundred Fils) distributed to 14,764,456,572 shares (Fourteen Billion Seven Hundred Sixty Four Million Four Hundred Fifty Six Thousand and Five Hundred Seventy Two Shares) of Hundred Fils each. All shares are in cash.

The company's issued and paid up capital is KD 1,476,445,657.200 One Billion Four Hundred Seventy Six Million Four Hundred Fourty Five Thousand Six Hundred Fifty Seven Kuwait Dinars and Two Hundred Fils) distributed to 14,764,456,572 shares (Fourteen Billion Seven Hundred Sixty Four Million Four Hundred Fifty Six Thousand and Five Hundred Seventy Two Shares) of Hundred Fils each. All shares are in cash.

## **Article 6**

The founders shall subscribe in the company's capital with Four Million and Nine Hundred Thousand Shares. They undertake to pay 25% of the nominated value Which equals Four Million Nine Hundred Thousand Kuwaiti Dinars to one of the local accredited banks in Kuwait.

Remaining shares, Five million One Hundred Thousand, shall be offered for public subscription in Kuwait. The founders shall determine the offering conditions and procedures.

## **Article 7**

Kuwaitis and non-Kuwaitis may own the company's shares as per the provisions of the law.

## **Article 8**

Each subscriber shall pay 25 % of the shares' value upon subscription. Remaining value of shares shall be settled within 5 years maximum effective the issuance date of the establishment decree. Payment may be made on the dates and in the manner determined by the board of directors. Failure to settle the remaining value shall render the board of directors liable to sell the related shares for the benefit of the defaulting shareholder under his responsibility without the need for an official notice. The sale shall be made in an auction. All unpaid instalments and expenses shall have the priority over any other creditors to be settled from the sale proceeds.

Remaining sale value shall be refunded to the concerned shareholder. In case sale proceeds are not sufficient the company shall claim the remaining due amount from the shareholder's private funds.

## **Article 9**

Notwithstanding the provisions of Law No. 32 of 1968 concerning Currency, Kuwait Central Bank, regulation of Banking Profession and its amendment, No natural or nominal person is allowed to own more than 5% of the company's capital shares. The above ownership limit does not apply to shares purchased by companies for the benefit of the government.

## **Article 10**

The Board of Directors shall provide each shareholder with a temporary certificate representing the shares he owns within 3 months from the announcement date of the company's final incorporation date. The board shall deliver the shares within 3 months from the settlement date of final installment.

## **Article 11**

The securities issued by the Company shall be subject to the central securities deposit system at the clearing agency. The deposit voucher of original securities with the clearance agency shall be considered as a title deed of such instrument. Each holder shall be provided with a voucher showing the number of securities owned by him.

## **Article 12**

The Company shall have a special record at the clearing agency. The record shall comprise shareholders, nationalities, domicile, number of shares held, type of shares and value paid per share.

An entry shall be made in the shareholders register comprising all changes made on any recorded information as received by the company or the clearing company. Any related party may request the company or the clearing company to provide him with details from this register.

### **Article 13**

Shares trading shall be governed by the provisions of Law No. 7 of 2010 and its Regulations as well as the rules and regulations issued by Capital Markets Authority regarding this issue.

### **Article 14**

No foreclosure may be imposed on company's properties in settlement of any amounts due from any shareholder. Foreclosure may be made on shareholders shares and profit thereon only and an entry shall be made in the shareholders register in this respect. Shares shall be sold even if the creditor fails to submit the original deposit receipt. Necessary amendments shall be made on the shareholders register at the clearing agency based on the results of the sale process.

Shares may be mortgaged even if not paid in full. Mortgage shall be recorded in the shareholders register in presence of the mortgagor, mortgagee or their representatives.

The debtor may assign to the creditor his right to attend the general assembly meetings or voting therein. All decisions adopted by the General Assembly shall be applicable to the mortgagor and the mortgagee in the same manner applicable to the debtor whose shares are attached or mortgaged.

### **Article 15**

Ownership of shares shall inevitably result into the acceptance of the Company's Articles of Association and the General Assembly resolutions.

### **Article 16**

Each share entitles its holder to an equal share, without discrimination, in the ownership of the company assets and profits dividend as specified hereinafter.

As shares are nominal, the last owner whose name is registered in the company's register shall be solely entitled to receive the amounts due on the share be it in the form of shares in dividends or a share in the company's assets.

## **Article 17**

The Company's authorized capital may be increased as per a resolution issued by the Extraordinary General Assembly, subject to the regulators' approval, based on the board justified proposal and the public accountant report in this respect provided that the capital increase resolution shall specify the increase amount and the methods of increase.

Authorized capital may not be increased unless the value of original shares is already paid in full. The Extraordinary General Assembly may issue a resolution authorizing the board of directors to determine the execution date of the capital increase resolution.

Company's capital may be increased or treasury shares may be used to encourage efficient employees to work for the company and create the employees share purchase option as prepared by the board of directors. Priority in benefiting from the capital increase shares shall be granted to eligible employees. Shareholders shall denounce their priority right in regard to the shares allocated to employees as per the said system.

## **Article 18**

Capital increase may be covered by shares, value of which shall be paid in any of the following methods:

1. Offering the increase shares for public subscription.
2. Transfer of funds from the voluntary reserve or retained earnings or amounts in excess of statutory reserve, into shares.
3. Transfer of a Company's debt, bonds or Sukuks into shares.
4. Providing corporeal shares.
5. Issuance of new shares to be allocated to the entry of new partner (s) proposed by the board of directors and approved by the extraordinary general assembly.
6. Any other methods regulated the companies law regulations.

In all cases, additional shares nominal value shall be equal to the nominal value of the original shares.

## **Article 19**

If capital increase was decided by offering of shares for public subscription as per clause 1 of article 15 (Bis), shareholders shall have the priority to subscribe in the new shares on pro-rata basis within fifteen days from date of notice.

A shareholder may assign his priority right to another shareholder or third party against a certain charge or free of charge as agreed between the shareholder and the assignee.

## **Article 20**

In case capital increase is determined to be performed by offering the shares for public subscription, the invitation addressed to the public for subscription will be based on a prospectus containing the full details as per law No. 7 of 2010 concerning Capital Markets Authority.

## **Article 21**

If the capital increase shares are not fully covered, the Extraordinary General Assembly that has approved the increase may resolve to cancel the capital increase or suffice itself with the amount subscribed so far. The Executive Regulations of Companies Law demonstrate the applicable procedures to be taken in this respect.

## **Article 22**

Extraordinary General Assembly may resolve to add an issuance premium to cover issuance expenses and then add it to the company's reserve.

This process may be performed as provided in the companies law regulations and CMA instructions.

## **Article 23**

If capital increase shares are covered by a corporeal share, such share must be evaluated according to the provisions of Article 11 of the Companies Law.

## **Article 24**

In case capital increase is performed by means of a transfer from the voluntary reserve or retained earnings or amounts in excess of statutory reserve, the company must issue bonus shares of nominal value without issuance premium. Such shares shall be distributed based on original shares owned by each shareholder in the capital.

## **Article 25**

In case capital increase is covered through the transfer of company's debt, bonds or Sukuks into shares the provisions of the companies' law and its amendments and regulations shall apply in this respect.

## **Article 26**

Extraordinary General Assembly may resolve, upon a justified proposal from the Board of Directors, and subject to CBK and Capital Markets Authority consent, to decrease capital in the following cases:

1. If capital exceeds company's needs.
2. If the Company incurs massive losses which are unlikely to be covered by the company's profits.
3. Other cases as provided in the Companies Law Regulations.

## **Article 27**

If resolution to decrease capital is based on the fact that the capital exceeds company needs, then the company must, prior to the execution of the decrease resolution, settle all outstanding debts and provide sufficient guarantees to settle.

all future debts. Company's creditors shall be entitled, in case of company's failure to settle their debts or provide sufficient guarantees to settle future debts, object to the decrease resolution before the court of law as provided in the Companies Law Regulations.

## **Article 28**

Capital may be decreased as follows:

1. Decrease in share's nominal value by not less than the minimum determined limit.
2. Cancellation of a number of shares equal to the intended capital decrease amount.
3. The Company's purchase of a number of shares equal to the intended decrease in capital.

Procedures in this respect shall apply as set out in the Executive Regulations of the Companies Law.

## **Article 29**

The company may purchase, sell or dispose its shares. The ordinary general assembly shall authorize the board of directors to purchase, sell or dispose the company shares by not more than 10% of the company's issued and paid up capital in the following cases:

1. Maintain share price stability. In this case purchased shares shall not exceed the ratio determined by CBK and CMA out of total company shares.
2. Decrease company's capital.
3. Collect a debt due from a third party against these shares.
4. Settle a certain debt due to a third party.
5. Distribution to shareholders without causing any increase in capital or in the number of issued shares, pursuant to the general assembly approval as per a resolution issued in this respect as per the rules and regulations approved by the general assembly.
6. Swap transactions in case of acquisition or merger of the company subject to CBK approval.
7. Sell or grant the company's employees all or part of its share as per the employees share purchase option program, subject to a resolution issued by the ordinary general assembly and as per the rules and regulations endorsed by the general assembly.
8. Any other cases determined by the related laws and ministerial decrees or determined by CBK or CMA in the future.

Shares purchased shall not be included in the total Company's shares where shareholders are required to own a certain percentage of capital, cases related to the quorum required for holding general assembly meetings and cases of voting at the general assembly meetings as set out by Capital Markets Authority.

The ordinary General Assembly shall authorize the Board to buy, sell or transfer maximum 10% from the Company shares capital as per the provisions of the law.

### **Article 30**

The Company is managed by a Board of Directors consisting of fourteen members, including four independent members. The Ordinary General Assembly elects all members by secret ballot. The term of board membership is three years subject to renewable, and the term of membership of each independent member ends by the end of the board session for which the member was chosen, the membership of the independent member shall be also terminated either by resigning or by losing the independent member's conditions for any other reasons in accordance with the Law and instructions. whereas the Ordinary General Assembly may choose the member for a further one term, taking into account what is stipulated in the Companies Law and its amendments, as well as the instructions of the regulatory authorities.

### **Article 31**

Board membership candidates shall meet the following conditions:

1. Having Capacity to act.
2. Not convicted in any crime and punished by imprisonment including bankruptcy, default, and fraudulence, breach of honor, breach of trust or any other punishment for violating the provisions of the companies' law unless he is acquitted later.
3. Excluding independent board members, the board member shall own in his capacity or by proxy a number of shares in the company. If the board member fails to meet any of the conditions or any of the conditions contained in the Companies Law or other laws his membership shall be nullified effective the date of failing to meet the said conditions.

### **Article 32**

Shareholder, being a natural person or body corporate, may appoint representatives in the Board proportionately with his shares combined in proportion with his shares held in the Company. Representatives so selected shall be deducted from the total number of elected Board members. Shareholders having representatives in the Board may not participate with other shareholders in the election of other board members except within the limits exceeding the percentage used to appoint their representatives in the Board of Directors.

A group of shareholders may jointly select one or more representatives to represent them in the Board proportionately with shares owned by them. The said representatives shall enjoy the same rights and shall assume the same duties as those of the elected members. Each shareholder shall be liable before the Company, its creditors and shareholders for the acts of his representative.



### **Article 33**

Pursuant to the provisions of the Law No. 32 of 1968 concerning currency, Central Bank of Kuwait and regulations of Banking Profession and its amendment.

No board member may assume a board membership position in any similar or competent company, be a merchant in any business similar or competent to the company's business, have any direct or indirect interest in the contracts and transactions concluded with or for the account of the company or have any interest conflicting with the company's interests without the prior consent of the general assembly and subject to the same conditions applied by the company in dealing with other parties.

The chairman or any board member – even if a representative of a corporate body – shall not use the information which he acquires by virtue of his position in achieving an interest for himself or for others. Also, he shall not dispose the shares of the company in which he is a board member in any way throughout his membership term without the prior consent of the Capital Markets Authority.

### **Article 34**

Board members may not disclose to the shareholders, other than during the general assembly meetings, or to other parties any of the company's secrets which they acquire during their membership term. Any failure to these conditions shall render the violating member liable to be terminated and held liable for compensating any damages resulting from this violation.

### **Article 35**

The Chairman, Board members and staff shall reserve the confidentiality of any information or details pertaining to the company or its clients as well as the information related to the clients of other companies which they acquire by virtue of their positions.

### **Article 36**

If a board member position becomes vacant he shall be substituted by a holder of the highest number of votes among the members who were not successful in the last elections.

If the vacant posts represent one quarter of the original posts or if no qualified person is available to occupy vacant post the company's board of directors shall call for a general assembly meeting to be convened within 2 months from the vacancy date of the last post in order to elect the new members.

In all cases the new member shall complete the remaining membership period of the previous board member.

### **Article 37**

The board of directors shall elect in a secret ballot the chairman and vice chairman for a period of three years.

### **Article 38**

Chairman shall, in addition to other duties determined in these articles, represent the company in its relations with third parties before the courts of law.

Chairman's signature shall be construed as the board signature in regard to the company's relation with other parties. He shall execute the decisions issued by the board. The vice chairman shall replace the chairman in his absence or in case of any conditions preventing his presence.

### **Article 39**

The Company shall have one or more Chief Executive Officers to be appointed by the Board from the board members or otherwise. The Chief Executive Officer is trusted with the management of the Company. The Board shall define the Chief Executive Officer's compensations and powers of signing on behalf of the Company. Gathering between the position of a Chairman and the position of Chief Executive Officer is prohibited.

### **Article 40**

The board of directors shall hold its meetings 6 times during each fiscal year, based on chairman's invitation or Vice chairman's invitation in absence of the chairman or upon the request of 3 board members at least.

The board meeting shall be valid upon the presence of the majority of its members. Attendance by proxy is not permissible in board meetings.

In absence of the chairman and vice chairman the meeting shall be presided by the oldest member.

The Board may convene its meeting using modern communication means. The board may adopt resolutions by circulation with the full consent of all board members.

The company's board of directors shall appoint the board secretary.

### **Article 41**

The board of directors' decisions must be issued by majority of the present members votes. If votes are equal the chairman shall have the casting vote.

Minutes of board meetings shall be prepared and signed by all present members and board secretary. The opposing member may request the entry of his objection in the minutes of the meeting.

### **Article 42**

Board member shall lose his position in the board if any of the cases included in article (68) of Law No. 32 of 1968 is achieved or if he fails to attend four board meetings consecutively without an acceptable excuse as per the board decision.

### **Article 43**

The Ordinary General Assembly shall determine chairman's and board members total remunerations which shall not exceed (10%) of net profit less depreciation and reserves. In this case, the dividends to be distributed to shareholders shall not be less than five percent (5%) of share capital.

The Board shall determine executive management and Chief Executive Officer Remunerations.

The Board shall prepare an annual report and present the same to the Ordinary General Assembly for approval. The report shall accurately detail all amounts and benefits received by the Board, whatever their nature or category may be.

### **Article 44**

Public institutions, public authorities and state-owned companies having representatives in the board of directors of the company in which they hold shares shall be entitled to representation remunerations. Company's chairman shall pay those amounts directly to the said entities within one week from the maturity date. Said entities shall determine the remunerations and salaries to be paid to their representatives in the boards of such companies.

### **Article 45**

Parties having representatives in the board, Chairman, a board member, a member of the executive management or their wives or second degree relatives shall not have any direct or indirect interest in the contracts and deals concluded with or for the benefit of the company without the prior consent of the Ordinary General Assembly.

### **Article 46**

The board of directors has the widest authorities to manage the company and carry out all procedures required for the management of the company in accordance with its objectives. This authority may not be limited except as provided by the law, articles of association or general assembly decisions. The Board of Directors may, in particular, pay all initial fees and expenses required for the establishment of the Company, including fees and expenses related to registration, publication and implementation of conditions embodied in the Memorandum of association. It may also carry out all legal procedures required for such purposes, determine general expenses for Management, set up Company's by-laws and work procedures, appoint managers, supervisors, officers, deputies and assistants at all administrative levels, provide job descriptions, determine duties and liabilities, salaries and remunerations while taking into consideration that the remuneration system shall comprise appropriate tools related to the company's long term performance.

The board of directors shall extend utmost care and caution in practicing its powers and authorities.

#### **Article 47**

The Board may distribute work among its members according to the nature of the Company businesses. The Board may authorize one of its members, a board committee or any third party to perform one or more of its activities, supervise one or more of the activities of the Company or exercise some of the powers and authorities vested in the Board.

#### **Article 48**

The board, once elected, shall appoint an adequate number of its members in the main board committees after formation, thus aiming to enhance board's control on company's main operations. Said committees shall present its regular reports to the board in connection to their duties. Main committees include governance committee, risk committee and audit committee in addition to the nomination and remuneration committee.

#### **Article 49**

The Board of Directors shall have the right to purchase and sell tangibles and real estate, manage Company's assets wholly or partially by sale or through indemnity contract, against a price it may deem profitable, or in exchange for shares, stocks or other securities issued by any other Company. The Board also has the right to borrow or acquire funds in such a manner as it may deem suitable, inside or outside Kuwait, and to conclude lease or rent agreements or any and all transactions it deems suitable as the Company's objectives.

Furthermore, the board may sell or mortgage Company's real estate; issue guarantees, conclude loan contracts, and grant loans guaranteed by the Company real estate provided that all this shall be effective on non-usury (non-Riba) basis.

Moreover, the Board may give permission for filing law-suits or defending the interests of the Company before courts, whether standing as a plaintiff or defendant. It may also endorse reconciliation and arbitration, write off debts, waive rights – with or without a compensation – and decide how the Company's assets including reserves shall be utilized. In general, the Board shall manage the Company in the most appropriate way.

#### **Article 50**

The board members shall not have any personal liability in regard to the company's undertakings while carrying out their duties and functions within the limits of their authorization.

### **Article 51**

Chairman and board members shall be responsible before the company, shareholders and others for any fraudulent activities, misuse of power, and any violations to the law or to these articles of association or any mismanagement.

The ordinary general assembly voting to discharge the board of directors shall not prevent the filing of a liability law suits. Board members may not participate in general assembly resolution to discharge board of directors from its liabilities for management or which may relate to personal interest for them, their wives or next of kin or in regard to any dispute between them and the company.

### **Article 52**

The liability set out under the preceding article shall be either a liability personally assumed by a given member or a joint liability assumed by all Board members. In the latter case, all members shall be jointly liable to pay compensation, except for those members who voted against the resolution resulting in the said liability and provided that their objection is recorded in the minutes.

### **Article 53**

The Company may file law suits against members due to any damages resulting from their faults. If company is under liquidation the liquidator shall file the case.

### **Article 54**

Each shareholder shall be entitled to file a liability law suit severally on behalf of the company if the company fails to do so. In this case the company must be included in the law suit if necessary so that compensation would also be ruled for the company as well. The shareholder may file his personal law suit for compensation if the fault has caused him any damages. Any otherwise agreement shall be void and null.

## **Article 55**

The annual ordinary general assembly shall be convened based on an invitation from the board of directors within 3 months from the end of the company's

fiscal year in the time and place determined by the board of directors. The board may call for a general assembly meeting whenever necessary. The board shall also call for a general assembly meeting when shareholders owning not less than 10/1 of the capital or public accountant demand so. Meeting shall be convened within 21 days from the date of request. Agenda shall be prepared by the party calling for the meeting.

Invitations shall be addressed to shareholders to attend the general assembly meeting in any capacity. Invitation shall comprise agenda as well as the time and place of the meeting. Invitations shall be addressed in any of the following means:

1. Announcement in two daily Arabic newspapers at least. The advertisement shall be published twice provided that the second advertisement shall be published after the lapse of one week from the date of publishing the first announcement and minimum one week prior to the general assembly meeting. Second announcement shall be published in the official gazette in addition to the two daily newspapers. The invitation shall be accompanied by an agenda.
2. E-mail
3. Fax

Second invitation shall be addressed after the lapse of 7 days from the date of the first invitation and 7 days prior to the meeting date.

## **Article 56**

As a condition precedent for the validity of notification by the means set out in the preceding article, the shareholder shall provide the Company or the clearing agency with the details of his email or fax number and agreed to be notified using the said means.

No change in the shareholder's contact details may be valid unless shareholder has notified the company or clearing agency in advance of the said change 5 days in advance at least.

In case of any dispute concerning the receipt of the announcement arises a certificate from service operator of the communication means used to serve the notice shall be considered.

## **Article 57**

The founders shall, within one month from the closing date of subscription, call for foundation general assembly meeting and shall present a report on the foundation procedures accompanied by supporting documents.

The founders' general assembly shall verify the information contained in the report and their conformity with the law and the company's memorandum and articles of association. The assembly shall review all reports presented by the Ministry of Commerce & Industry in this respect, elect board members, appoint public accountants and announce the final incorporation of the company.

## **Article 58**

Each shareholder shall be entitled to attend the General Assembly, irrespective of the number of his shares. He shall have a number of votes equal to the number of votes allocated for that category of shares. Shareholder may not vote on behalf of himself or as a proxy in issues comprising personal benefit for him or a dispute existing between him and the company. Any otherwise condition or resolution shall be construed as void and null. The shareholder may assign others to attend on his behalf as per a private proxy or an authorization prepared by the company for this purpose.

A party claiming title to shares other than that recorded in the share register may submit an application to the Summary Affairs Judge to issue an order to prevent the disputed shares from voting for period to be fixed by the Judge or pending the resolution on the dispute by the competent court, according to the provisions of the Civil and Commercial Procedural Code.

## **Article 59**

Shareholders shall register their names in a special register to be prepared specially for this purpose at the company's premises 24 hours prior to the general assembly meeting.

Each shareholder shall be given a card to attend the meeting. The card shall determine the No. of votes, which the shareholder is entitled to.

## **Article 60**

Ordinary General Assembly meeting shall be valid only if attended by shareholders representing more than half of the issued capital.

If such quorum is not present, a second General Assembly meeting shall be convened with the same agenda within a minimum period of seven days and a maximum of thirty days from the date of the first meeting. The second meeting of the General Assembly shall be valid irrespective of the number of present shareholders.

A new invitation to the second meeting of the General Assembly may not be served if the date is set out in the invitation to the first meeting of the General Assembly.

Resolutions shall be adopted by absolute majority of shares attending the meeting.

## **Article 61**

Voting in the general assembly shall be conducted in the manner determined by the chairman unless the general assembly determines a specific method of voting. Voting shall be conducted secretly for the election or dismissal of board members.

## **Article 62**

A General Assembly meeting shall be chaired by the Chairman, Vice Chairman, or a person appointed by the Board for this purpose or a shareholder elected by the general assembly or others.

## **Article 63**

The ordinary general assembly shall be convened once a year minimum based on an invitation from the board of directors within 3 months from the end of the company's fiscal year.

The board of directors may call for a general assembly meeting whenever necessary. The board shall also call for a general assembly meeting when shareholders owning not less than 1/10 of the capital demand so or upon the request of the Ministry of Commerce and Industry.

## **Article 64**

Taking into consideration the provisions of the Law and the Company's Articles of Association, the general assembly annual meeting shall process matters in connection with its authorities, such as:

1. Board of Directors report on the Company activities and financial position for the year end.
2. Auditor's report on the Company financial statements.
3. A report on any violations detected by control authorities and for which the Company is penalized.
4. Company's financial statements.
5. Board's proposal for the distribution of dividends.
6. Provide Board members clearance.
7. Election, dismissal of board members and determination of their remunerations.
8. Appointment of Auditors, determine their fees or authorize the board to do so.
9. Fatwa and Shari'a Supervisory Board report on the compliance of company's business with Sharia regulations.
10. Appointment of the Fatwa and Shari'a Supervisory Board, determine their remunerations or authorize the board to do so.
11. Report on related party transactions. Related parties are defined as per International Accounting Principles.



## **Article 65**

The Board of Directors shall submit to the Ordinary General Assembly a full report on the progress of company's operations, financial and economic position, including the Balance Sheet, Profit and Loss Account, Board of Directors' remunerations, auditors' fees, and proposed distribution of dividends.

## **Article 66**

The Board shall observe the concept of disclosure and transparency towards stakeholders and related parties, including shareholders, depositors and market participants. Additionally, annual report shall include a disclosure by executive management on the Bank's performance and future plans as well as any statements stated by control and supervisory authorities.

## **Article 67**

Ordinary General Assembly may not discuss any matters not listed in the agenda unless they are of an urgent nature which have occurred following agenda preparation or during the meeting or requested by a regulatory authority, the auditor or shareholders representing five percent of company's capital. If it is revealed during discussion that information concerning certain matter are not insufficient, the meeting shall be postponed for a maximum period of 10 working days. If shareholders representing 25% of the issued capital demand so. The postponed meeting shall be convened without the need for new invitation procedures.

## **Article 68**

The Board shall execute the General Assembly resolutions unless the same comprise any breach of the law or company memorandum of association.

The board shall re-present the resolutions violating the law or company's memorandum to the general assembly in a meeting to be convened to discuss violations.

## **Article 69**

All rules and regulations applied to the ordinary general assembly shall be applicable to the extraordinary general assembly taking into consideration the provisions of articles 247-251 of the companies' law.

## **Article 70**

The Extraordinary General Assembly shall convene its meeting based on board of directors' invitation or a written request by shareholders representing fifteen percent of issued capital or the Ministry of Commerce & Industry. The Board shall call for the Extraordinary General Assembly meeting within a period of thirty days from the request submission date.

If the Board fails to invite the Extraordinary General Assembly to convene within the period set out in the above clause, the Ministry shall call for the meeting within fifteen days from the end of the period set out in the preceding clause.

## **Article 71**

Extraordinary General Assembly meeting shall be valid only if attended by shareholders representing three quarters of issued capital. If this quorum is not present, an invitation to a second meeting shall be sent and shall be valid if attended by shareholders representing more than half of the Company issued capital.

Resolutions shall be adopted by a majority of votes representing more than half of the company's issued capital.

## **Article 72**

Following issues shall be processed by the extraordinary general assembly only:

1. Amendment of the company memorandum or articles of association.
2. Sell the whole project executed by the company or dispose the same in any other manner.
3. Dissolve the company or merge it with another company or entity.
4. Decrease or increase company's capital
5. However, no amendment, disposal, merging, joining, or any other procedure aiming to increase Company's ability to finance shall breach the rule of avoiding all types of usury regulations.

No amendment of the company's articles of association shall be valid without the prior consent of the Ministry of Commerce & Industry and the Central Bank of Kuwait and while observing the provisions of Currency, Central Bank of Kuwait and regulations of Banking Profession Law and the Commercial Companies Law.

No amendment on the Company's name, objectives or capital, except capital increase resulting from the issuance of shares against profit realized by the company or usage of reserves permitted to be used in capital, shall be valid unless the announcement of procedures is completed.

## **Article 73**

The Company shall receive two kinds of deposits:

1. Deposits without investment authorization – construed as current accounts.
2. Deposits with investment authorization (conditional or unconditional).

## **Article 74**

Deposits without investment authorization may be withdrawn wholly or partially at any time.

## **Article 75**

Deposits with investment authorization shall be included within funds allocated for investment in projects carried out by the Company directly or through financing third-party projects.

Investment authorization may be limited to a certain real estate, industrial, financial or any other project of the company's projects or it may be an absolute authorization. Deposit term may be limited or unlimited.

In case deposit term is unlimited, the deposit contract shall determine the notice period for withdrawal of the deposit and clearing the related investment account.

Time limited deposit may not originally be withdrawn prior to expiry date as provided in the deposit contract. However, in exceptional cases, upon the request of the depositor and subject to board approval, the deposit may be withdrawn prior to maturity date and depositor may assign profit for the year in which withdrawal is made as determined by the board.

## **Article 76**

Profits on deposits with investment authorization shall be calculated based on the regulations set by the board.

## **Article 77**

Ordinary banking business carried out by the company shall be organized and regulated by certain by-laws laid down by the board of directors. Such by-laws shall determine the rates of fees and commissions which the Company shall charge for such services, provided that such rates shall not contain "Riba" in any manner whatsoever.

## **Article 78**

The Board of Directors shall lay down an investment plan of the Company and depositors' funds in different economic sectors on short, medium and long term basis, thus aiming to achieve company's objectives within the framework of public interest.

## **Article 79**

The Board of Directors shall establish a permanent ad-hoc committee to assist it in implementing the plan referred to in Article (48).

## **Article 80**

Pursuant to the provisions of Law No. 32 of 1968 concerning Currency, Central Bank of Kuwait and Organizing of Banking Profession and its amendments, The Board of Directors shall determine the company's participation ratio in establishing a new project or financing an existing project according to the company's financial position and technical considerations as per the law and the industry practice.

**Article 81**

Pursuant to the provisions of Law No.7 of 2010 the company shall have one or more public accountants to be appointed by the general assembly which shall determine their fees. The public accountants shall audit the accounts of the year for which they are appointed.

**Article 82**

Pursuant to the provisions of Law No. 32 for 1968 on Currency, Central Bank of Kuwait and regulations of Banking Profession, as amended, the public accountant may not be a chairman or a board member in the company or be entrusted to carry out any administrative work or supervise its accounts or be related (second degree relative) to the person managing and supervising accounts. Also, he shall not purchase or sell company's shares or provide any consultancy services while being a public accountant of the company.

**Article 83**

Company's fiscal year shall commence on the 1st January and end on 31st December each year, except the first fiscal year which shall commence on the announcement date of final incorporation of the Company and end on the 31st December the following year.

**Article 84**

The public accountant shall have the authorities and obligations provided in the commercial companies' law. He is entitled, in particular, to view the company books, documents and records at any time and request the information which he deems necessary to be obtained. He may check the company's assets and liabilities. If auditor is unable to use these powers he shall report this matter in writing to the board of director which in its turn shall refer the matter to the general assembly. Also, the board may call for the general assembly meeting in this respect.

## **Article 85**

The public accountant shall provide the general assembly with a report stating whether the balance sheet and the statement of profit and loss fairly represent the company's financial position, the company holds regular accounts, inventory is made according to generally accepted standards, the information provided in the board report are in conformity with the company's books and whether or not there were any violations to the company's articles of association or the provisions of the law during the fiscal year in a way that would impact the company's activity or financial position and whether such violations are still existing.

The report should include a statement by the government indicating the extent of the company's commitment to apply the rules, regulations and directory of the government in accordance with the instructions issued by the Central Bank of Kuwait. The report should also include a statement of internal control systems within the limits of the available information.

The report shall include a statement of governance, thus indicating company's adherence to the governance rules, regulations and guide as per Central Bank of Kuwait instructions. Report shall also include a statement covering internal control systems.

The public accountant shall be responsible for the correctness of the information provided in his report in his capacity as the agent of the shareholders. He shall be responsible for any damages befalling the company, shareholders or others due to any mistakes committed by him. Both public accountants shall be jointly responsible unless it is proved that one of them only is responsible for the fault that caused the liability. Public accountant shall be held responsible for any damages incurred by the company due to his inadequate resignation.

Each shareholder is entitled during the general assembly meeting to discuss the public auditor report and make necessary inquiries about the contents thereof.

## **Article 86**

A certain percentage determined by the board of directors shall be deducted from gross profit and allocated to establish special reserves i.e. debts reserve, currency fluctuations reserve in addition to depreciations, reserves and allocations required by law, industry's practices or the provisions of these Articles.

## **Article 87**

A certain percentage determined by the board of directors shall be deducted from gross profit to cover depreciation or amortization of the Company's assets.

Such funds shall be used for purchase of materials, machines and constructions necessary for their repair. Moreover, a portion of gross profit shall be recommended by the Board of Directors and approved by the Ordinary General Assembly, to be deducted to meet the Company's obligations under Labor Laws.

## **Article 88**

The net profits are distributed as follows:

1. 10% shall be deducted and allocated to statutory reserve.
2. 10% shall be deducted and allocated to voluntary reserve.

Ordinary general assembly may, upon board proposal, increase the percentage contained in both preceding paragraphs as it may deem suitable. Also, it may stop this deduction upon board's proposal and CBK.

3. Required amount shall be deducted to distribute 5% dividends to shareholders.
4. A calculated percentage of 10% from the Bank's net annual profit shall be applied to Kuwait Foundation for Scientific Progress (KFAS) annually.
5. The balance amount distributed to shareholders as an additional share of the profits or is retained to the following year as proposed by the board or allocated to according to the suggestion of the Board of Directors or is allotted to create the profit-settling reserve to ensure distribution of profit during the years in which net profit is not sufficient to distribute dividends or to form extraordinary provisions.

## **Article 89**

The Ordinary General Assembly may, based on the proposal of the Board of Directors, decide to distribute profits on bi-annual intervals basis. The Ordinary General Assembly, in its annual meeting, also may empower the Board of Directors to implement its decision and allow the Board of Directors to distribute profits for the first half of the fiscal year, as per percentages approved by the Board of Directors. The validity of this distribution is conditioned that profits are actual based on generally accepted accounting principles, provided that distribution should not affect the paid capital.

## **Article 90**

Dividends shall be paid to shareholders at the time and place decided by the Board of Directors.

## **Article 91**

Reserves shall be utilized, as determined by the board of directors, for the best interest of the company.

Statutory reserve shall not be distributed to shareholders. It may be utilized to distribute dividends up to 5% in the years in which company's profit does not cover this percentage.

If statutory reserve exceeds 50% of capital, the General Assembly may resolve to discontinue deductions or to use excess amount in such a manner as it deems appropriate and in the interest of the Company and its shareholders.

## **Article 92**

Sharia Supervisory Board shall be established at Kuwait Finance House. The committee shall comprise not less than 3 members to be appointed as per a general assembly resolution. The committee shall nominate a chairman from, its members.

## **Article 93**

The Fatwa and Shari'a Supervisory Board shall be responsible for the monitoring of the Company's transactions and operations. In this respect the Sharia board shall review and examine all agreements, policies and transactions conducted by Kuwait Finance House with third parties. Sharia board is entitled to have full access without any restrictions to all KFH records and transactions to ensure compliance with Sharia regulations. KFH management shall provide the Sharia board with all required details and information to perform its duties. Sharia board decisions shall be obligatory.

The Fatwa & Shari'a Supervisory Board shall also perform the following functions:

1. Submit an annual report to the General Assembly to determine KFH business compliance with Sharia regulations.
2. Monitor Sharia supervisors' performance in all KFH sectors.
3. Organize Sharia courses for KFH employees to enable them to carry out their duties in accordance with Sharia principles. Sharia board may propose to the board of directors to hold seminars and conferences related to Islamic Economy.
4. Other duties entrusted to the Fatwa and Sharia Supervisory Board by the Board of Directors.

## **Article 94**

In the event of disagreement among the members of Sharia Supervisory Board on a legal issue, the subject of the dispute shall be referred to Kuwait Central Bank's Higher Sharia Supervisory Board by the Board of Directors.

## **Article 95**

Sharia Board shall convene its meetings 12 times a year minimum upon invitation by the Sharia board chairman. All meetings shall be held at the allocated place at Kuwait Finance House.

## **Article 96**

The Company can be terminated for any of the reasons stipulated by the commercial Companies Law and Law No. 32 of 1968 concerning Currency, Central Bank of Kuwait and organizing of Banking Professions and will commence liquidation following approval of competent authorities.

Memorandum of association shall be amended accordingly.

## **Article 97**

On dissolution, the Company's holdings shall be liquidated in accordance with the relevant provisions of the Commercial Companies Law, and the Law concerning Currency, Central Bank of Kuwait and regulations of Banking Profession.

