

### WARBA SUKUK LIMITED

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

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

### **Trust Certificate Issuance Programme**

Under the U.S.\$2,000,000,000 trust certificate issuance programme (the "Programme") described in this base prospectus (the "Base Prospectus"). Warba Sukuk Limited (in its capacity as issuer and trustee, the "Trustee"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the "Certificates") denominated in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below). Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$2,000,000,000 (or its equivalent in other currencies, calculated as provided for in the Programme Agreement described herein), subject to increase as described herein.

The Certificates may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer(s) appointed under the Programme from time to time by the Trustee and Warba Bank K.S.C.P. (the "Bank" or the "Obligor") (each a "Dealer" and together, the "Dealers"), which appointment may be for a specific issue of Certificates or on an ongoing basis. References in this Base Prospectus to the "relevant Dealer(s)" shall, in the case of an issue of Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to subscrib

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

Each Tranche (as defined in the terms and conditions of the Certificates (the "Conditions")) of Certificates will be constituted by: (i) an amended and restated master trust deed (the "Master Trust Deed") dated 6 July 2022 entered into by the Trustee, the Bank and Citibank N.A., London Branch as delegate of the Trustee (in such capacity, the "Delegate"); and (ii) a supplemental trust deed (each a "Supplemental Trust Deed") in relation to the relevant Tranche. Certificates of each Series confer on the holders of the Certificates from time to time (the "Certificateholders") the right to receive payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the "Trust").

This Base Prospectus has been approved as a base prospectus by the Central Bank of Ireland, as competent authority under Regulation (EU) 2017/1129 (the "Prospectus Regulation"). The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Central Bank of Ireland should not be considered as an endorsement of the Trustee or the Bank or of the quality of the Certificates. Investors should make their own assessment as to the suitability of investing in the Certificates.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("Euronext Dublin") for Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "Official List") and to trading on the regulated market (the "Euronext Dublin Regulated Market") of Euronext Dublin. The Euronext Dublin Regulated Market is a regulated market for the purposes of Directive 2014/65/EU ("MiFID II"). Such approval relates only to the Certificates which are to be admitted to trading on the Euronext Dublin Regulated Market or on another regulated market for the purposes of MiFID II and/or which are to be offered to the public in any member state of the European Economic Area (the "EEA") in circumstances that require the publication of a prospectus.

This Base Prospectus has been approved by the Dubai Financial Services Authority (the "DFSA") under Rule 2.6 of the DFSA's Markets Rules (the "Markets Rules") and is therefore an approved prospectus for the purposes of Article 14 of the DIFC Law No.1 of 2012 (as amended) (the "Markets Law"). Application has also been made to the DFSA for Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of securities (the "DFSA Official List") maintained by the DFSA and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai.

References in this Base Prospectus to the Certificates being "listed" (and all related references) shall mean that such Certificates have been (a) admitted to listing on the Official List and admitted to trading on the Euronext Dublin Regulated Market or, as the case may be, another MiFID II Regulated Market and/or (b) admitted to listing on the DFSA Official List and admitted to trading on Nasdaq Dubai, in each case as may be specified in the applicable final terms relating to the relevant Series (the "applicable Final terms").

The Programme provides that Certificates may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Trustee, the Bank and the relevant Dealer(s). The Trustee may also issue unlisted Certificates and/or Certificates not admitted to trading on any market.

The Certificates will be delisted from the Official List, the DFSA Official List and/or any other or further stock exchanges (as applicable) following the occurrence of a Tangibility Event, see Condition 9(e).

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Certificates which are to be admitted to trading on a regulated market in the EEA. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. Certificates may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws in any state in the United States and any other jurisdiction. Accordingly, the Certificates are being offered, sold or delivered only outside the United States in offshore transactions to non-U.S. persons in accordance with Regulation S. For a description of certain restrictions on offers and sales of Certificates and on distribution of this Base Prospectus, see "Subscription and Sale".

Each Series of Certificates will initially be represented by a global certificate in registered form (a "Global Certificate"). Global Certificates will be deposited on the relevant issue date with, and registered in the name of a nominee for, a common depositary (the "Common Depositary") on behalf of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). The provisions governing the exchange of interests in Global Certificates for definitive Certificates (the "Definitive Certificates") are described in "Summary of Provisions relating to the Certificates while in Global Form".

The Bank has been assigned long-term ratings of A with a stable outlook and Baa1 with a stable outlook by Fitch Ratings Limited ("Fitch") and Moody's Investors Service Cyprus Ltd ("Moody's"), respectively. The Programme is expected to be rated A by Fitch.

Fitch is established in the United Kingdom and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") (the "UK CRA Regulation"). Fitch is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited in accordance with the CRA Regulation. Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority ("ESDMA") on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation. Moody's is established in the EEA and is registered under the CRA Regulation. As such, Moody's is included in the list of credit rating agencies/published by ESMA on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the UK CRA Regulation and has not been withdrawn. Moody's Investors Service Ltd in accordance with the UK CRA Regulation and has not been withdrawn. Moody's Investors Service Ltd in accordance with the UK CRA Regulation and has not been withdrawn. Moody's Investors Service Ltd in accordance with the UK CRA Regulation and has not been withdrawn. Moody's Investors Service Ltd in accordance with the UK CRA Regulation. As such, the ratings issued by Moody's may be used for regulatory purposes in the United Kingdom in accordance with the UK CRA Regulation.

A Series of Certificates issued under the Programme may be rated or unrated. Where a Series of Certificates is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

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

Arranger

Standard Chartered Bank

Dealers

**Emirates NBD Capital** 

Standard Chartered Bank

The date of this Base Prospectus is 6 July 2022.

#### IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation and for the purpose of giving information with regard to the Trustee, the Bank and its subsidiaries taken as a whole (the "Group") and the Certificates which, according to the particular nature and circumstances of the Trustee, the Bank, the Group and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Trustee and the Bank. This Base Prospectus complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Market Rules.

The Trustee and the Bank accept responsibility for the information contained in this Base Prospectus and the applicable Final Terms for each Series of Certificates issued under the Programme. To the best of the knowledge of the Trustee and the Bank, the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus should be read and construed together with any amendments or supplements hereto, with any information incorporated by reference (see "*Documents Incorporated by Reference*") and, in relation to any Tranche of Certificates, should be read and construed together with the applicable Final Terms.

Other than in relation to the documents which are deemed to be incorporated by reference (see "Documents Incorporated by Reference"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.

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

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

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

The distribution of this Base Prospectus and the offering or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Trustee, the Bank, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). Each purchaser of the Certificates in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. Prospective purchasers are hereby notified that the offer,

sale or delivery of Certificates to it will be made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S. For a description of certain restrictions on offers and sales of Certificates and on distribution of this Base Prospectus, see "Subscription and Sale".

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

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Trustee, the Bank, the Arranger or the Dealers to subscribe for, or purchase, any Certificates.

To the fullest extent permitted by law, none of the Arranger, the Dealers, the Delegate or the Agents accepts any responsibility for the contents of this Base Prospectus or for any other statement made, or purported to be made, by the Arranger, the Dealers, the Delegate, the Agents or on its or their behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each of the Arranger, the Dealers, the Delegate and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement, including in relation to the information contained in this Base Prospectus or any other information provided by the Trustee or the Bank, or for any acts or omissions of the Trustee or the Bank, in connection with the Programme or the issue or offering of Certificates thereunder. Neither this Base Prospectus nor any other information supplied in connection with this Programme or any Certificates is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Trustee, the Bank, the Arranger, the Dealers, the Delegate or the Agents that any recipient of this Base Prospectus or any other information supplied in connection with this Programme or any Certificates should purchase the Certificates. Each potential purchaser of Certificates should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Certificates should be based upon such investigation as it deems necessary. None of the Arranger, the Dealers, the Delegate or the Agents undertakes to review the financial condition or affairs of the Trustee or the Bank during the life of the arrangements contemplated by this Base Prospectus, nor to advise any investor or potential investor in Certificates issued under the Programme of any information coming to the attention of any of the Arranger, the Dealers, the Delegate or the Agents.

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Certificates, the merits and risks of investing in the relevant Certificates and the information contained in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Certificates and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including Certificates where the currency for any Dissolution Distribution Amount or Periodic Distribution Amount (each as defined herein) payments are different from the potential investor's currency;
- (iv) understands thoroughly the terms of the relevant Certificates and is familiar with the behaviour of financial markets; and

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

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Certificates are legal investments for it, (ii) Certificates can be used as collateral for various types of raising of finance and (iii) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

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

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

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

#### **STABILISATION**

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "Stabilisation Manager(s)") (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the issue date of the relevant Tranche and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

#### MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The applicable Final Terms in respect of any Certificates may include a legend entitled "MiFID II product governance", which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the

Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

#### UK MIFIR PRODUCT GOVERNANCE/TARGET MARKET

The applicable Final Terms in respect of any Certificates may include a legend entitled "UK MiFIR product governance", which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

# NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA")

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Certificates, the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **BENCHMARKS REGULATION**

Profit and/or other amounts payable under the Certificates may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/2011 (the "Benchmarks Regulation") or the Benchmarks Regulation as it forms part of domestic law by virtue of the EUWA (the "UK Benchmarks Regulation"). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation or the UK Financial Conduct Authority (the "FCA") pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation. Administrators of certain benchmarks are not required to be registered by virtue of Article 2 of each of the Benchmarks Regulation and the UK Benchmarks Regulation and transitional provisions in the Benchmarks Regulation and the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date

of the applicable Final Terms. The registration status of any administrator under the Benchmarks Regulation and/or the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Trustee does not intend to update the applicable Final Terms to reflect any change in the registration status of the administrator.

#### **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 Arranger, the Dealers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

#### PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

#### **Presentation of Financial Information**

#### Historical financial statements

Unless otherwise indicated, the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income and the consolidated statement of cash flows information included in this Base Prospectus relating to the Bank have been derived:

- in the case of the financial information as at and for the three months ended 31 March 2022 and as at and for the three months ended 31 March 2021, from the unaudited condensed consolidated financial information as at and for the three months ended 31 March 2022 together with the notes thereto and the review report thereon (the "2022 Interim Financial Statements");
- in the case of the financial information as at and for the year ended 31 December 2021 and as at and for the year ended 31 December 2020, from the audited consolidated financial statements as at and for the year ended 31 December 2021 together with the notes thereto and the audit report thereon (the "2021 Financial Statements"); and
- in the case of the financial information as at and for the year ended 31 December 2019, from the audited consolidated financial statements as at and for the year ended 31 December 2020 together with the notes thereto and the audit report thereon (the "2020 Financial Statements" and together with the 2022 Interim Financial Statements and 2021 Financial Statements, the "Financial Statements").

The financial data discussed in this Base Prospectus should be read in conjunction with the Financial Statements and the related notes thereto. Unless otherwise specified, the financial data discussed in this Base Prospectus has been extracted without material adjustment from the Financial Statements, as incorporated by reference in this Base Prospectus.

#### Basis of Preparation for the Financial Statements

The Financial Statements have been prepared in accordance with IFRS, as adopted for use by Kuwait for financial services institutions regulated by the CBK (each as defined below).

The CBK regulations require banks, including the Bank, and other financial institutions regulated by the CBK to adopt IFRS with the following amendments (as discussed in Note 2 to the 2021 Financial Statements):

- 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 CBK instructions along with
  its consequent impact on related disclosures; and
- modification losses on financial assets (consumer and other instalment finances and credit card receivables) arising from payment holidays to customers in response to COVID-19 during the financial year ended 31 December 2020 are to be recognised as retained earnings, instead of in the consolidated statement of income as required by IFRS 9. The application of this policy resulted in the application of different accounting presentation for modification loss in 2020 compared to 2021.

#### Auditors

The 2020 Financial Statements and 2021 Financial Statements have been audited in accordance with International Standards on Auditing by Ernst & Young Al Aiban, Al Osaimi & Partners ("Ernst & Young Kuwait") and KPMG Safi Al- Mutawa & Partners ("KPMG Kuwait"), without qualification as stated in their reports appearing herein.

Ernst & Young Kuwait and KPMG Kuwait have reviewed the 2022 Interim Financial Statements in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

#### **Currencies**

Unless otherwise indicated, in this Base Prospectus all references to:

- "KD" and "dinar" are to the lawful currency of Kuwait;
- "U.S. dollars", "U.S.\$" and "USD" are to the lawful currency of the U.S.; and
- "Euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union.

Unless otherwise indicated, the financial information contained in this Base Prospectus has been expressed in dinar. The Bank's functional currency is the dinar and the Bank prepares its financial statements in dinar. As at 31 December 2021, the dinar was valued at KD 0.30250 to one U.S. dollar and the U.S. dollar was valued at U.S.\$3.3058 to one dinar.

#### Rounding

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

#### Certain non-IFRS financial information

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

#### Presentation of Alternative Performance Measure

In this Base Prospectus, the Bank uses the following metrics in the analysis of its business and financial position, which the Bank considers to constitute APMs. For further information, see "Selected Financial Information—Selected Ratios".

Metric	Definition and method of calculation	Rationale for inclusion
Return on average assets	Profit (excluding any distributions	Performance measure. The ratio
	payable on the U.S.\$250,000,000 Tier 1	shows how many KD of earnings

Capital Certificates of Warba Tier 1 Sukuk Limited or the U.S.\$250,000 Tier 1 Capital Certificates of Warba Tier 1 Sukuk (2) Limited, as applicable (the "AT1 Sukuk")) divided by the average balance of total assets calculated as a simple average of the opening and closing balances for the relevant period.

the Bank derives from each KD of assets it controls.

Return on average equity

Profit (excluding any distributions payable on the AT1 Sukuk) divided by equity attributable to shareholders for the year, with equity attributable to shareholders calculated as the simple average for the year based on the opening and closing balances (except for 2021 as the Bank increased its capital in November 2021 (see further "Description of the Bank—Overview—History, core businesses and financial performance"), therefore equity attributable shareholders for 2021 is calculated based on the monthly average).

Performance measure. The ratio is a measure of the profitability of the Bank's business in relation to the book value of shareholders equity, also known as net assets or assets minus liabilities. The ratio is a measure of how well the Bank uses shareholders' equity to generate earnings.

Cost to income ratio

Total operating expenses divided by total operating income.

Performance measure. A lower percentage indicates that operating expenses are low relative to operating income.

Non-performing financing receivables ratio

Non-performing financing divided by total gross financing receivables.

Asset quality measure.

Financing receivables loss coverage ratio

Impairment provisions in respect of financing receivables divided by non-performing financing receivables.

Asset quality measure. The ratio shows the sufficiency of provisions which the Bank has built in respect of its impaired financing receivables.

Financing receivables to deposits ratio

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

Liquidity measure. The financing receivables to deposit ratio is used to calculate the Bank's ability to make payments to customers withdrawing their deposits. A ratio of less than one implies that the Bank has relied on funds deposited by customers to make financing receivables. A ratio of more than one implies that the Bank has extended financing receivables from funds borrowed in addition to deposits.

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

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

#### **Presentation of Other Information**

The language of this Base 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.

#### Defined terms

The Bank's financial year ends on 31 December and references in this Base Prospectus to "2021", "2020" and "2019" are to the 12 month period ending on 31 December in each such year. Annual information presented in this Base Prospectus is based upon 1 January to 31 December periods unless otherwise indicated.

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

- "AML" means anti-money laundering;
- "APMs" means alternative performance measures as defined in the ESMA Guidelines on Alternative Performance Measures;
- "ATMs" means automatic teller machines;
- "Banking Law" means Law No. 32 of 1968 (as amended) of Kuwait;
- "Basel Committee" means the Basel Committee on Banking Supervision;
- "CBK" means the Central Bank of Kuwait:
- "CFT" means combatting the financing of terrorism;
- "CSB" means the Kuwait Central Statistical Bureau;
- "Deposit Guarantee Law" means Law No. 30 of 2008 regarding the guarantee of deposits held with local banks;
- "ECL" means the expected credit loss as per IFRS 9;

- "Financial Stability Law" means Decree No. 2 of 2009;
- "FSO" means the Financial Stability Office established by the CBK;
- "FVOCI" means fair value through other comprehensive income;
- "FVTPL" means fair value through profit or loss;
- "GCC" means the Gulf Co-operation Council;
- "GDP" means gross domestic product;
- "Government" means the Kuwaiti government;
- "HQLAs" means high quality liquid assets;
- "IASB" means the International Accounting Standards Board;
- "IFRS" means the International Financial Reporting Standards issued by the IASB;
- "IFRS 9" means the International Financial Reporting Standard 9: Financial Instruments;
- "IMF" means the International Monetary Fund;
- "Islamic Banking Law" means Law No. 30 of 2003 (concerning Islamic Banks) that amended the Banking Law to include a special section on the rules and regulations governing Islamic banks;
- "IT" means information technology;
- "KIA" means the Kuwait Investment Authority;
- "Kuwait" means the State of Kuwait;
- "LCR" means liquidity coverage ratio;
- "LCs" means letters of credit;
- "MENA region" means the Middle East and North Africa region;
- "MOCI" means the Ministry of Commerce and Industry of Kuwait;
- "National Assembly" means the elected members of the parliament of Kuwait as further described in "Overview of Kuwait—Political Overview";
- "NSFR" means net stable funding ratio;
- "OFAC" means the U.S. Office of Foreign Assets Control;
- "OPEC" means the Organization of Petroleum Exporting Countries;
- "PIFSS" means the Public Institution for Social Security;
- "POS" means point of sale; and

• "U.S." means the United States.

In respect of the Bank's organisational structure, management and business divisions:

- "ALCO" means the Bank's assets and liabilities management committee "Management and Employees—Management—Management Committees—Assets and Liability Management Committee (ALCO)";
- "BAC" means the Bank's audit committee established by the Board "Management and Employees—Management—Board Committees—Board Audit Committee (the "BAC")";
- "BCIC" means the Bank's credit and investment committee established by the Board and comprised
  of members of the Board as further described in "Management and
  Employees—Management—Board Committees—Board Credit and Investment Committee (the
  "BCIC")";
- "BGC" means the Bank's governance committee established by the Board "Management and Employees—Management—Board Committees—Board Governance Committee (the "BGC")";
- "BNRC" means the Bank's nomination and remuneration committee as further described in "Management and Employees—Management—Board Committees—Board Nomination and Remuneration Committee (the "BNRC")";
- "Board" means the Bank's board of directors;
- "BRC" means the Bank's risk committee established by the Board and comprised of members of the Board as described further in "Management and Employees—Management—Board Committees—Board Risk Committee (the "BRC")";
- "CBG" means the Bank's corporate banking group reporting segment as further described in "Description of the Bank—Business—Corporate banking group (CBG)";
- "CFP" means the Bank's contingency funding plan which establishes a framework for handling liquidity stress;
- "Corporate Support and Markets Analysis Division" means the Corporate Support and Market Analysis Division of the CBG;
- "CRO" means the Bank's Chief Risk Officer;
- "DCB" means Domestic Corporate Banking, a subdivision of the CBG;
- "DICM" means the Direct Investment and Capital Market Department, a subdivision of the TG;
- "ECIC" means the Bank's executive credit and investment committee as further described in "Management and Employees—Management—Management Committees—Executive Credit and Investment Committee (ECIC)";
- "Executive Management" means the Bank's executive management team as further described in "Management and Employees—Management—Executive Management";

- "IBD" means the Bank's International Banking Division, a sub-division of the IBG, as further described in "Description of the Group—Business-Investment Banking Group (IBG) —International Banking Division (IBD)";
- "**IBG**" means the Bank's investment banking group reporting segment as further described in "Description of the Bank—Business—Investment banking group (IBG)";
- "ITG" means the Banks information technology group;
- "Management Committee" means the Bank's management committee as further described in "Management and Employees—Management—Management Committees—Management Committee";
- "OG" means the Bank's operations group, which provides back-end support to all business areas;
- "PID" means the Bank's Principal Investment Division, a sub-division of the IBG, as further described in "Description of the Group-Business—Investment Banking Group (IBG) —Principal Investment Division (PID)";
- "Provisioning Committee" means the Bank's management provisioning committee as further described in "Management and Employees—Management—Management Committees—Provisioning Committee";
- "RBG" means the Bank's retail banking group reporting segment as further described in "Description of the Bank—Business—Retail banking group (RBG)";
- "RCEC" means the Bank's retail credit exceptions committee as further described in "Management and Employees—Management—Management Committees—Retail Credit Exceptions Committee (RCEC)";
- "RMG" means the Bank's risk management group; and
- "TG" means the Bank's treasury group reporting segment as further described in "Description of the Bank—Business—Treasury group (TG)".

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

#### Third party and market share data

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

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

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

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

#### No incorporation of website information

The Bank's website is <a href="www.warbabank.com">www.warbabank.com</a>. The information on this website or any other website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Prospectus, and investors should not rely on it.

#### NOTICE TO RESIDENTS IN THE UNITED KINGDOM

In order to constitute "alternative finance investment bonds" ("AFIBs") within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended, Certificates issued under the Programme will need to satisfy (amongst other requirements) one of the conditions mentioned in paragraph (2)(f) of that Article, which includes that, if such Certificates are issued after 31 December 2020, they will need to be admitted to trading on a recognised investment exchange or a United Kingdom ("UK") trading venue or admitted to the official list of the FCA. Any Certificates which do not constitute AFIBs will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000, as amended (the "FSMA")) which has not been authorised, recognised or otherwise approved by the FCA. Accordingly, this Base 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 Base Prospectus, any Final Terms and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates (whether or not such Certificates are AFIBs) is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"); (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "Promotion of CISs Order"); (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise 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 Base Prospectus, any Final Terms or any other marketing materials in relation to any Certificates.

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

#### NOTICE TO RESIDENTS IN KUWAIT

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

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

#### NOTICE TO RESIDENTS IN THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "CBB") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in any other currency or such other amount as the CBB may determine.

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

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

#### NOTICE TO RESIDENTS IN THE KINGDOM OF SAUDI ARABIA

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia ("Saudi Arabia") except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the board of the Saudi Arabia Capital Market Authority (the "Saudi CMA") pursuant to resolution number 3-123-2017 dated 27 December 2017, as amended by the board of the Saudi CMA resolution number 5-5-2022 dated 5 January 2022 (the "Offer of Securities Rules"). Any offer of Certificates to any investor in Saudi Arabia or who is a Saudi person (a "Saudi Investor") must be made in compliance with Article 8(a)(1) (including the definitions in the Glossary of Defined Terms Used in the Regulations and Rules of the Saudi CMA) or Article 9 and in each case Article 10 of the Offer of Securities Rules.

The Saudi CMA does not make any representation as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Certificates. If you do not understand the contents of this Base Prospectus, you should consult an authorised financial adviser.

#### NOTICE TO RESIDENTS IN THE STATE OF QATAR

Any Certificates to be issued under the Programme will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar. The Certificates are not and will not be traded on the Qatar Stock Exchange. The Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

#### NOTICE TO RESIDENTS IN THE CAYMAN ISLANDS

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

#### NOTICE TO RESIDENTS IN MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories of person set out in Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia (the "CMSA"), as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

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

### TABLE OF CONTENTS

	Page
RISK FACTORS	1
DOCUMENTS INCORPORATED BY REFERENCE	37
STRUCTURE DIAGRAM AND CASH FLOWS	38
OVERVIEW OF THE PROGRAMME	41
TERMS AND CONDITIONS OF THE CERTIFICATES	51
SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL F	ORM107
FORM OF FINAL TERMS	110
USE OF PROCEEDS	122
DESCRIPTION OF THE TRUSTEE	123
SELECTED FINANCIAL INFORMATION	125
FINANCIAL REVIEW	131
DESCRIPTION OF THE BANK	157
RISK MANAGEMENT	175
MANAGEMENT AND EMPLOYEES	182
OVERVIEW OF BANKING AND FINANCE REGULATIONS IN KUWAIT	202
SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS	210
TAXATION	225
SUBSCRIPTION AND SALE	228
GENERAL INFORMATION	235

#### **RISK FACTORS**

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

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

Each of the Trustee and the Bank believes that the non-exhaustive list of factors described below represents the material risks inherent in investing in Certificates issued under the Programme, but the inability of the Trustee to pay Periodic Distribution Amounts (as defined in the Conditions), Dissolution Distribution Amounts (as defined in the Conditions) or other amounts on or in connection with any Certificates issued under the Programme may occur for other reasons which may not be considered significant risks by the Trustee and/or the Bank based on information currently available to them or which they may not currently be able to anticipate. Neither the Trustee nor the Bank represents that the statements below regarding the risks of holding any Certificates issued under the Programme are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this section.

#### Risks relating to the Trustee

The Trustee is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 18 March 2019. The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets in respect of each Series of Certificates issued under the Programme, including the obligation of the Bank to make payments to the Trustee under the relevant Transaction Documents to which it is a party relating to each Series. Therefore, the Trustee is subject to the same risks that affect the Bank to the extent that those risks limit the Bank's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. The ability of the Trustee to pay amounts due on Certificates issued under the Programme is dependent upon receipt by the Trustee from the Bank of amounts to be paid pursuant to the relevant Transaction Documents, which may not be sufficient to meet all claims under any Certificates issued under the Programme and the relevant Transaction Documents. See "– Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents".

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

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

**Economic risks** 

# Macro-economic and financial market conditions have materially adversely affected and may continue to materially adversely affect the Bank's business, results of operations and financial condition

The Bank, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. Following the significant fall in international oil prices in recent years, particularly following the impact of the COVID-19 pandemic (as defined and discussed further below), the economies of many oil producing countries in the Middle East, including Kuwait, were adversely impacted. See "Risks Relating to the Region in which the Bank Principally Operates—Kuwait's economy and Government revenues are significantly impacted by, and are dependent upon, international oil prices" below.

Together, the Bank's credit risk portfolios in Kuwait and the MENA region constituted 96.0 per cent. of its total credit risk exposure (including off-balance sheet items) as at 31 December 2021, 96.2 per cent. as at 31 December 2020 and 90.2 per cent. as at 31 December 2019. 98.5 per cent. of the Bank's customer financing receivables as at 31 December 2021 (compared to 98.6 per cent. as at 31 December 2020 and 96.1 per cent. as at 31 December 2019) was advanced to customers in the MENA region, principally in Kuwait.

As of 31 December 2021, despite signs of economic recovery following the COVID-19 pandemic (see "—The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility, which may materially and adversely affect the Bank's business, financial condition and results of operations" below), the Bank believes that further reforms are required to boost longer-term growth potential, given the continued macro-economic and financial market impact of COVID-19 and against the backdrop of rising global political tensions such as those arising from the ongoing Russia-Ukraine conflict. 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 2021 from 3 per cent. of GDP in the previous fiscal year. Within the banking sector, profit rates and funding costs are sensitive to many factors beyond the Bank's control, including the policies of central banks, as the CBK and the U.S. Federal Reserve, which are impacted by political factors and domestic and international economic conditions (see "—Market Risks—The Bank could be adversely affected by market risks" for further information regarding the CBK's discount rate and the U.S. Federal Reserve rate).

According to data published by the CBK, the exchange rate of the Kuwaiti dinar has remained relatively stable, fluctuating within a range of 3 per cent. against the U.S. dollar in the last five years. In 2020, the U.S. dollar average exchange rate against the Kuwaiti dinar (being the average selling rate as declared by the CBK) amounted to 307.20 fils to one U.S. dollar. During 2021, the average monthly exchange rate fluctuated between 300.78 fils to one U.S. dollar and 302.63 fils to one U.S. dollar. The average monthly exchange rate for March 2022 amounted to 303.90 fils to one U.S. dollar. (Source: CBK Monthly Monetary Statistical Bulletin March 2022).

Any significant deterioration in macro-economic conditions in the MENA region, and particularly in Kuwait, could have a material adverse effect on the Bank's business, results of operations and financial condition, in particular through increased provisions for credit losses and reduced demand for financing and other banking services.

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

The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility, which may materially and adversely affect the Bank's business, financial condition and results of operations

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 ("COVID-19" and the "COVID-19 pandemic"). Almost all countries that were significantly affected introduced measures to try to contain the spread of the virus, including border closures and restricting the movement of their citizens. These measures resulted in the closure of numerous businesses in those countries (particularly those related to the travel and hospitality industries) and widespread job losses. To address these factors, many governments introduced significant support programmes for qualifying citizens and businesses.

In March 2020, the U.S., certain EU Member States and countries in the Middle East, including Kuwait, imposed varying levels of entry and other restrictions, 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 and it is currently unclear how long such measures will be in place.

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 curfews and lockdown measures in Kuwait and certain other markets and slower economic activity, especially during the second quarter of 2020, had a significant adverse impact on the Bank which could continue in the future. The decrease in profit rates resulted in a reduction in the Bank's profit margins while lower transaction volumes resulted in lower fees and commission income. 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 Bank's customers, which has led to a significant increase in provision charges.

While some countries have started to lift restrictions designed to slow the spread of COVID-19, they may be reintroduced with more severe conditions than those experienced to date. Multiple vaccine approvals and the launch of vaccination programmes in most countries have raised hopes of a turnaround in the COVID-19 pandemic in 2022. However, an increase in infections and the prevalence of new strains of the virus could prolong the measures restricting mobility and threaten to reduce the effectiveness of vaccines. As of the date of this Base Prospectus, developments around the COVID-19 pandemic will continue to influence economic activity.

The COVID-19 pandemic and its effects may last for an extended period of time and could result in significant and continued market volatility, exchange trading suspensions and closures, declines in global financial markets, higher default rates and a substantial economic downturn or recession. Any or all of the foregoing factors could impair the Bank's ability to maintain operational standards and may disrupt the operations of the Bank's customers and service providers, adversely affecting the Bank's business, results of operations, and financial condition, as well as the Bank's regulatory capital and liquidity ratios. The extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic. The Bank may be forced to consider adjustments to specific elements of its operations and/or customer exposures including financing tenor extensions or adjustments to financing and credit card instalments. Any material change in the financial markets, the Kuwaiti economy or the global economy as a result of these events or developments may materially have an adverse effect on the Bank's

business, results of operations and financial condition. It should be noted that the impact of COVID-19, including actions taken to contain it, might heighten many of the other risks noted within these Risk Factors, including through increasing both the probability of negative impact as well as the severity of such impact.

#### Credit risks

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

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

As 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 UK's secession from the EU, the trade disputes between the U.S. and China, and, more recently, concerns about the spread of COVID-19, companies to which the Bank directly extends credit have experienced, and may continue to experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs and some of these companies have been unable to meet their debt service obligations or other expenses as they become due, including amounts payable to the Bank.

Although the economy in Kuwait is beginning to open up, there can be no assurance that this will translate in the future into improvement in the performance of the Bank's financing provided to customers or in the provisions and impairment losses. A resurgence of waves of COVID-19 could trigger further lockdowns of the economy and the Bank remains exposed to adverse changes in credit and recoverability that are inherent in its business, which may cause it to experience a higher level of customer and counterparty defaults in the future.

As at 31 December 2021, the Bank's customer financing receivables (net of provisions) amounted to KD 2.5 billion compared to KD 2.5 billion as at 31 December 2020 and KD 2.3 billion as at 31 December 2019. The Bank's non-performing financing amounted to KD 27.5 million as at 31 December 2021, compared to KD 27.1 million as at 31 December 2020 and KD 26.6 million as at 31 December 2019. Its provision for impairment and credit losses amounted to 1.08 per cent., 1.07 per cent. and 1.15 per cent. of its gross customer financing receivables as at 31 December 2021, 31 December 2020 and 31 December 2019, respectively.

As the Bank's customer financing receivables portfolio expands and its credit exposure consequently increases, management of the Bank will need to continually monitor the credit quality of the portfolio. This will be particularly important in the light of current economic conditions in Kuwait. See "Risk Management—Credit Risks", Note 20.2 to the 2021 Financial Statements and "—The Bank's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks" below.

Any failure by the Bank to maintain the quality of its assets through effective risk management policies could lead to higher levels of defaults resulting in higher financing loss provisioning and write-offs, all of which may have a material adverse effect on the Bank's business, results of operations and financial condition.

#### The Bank has material geographic, customer and sector concentrations

#### Geographic concentrations

The Bank's customer financing receivables, deposit base and investment securities portfolio are concentrated in Kuwait, the GCC and the MENA region. See "—Macro-economic and financial market conditions have materially adversely affected and may continue to materially adversely affect the Bank's business, results of operations and financial condition" above.

As a result, any deterioration in general economic conditions in Kuwait and the wider MENA region or any failure by the Bank to effectively manage its geographic risk concentrations could have a more significant adverse effect on the Bank's business than on that of a more diversified bank. See "—Macro-economic and financial market conditions have materially adversely affected and may continue to materially adversely affect the Bank's business, results of operations and financial condition" above.

#### Customer concentrations

The Bank's 20 largest deposits as at 31 December 2021 constituted 53.4 per cent. of its total customer deposits compared to 57.7 per cent. and 61.9 per cent. of its total customer deposits as at 31 December 2020 and 31 December 2019, respectively.

The withdrawal or non-renewal of its deposits by any one or more of the Bank's large depositors could require the Bank to obtain replacement funding from other sources which may not be readily available or may be significantly more expensive, which would reduce the Bank's net profit margin and adversely impact its operating income and profitability. See further "—The Bank is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business" below.

The Bank's 20 largest financing receivables outstanding as a percentage of its gross customer financing receivables was 23.6 per cent. as at 31 December 2021, compared to 25.9 per cent. and 25.9 per cent. of its gross customer financing receivables as at 31 December 2020 and 31 December 2019.

#### Sector concentrations

The Bank's investment securities portfolio principally comprises sukuk, with KD 258.1 million or 65.7 per cent. of the investment securities portfolio being sukuk as at 31 December 2021. The issuers of these instruments are mainly GCC sovereign or Government-related entities and financial institutions.

The Bank's amounts due to banks and other financial institutions, and depositors' accounts constituted 88.5 per cent. of its total liabilities, or KD 2.8 billion, as at 31 December 2021, as compared to 89.1 per cent. of its total liabilities, or KD 2.8 billion, as at 31 December 2020 and 93.3 per cent. of its total liabilities, or KD 2.7 billion, as at 31 December 2019. As is typical for banks in the GCC, the Bank has a material concentration of deposits from the Government and its related agencies which constituted approximately 28.5 per cent. of the Bank's total deposits as at 31 December 2021 and 41.4 per cent. as at 31 December 2020.

Although diversified by industry sector, the Bank's credit risk exposure with respect to financing receivables is concentrated in the construction and real estate sector, which accounted for 30.1 per cent. of the Bank's total gross maximum credit exposure as at 31 December 2021, 33.1 per cent. as at 31 December 2020 and 33.3 per cent. as at 31 December 2019.

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

- a significant decline in real estate values which would weaken the credit quality of the Bank's construction and real estate customers to the extent that the value of their real estate assets declines and could also reduce the value of the real estate collateral that the Bank holds; and
- continued low levels of economic growth or a recession in Kuwait which, particularly if coupled with
  increased levels of unemployment and falling real estate prices, could materially adversely impact the
  ability of retail customers to repay their financing and also the liquidity and profitability of the Bank's
  financial institution customers.

Following a severe downturn associated with the global financial crisis, the Kuwaiti property market has experienced a period of recovery in recent years. However, as an increasing number of developments are launched and reach completion, the number of properties available in the Kuwaiti market may exceed the demand for such properties leading to market saturation. This could result in an increase in vacancy rates and/or a decrease in market rental rates and sale prices. In addition, demand for properties in Kuwait could decrease as a result of a range of other factors, including changes in law, macroeconomic conditions, events in neighbouring countries or factors inherent to the Kuwaiti property market. If the property market in Kuwait were to become saturated, or demand for properties in Kuwait were to decline or to be lower than expected, this could negatively impact the value of the collateral held by the Bank (particularly in respect of its ijara financings) which could lead to an increase in its impairment provisions and reduced profitability. In addition, a large portion of the Bank's customers purchase properties as investments, generally with a view to selling them for profit or leasing them for rental income. Any perceived or actual oversupply of properties in Kuwait, or a decrease in demand for rental space in Kuwait, may result in Bank customers receiving lower rental yields than anticipated and experiencing difficulty selling properties which could in turn impact their ability to make payments on their financing in a timely manner, which could lead to an increase in the Bank's impairment provisions and reduced profitability.

As a result of the foregoing, any failure by the Bank to manage its material concentrations may have a material adverse effect on the Bank's business, results of operations and financial condition.

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

Since 1 January 2018, in accordance with IFRS as adopted by Kuwait for financial services institutions regulated by the CBK, the Bank 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 dated 25 December 2018; and (ii) the provisions for credit losses as required by the CBK instructions of December 1996 as amended in 2007. With respect to other financial assets, the Bank 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 Bank's overall level of impairment allowances is based upon a wide range of factors, including the volume and type of financing being conducted, the collateral held, applicable regulations, past due facilities, economic conditions and other factors related to the recoverability of various facilities. Although the Bank endeavours to establish an appropriate level of impairment allowances in accordance with applicable requirements, there can be no assurance that the Bank 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 Bank may have to

significantly increase its impairment allowances for credit losses 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.

As at 31 December 2021, the Bank's impaired financing ratio (defined as impaired financing as a percentage of total gross financing) was 1.08 per cent. (compared to 1.07 per cent. as at 31 December 2020).

As at 31 December 2021, the Bank had KD 27.5 million of impaired financing and its provision for credit losses thereon was KD 80.1 million, in each case calculated in accordance with CBK requirements. The Bank's expected credit loss on credit facilities, determined in accordance with IFRS 9, was KD 54.7 million as at 31 December 2021.

As at 31 December 2020, the Bank had KD 27.1 million of impaired financing and its provision for credit losses thereon was KD 46.6 million, in each case calculated in accordance with CBK requirements. The Bank's expected credit loss on credit facilities, determined in accordance with IFRS 9, was KD 40.6 million as at 31 December 2020.

As at 31 December 2021, the Bank's provision for credit losses on financing covered 244.3 per cent. of its impaired financing (compared to 155.0 per cent. as at 31 December 2020) after considering the value of collateral held.

Any significant increase in impairment allowances for credit losses reflecting a change in the Bank's estimation of its expected credit losses, however caused, as well as the occurrence of losses in excess of the impairment allowances allocated made, would have an adverse effect on the Bank's business, results of operations and financial condition.

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

As at 31 December 2021, approximately 40.4 per cent. of the Bank's corporate customer financing receivables was fully or partially secured by collateral, including share pledges governed by Kuwaiti law and pledged real estate collateral. As at 31 December 2021, approximately 82.3 per cent. of the Bank's customer financing receivables comprised financing to retail individuals secured by assignment of their salary and/or eligible collateral.

Although certain Islamic financing structures used by the Bank, such as the ijara structure, permit the registration of the relevant underlying assets, such as real estate, in the Bank's name, other structures require a customer to pledge assets. The practice of pledging assets (such as securities portfolios and real estate assets) to obtain financing is subject to certain limitations and administrative restrictions under Kuwaiti law. In particular, such security over real estate mortgages will required a court order for enforcement. As a result, security over certain pledged assets may not be enforceable in courts of Kuwait (the "Kuwaiti Courts"). Accordingly, the Bank may have difficulty foreclosing on collateral (including any real estate collateral) or enforcing guarantees or other third-party credit support arrangements when customers default in respect of their financing.

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

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

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

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

The Bank is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial institutions.

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

#### Liquidity risks

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

Liquidity risk is the risk that the Bank will be unable to meet its obligations, including funding commitments, as they become due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters.

The perception of counterparty risk between banks has also increased significantly since the final quarter of 2008, which led to reductions in certain traditional sources of liquidity, such as the debt markets, asset sales and redemption of investments. The Bank's access to these traditional sources of liquidity may be restricted or available only at a higher cost and there can be no assurance that the Government will continue to provide the levels of support that it has provided to date to the Kuwaiti banking sector. See "—The Government is under no obligation to support the Bank and there is no assurance that the Bank will receive future support that is commensurate with the support that it has received in the past" below.

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

The Bank relies on both customer and interbank deposits, as well as deposits from the Government and its related agencies, which are mainly short-term and generally low cost in nature, to meet most of its funding needs. The availability of deposits is subject to fluctuation due to factors outside the Bank's control, including possible loss of confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time. As at 31 December 2021, 37.5 per cent. of the Bank's non-equity funding (which comprises amounts due to banks and other financial institutions, customer deposits and sukuk issued) had remaining contractual maturities of up to one month or was payable on demand (compared to 33.3 per cent. as at 31 December 2020) and a further 87.4 per cent. had remaining maturities of one year or less or was payable

on demand (compared to 85.6 per cent. as at 31 December 2020). The Bank may experience outflows of deposits at times when liquidity is constrained generally in Kuwait or when its major depositors experience short- or longer-term liquidity requirements. Particularly if international oil and gas prices decrease significantly, the Bank's large Government depositors may start to withdraw part or even all of their deposits with it. In addition, the Bank's deposits are predominantly concentrated in Kuwait and the Bank is reliant on certain large deposits from a limited number of government-related customers. See "—The Bank's customer financing receivables, deposit base and investment securities portfolio are concentrated in Kuwait, the GCC and the MENA region" above and "—The Bank has material geographic, customer and sector concentrations" above.

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

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

The Bank is subject to the Basel III LCR as adopted by the CBK. The LCR is a metric introduced by 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 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 the minimum value of the ratio be 100 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. 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 on a quarterly basis by major currency. The Bank's three-month average LCR as at 31 December 2021 was 152 per cent. while the HQLA (post-factor) was KD 480 million and the net cash outflow was KD 558 million. (as at 31 December 2020, the Bank's three-month average LCR was 152 per cent. while the HQLAs (post-factor) was KD 335 million).

The Bank's requirement to comply with the LCR and the associated requirement to maintain a significant buffer of HQLAs may affect the Bank'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 Bank at a competitive disadvantage to its peer financial institutions based in other GCC states that have yet to fully implement Basel III.

The Bank 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 that 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 2021, the Bank had an NSFR ratio of 116 per cent. compared to 115 per cent. as at 31 December 2020.

The Bank's requirement to comply with the NSFR and the associated requirement to maintain a significant buffer of stable funding may result in a shift in the Bank's liabilities structure. Accordingly, the Bank would depend even less on funding from financial institutions in favour of funding from the core business areas such as consumer and non-financial wholesale clients. Such a shift could adversely impact the Bank's funding cost given the inherent cost associated with attracting funding from customer deposits, especially long-term deposits. The systemic need to adhere to regulatory ratios increases competition among banks to attract such deposits. The NSFR, like LCR, also places reliance on HQLA.

If, as a result of insufficient liquidity, the Bank 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.

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

As part of its normal banking business, the Bank issues guarantees, letters of credit and acceptances which are accounted for off the Bank's balance sheet until such time as they are actually funded or cancelled. In addition, the Bank makes irrevocable commitments to advance financing to its customers. Although these commitments are contingent, they nonetheless subject the Bank to both credit and liquidity risks. As at 31 December 2021, the Bank had KD 215.8 million in contingent liabilities and commitments outstanding, equal to 8.0 per cent. of its combined customer financing receivables and contingent liabilities and commitments.

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

# A negative change in the Bank's credit rating could limit its ability to raise funding and may increase its funding costs

The Bank has a long-term issuer default rating of A with a stable outlook from Fitch and a long-term foreign and domestic currency bank deposits rating of Baa2 with a stable outlook from Moody's. These ratings, which are intended to measure the Bank's ability to meet its obligations as they mature, are an important factor in determining the Bank's cost of funding.

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

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

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

According to Moody's and Fitch, a significant factor underpinning the Bank's ratings is their assessment of support for the Bank from the Kuwaiti authorities. Any negative change in the sovereign ratings of Kuwait could trigger a reduction in the Bank's rating. See "—The Government is under no obligation to support the Bank and there is no assurance that the Bank will receive future support that is commensurate with the support that it has received in the past" below.

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 Certificates issued under the Programme.

#### Market risks

#### The Bank could be adversely affected by market risks

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

As a financial intermediary, the Bank is exposed to foreign exchange rate risk. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that the Bank may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Bank attempts to match the currencies of its assets and liabilities and any open currency position is maintained within the limits set by the CBK. However, where the Bank is not so hedged, it is exposed to fluctuations in foreign exchange rates and any such hedging activity may not in all cases protect the Bank against such risks. See Note 20.3.3 to the 2021 Financial Statements which illustrates the Bank's sensitivity to a 1 per cent. change in the exchange rate of the U.S. dollar against the Kuwaiti dinar as at 31 December 2021 and 31 December 2020.

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

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

Profit rates and funding costs are sensitive to many factors beyond the Bank'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. For example, interest rates were cut globally in 2020 in response to the COVID-19 pandemic. The CBK reduced the discount rate by 0.25 per cent. on 4 March 2020 as a result of the negative impact of the COVID-19 pandemic on the Kuwaiti economy. This was followed by a further decrease to 1.50 per cent. on 16 March 2020. To reflect economic recovery after the easing of COVID-19 related restrictions,

the CBK increased its discount rate to 1.75 per cent. on 16 March 2022, followed by further increases to 2.00 per cent. on 4 May 2022 and subsequently to 2.25 per cent. on 16 June 2022. Over the same period (March 2020 to 16 June 2022), the U.S. Federal Reserve rate ranged between 0.00 per cent. and 1.75 per cent. If interbank reference rates/yields rise, the costs payable on the Bank's floating rate financings (which accounted for 79.6 per cent. of the Bank's total financings as at 31 December 2021) increase. The Bank's marginal cost of funding may increase as a result of a variety of factors, including deterioration of conditions in the financial markets or loss of confidence by and between financial institutions. If the Bank fails to pass on any increases in funding cost to its customers in a timely manner or at all due to market, competitive or other conditions, it could have a material adverse effect on its business, results of operations and financial condition.

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

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

# The Bank may experience challenges with the transition to alternative benchmark rates following the cessation of LIBOR

The Bank has a significant amount of income-earning assets and a much lower amount of cost-bearing liabilities which have floating profit rates which are tied to LIBOR. LIBOR is subject to recent national and international regulatory guidance and proposals for reform, the consequences of which will impact the Bank's financial products which use LIBOR as the reference rate. The Bank believes that the main challenges to the transition will lie in dealing with the significant changes to documentation, valuation, models, infrastructure and operational processes, as well as the effects on legal, tax and accounting rules for both its assets and liabilities. The Bank is monitoring the developments closely and is preparing transitional arrangements, including the introduction of "fallback arrangements" and aligning to recommendations from global and professional bodies. The Bank established a committee to monitor updates on the transition process, however there are no assurances as to how various market participants may react upon interest rate volatility after the cessation of LIBOR which could have a material adverse effect on the Bank's business, financial condition and results of operations.

#### Operational risks

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

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

The Bank's ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Bank is subject to oversight by regulatory authorities, including regular examination activity, and performs regular internal audits and employs an external auditing firm to review its internal control systems, the Bank cannot be certain that these systems and procedures

will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against it. In the case of actual or alleged non-compliance with applicable regulations, the Bank could also be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages.

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

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

The Bank's success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The Bank is likely to face challenges in recruiting personnel to management its business. In common with other banks in the GCC, the Bank experiences a shortage of qualified employees residing in Kuwait, which requires it to recruit outside Kuwait. In addition, after hiring its employees, the Bank has faced challenges in retaining such employees due to the continued recruitment efforts of its competitors.

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

In recent years, the Government has made a number of announcements regarding its intention to encourage a better balance of Kuwaitis 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 who should be employed by respective industries, with the Government's recommended policy for financial institutions being that 70 per cent. of a bank's total personnel should consist of Kuwaiti nationals. The Bank's Kuwaitisation level as at 31 December 2021 was 77.8 per cent. If the Bank 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 Ministry of Social Affairs or the imposition of administrative or corrective action by the CBK and other governmental authorities.

While the Bank believes that it has effective staff recruitment, training and incentive programmes in place, its failure to recruit, train and/or retain necessary personnel, its inability to dismiss certain employees or the shortage of qualified Kuwaiti nationals or other nationals prepared to relocate to Kuwait, could have a material adverse effect on its business, results of operations and financial condition.

# The Bank is exposed to a range of operational risks including, in particular, the risk of loss as a result of employee misrepresentation, misconduct and improper practice and through any failure of the Bank's IT systems

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures (including, in particular, IT failures), natural disasters or the failure of external systems (for example, those of the Bank's counterparties or vendors). The Bank has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing

efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential operational risks that the Bank faces. Losses from the failure of the Bank's system of internal controls could have a material adverse effect on its business generally and its reputation.

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

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

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

If any of the foregoing were to occur, it could materially adversely affect the Bank's businesses, results of operations and financial condition.

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

Accounting policies and methods are fundamental to how the Bank records and reports its financial condition and results of operations. Pursuant to IFRS rules and interpretations in effect as at the date of this Base Prospectus, the Bank is required to make certain estimates in preparing its financial statements, including accounting estimates to determine financial and credit loss reserves and the fair value of certain assets and liabilities, among other items.

Management has identified the most significant judgments and estimates made by it in Note 2.5 to the 2021 Financial Statements. These judgements and estimates include, for example, the determination of when assets may be impaired, the classification of financial assets, the calculation of ECLs in respect of its financing receivables and the determination of fair values of financial assets and financial liabilities.

A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. The Bank has established policies and control procedures that are intended to ensure that its significant accounting estimates and 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 the Bank's judgments and the estimates pertaining to these matters, the Bank cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future. 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 Bank may experience unexpected losses.

#### Regulatory risks

The Bank 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 the Bank to comply with these laws and regulations could have a material adverse effect on the Bank

The Bank is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic, 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 and interest/profit cap regulations (see "*Overview of Banking and Finance Regulations in Kuwait*"). The controls include laws and regulations promulgated by the CBK, the CMA and the Boursa Kuwait, as well as the laws and regulations of other countries in which the Bank operates.

Any of these or the other regulations to which the Bank is subject may limit its ability to carry on certain parts of its business, to increase its financing portfolio or to raise capital and may also increase its cost of doing business. 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 Bank's reserves, revenues and performance and may have a material adverse effect on the Bank's business, results of operations and financial condition.

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

Furthermore, the Bank'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 Bank; (ii) an increase in credit risk, financing losses or impairment allowances; (iii) an inability to obtain capital; (iv) the results of the Bank's activities; (v) a decline in the value of the Bank's securities portfolio; (vi) any inaccurate estimates adopted by the Bank 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 Bank to potential liabilities and fines. In addition, the potential adoption by the CBK (and the implementation phase) of the final (and future) standards published by the Basel Committee, including the revised standardised approach for credit risk and for market and operational risks and others, may have adverse impact on the Bank's ability to satisfy minimum capital adequacy requirements.

The Bank is also required to comply with applicable know-your-customer, AML and CFT laws and regulations in Kuwait and other jurisdictions where it operates, including those related to countries subject to sanctions by OFAC, similar regulations of the EU and other jurisdictions, and applicable anti-corruption laws in the jurisdictions in which it conducts business. To the extent that the Bank fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged and it could be subject to fines or other monetary penalties, which could have a material adverse effect on its business, financial condition and results of operations.

#### Risks relating to the region in which the Bank principally operates

# Kuwait's economy and Government revenues are significantly impacted by, and are dependent upon, international 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 CSB, the oil sector accounted for 47.2 per cent. of Kuwait's real GDP in 2018 and 45.3 per cent. in 2019 (provisional data for 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 2021, according to the Kuwait Ministry of Finance. Accordingly, Kuwait's economy is significantly impacted by, and is dependent upon, international oil prices.

OPEC **OPEC** The reference basket published by price (as at https://www.opec.org/opec web/en/data graphs/40.htm) 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, Saudi Arabia announced that it would raise oil output and discount its oil in April 2020. 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. 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 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 but steadily increased throughout 2021. As at 31 December 2021, the OPEC reference basket price was U.S.\$50.24.

Based on statistics published by the CSB, 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 March 2022), Kuwait's real GDP was projected to have declined by 8.1 per cent. in 2020 but as COVID-19 related restrictions are eased and oil production is expected to rebound as 'OPEC plus' quotas are relaxed, the IMF projects the GDP will grow around 2.7 per cent. in the medium term (with non-oil GDP estimated to have grown 3.4 per cent. in 2021). Kuwait's fiscal deficit increased to an estimated 16.6 per cent. of GDP in the financial year 2020-2021, reflecting Government measures to combat COVID-19, a slump in economic activity and a decline in oil revenues. For the financial year 2021-2022, the IMF estimates that the headline fiscal balance will improve to a surplus of 3.7 per cent. of GDP boosted by the rebound in oil revenues together with spending cuts.

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 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 basket against which the dinar is pegged, there can be no assurance that the CBK will maintain the 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 Bank has no control, including: economic and political developments in oil-producing regions, particularly in the Middle East (see "—Kuwait is located in a region that has been subject to ongoing political and security concerns" below) 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). Such risks are heightened by the recent conflict between Russia and Ukraine, which has exacerbated global commodity price volatility and triggered new global economic and financial turmoil. In addition to this, international prices for crude oil may be affected by any ongoing impact of the COVID-19 pandemic, 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 globally towards products derived from or based on oil) may also impact the international price for crude oil.

There can be no assurance that the recent increase in oil prices will be maintained and any future decline in oil process may have an adverse effect on the Kuwaiti economy which, in turn, could have a material adverse effect on the Bank's business, financial condition and results of operations.

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

The majority of the Bank's operations and interests are located in Kuwait and the MENA region. The Bank's results of operations are, and will continue to be, generally affected by financial, economic and political developments in or affecting Kuwait, the GCC and the wider MENA region. This includes, in particular, the level of economic activity in these regions which, in turn, is affected by the prevailing level of global crude oil prices. 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 Bank would be able to sustain the operation of its business if adverse political events or circumstances were to occur. A general downturn or instability in certain sectors of the Kuwaiti or the regional economy could have an adverse effect on the Bank's business, results of operations and financial condition.

Investors should also note that the Bank's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of interrelationships within the global financial markets. In addition, the implementation by the Government of restrictive fiscal or monetary policies or regulations, including changes with respect to interest rates, new legal interpretations of existing regulations or the introduction of taxation or exchange controls could have a material adverse effect on the Bank's business, financial condition and results of operations.

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 U.S.-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 neighbours. 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 MENA region, including the Arab Republic of Egypt, the People's Democratic Republic of Algeria, Libya, the Kingdom of Bahrain, Saudi Arabia, the Republic of Yemen, the Republic of Iraq, the Syrian Arab Republic, Palestine, the Republic of Tunisia, the Sultanate of Oman and the Republic of Turkey, including the multinational conflict with the Islamic State of Iraq and the Levant (ISIL), 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 MENA region. These situations have caused significant disruption to the economies of the affected countries and have had a destabilising effect on international oil and gas prices.

There has been an escalation of tension in the Gulf region following the attacks on a number of oil tankers in the Strait of Hormuz. A further deterioration has the potential to adversely affect regional security, as well as global oil and gas prices.

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

The Bank faces high levels of competition for all of its products and services in Kuwait. In particular, the Bank competes with other domestic banks, in addition to the Kuwaiti branches of non-Kuwaiti banks, and such competition may increase. See "Description of the Bank—Competition".

As at 31 March 2022, the Kuwaiti banking sector comprised five locally based conventional commercial banks, five banks operating according to the provisions of *Shari'a*, a specialised bank and branches of 11 other non-Kuwaiti banks. 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 including local licensing requirements, access to KD liquidity and the need for a Kuwaiti branch network) the Bank faces greater competition from non-Kuwaiti banks in the domestic corporate and retail banking sector.

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

Any failure by the Bank to successfully implement its Strategic Plan in the coming years could negatively affect its competitive position in the markets in which it operates. This could result in reduced income or a failure to achieve anticipated levels of income.

The competitive nature of the Kuwaiti banking market and any failure by the Bank to continue to compete successfully in Kuwait may adversely affect the Bank's business, financial condition and results of operations.

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

The State of Kuwait, represented by KIA owned 25.908 per cent. of the Bank's total shares as at 31 December 2021 (see further "*Description of the Bank*"). In light of the global financial crisis in 2008 and its impact on the Kuwaiti banking sector, the Government initiated 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.

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

### Tax changes in Kuwait may have an adverse effect on the Bank

As at the date of this Base Prospectus, the Bank is not subject to corporate income tax on its earnings within Kuwait and Kuwait does not impose VAT on the sale of goods and services.

However, investors should be aware that certain other GCC states have recently implemented value added tax ("VAT") on goods and services as part of a GCC-wide VAT framework. As at the date of this Base Prospectus, the Government has not announced any plans to introduce VAT in 2021. In addition, the Government is implementing fiscal reforms which may include introducing a proposed 10 per cent. corporate income tax in the future.

It is possible that, once VAT is introduced in Kuwait, the Bank's costs would increase and its future profitability could be negatively affected. In addition, the proposed imposition of a tax on corporate earnings, if implemented and applied to the Bank's operations in Kuwait, would reduce its profits available for distribution to shareholders through dividends.

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 the Bank for future financial years. As at the date of this Base Prospectus, the Proposed Corporate Income Tax does not have the force of law until such time as it has been ratified by the Kuwaiti Parliament, signed by the 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.

As a matter of practice, but not codified law, the Bank is currently not subject to corporate income tax on its earnings within Kuwait, although there is no guarantee that this will continue to be the case. If the Kuwaiti authorities impose new tax regimes on the Bank (whether in the form of the Proposed Corporate Income Tax or otherwise), or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Bank's business, results of operations, cash flows and financial condition.

### Kuwait and other GCC legal systems continue 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 U.S. 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 (the "GATT") (as administered by the World Trade Organisation (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 holders of Certificates issued under the Programme.

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 U.S. Any unexpected changes in the legal system in Kuwait may have a material adverse effect on the rights of holders of Certificates issued under the Programme or the investments that the Bank has made or may make in the future. This may in turn have a material adverse effect on the Bank's business, financial condition and results of operations.

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

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

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

- political, economic or social instability;
- external acts of warfare, civil clashes or other hostilities or conflict;
- domestic unrest or violence;
- increases in inflation and the cost of living;
- changing tax regimes and tax laws, including the possible introduction of VAT in Kuwait and the
  imposition of other taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions (see
  also, "Kuwait may introduce VAT");
- potential adverse changes in other laws and regulatory practices;
- government interventions and protectionism;
- difficulties in staffing and managing operations;
- legal systems which could make it difficult for the Bank to enforce its intellectual property and contractual rights;
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles; and
- logistical and communications challenges.

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

### Risks relating to the Certificates

### Limitations relating to the indemnity provisions in the Purchase Undertaking and the Master Trust Deed

The Bank has undertaken in the Purchase Undertaking and the Master Trust Deed that, in relation to any Series: (i) if, at the time of delivery of an exercise notice in accordance with the provisions of the Purchase Undertaking, Warba Bank K.S.C.P. is in actual or constructive possession, custody or control of all or any part of the relevant Wakala Assets, Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets, as the case may be; and (ii) if, following delivery of an exercise notice in accordance with the provisions of the Purchase Undertaking, the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable

obligation) fully indemnify (on an after Tax basis) the Trustee for the purpose of redemption in full of the outstanding Certificates, Certificateholder Put Right Certificates or Tangibility Event Put Right Certificates in respect of which the exercise notice is delivered and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be.

Subject to the satisfaction of conditions (i) and (ii) set out in the above paragraph, if the Bank fails to pay the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in Condition 13(b) and the terms of the Master Trust Deed, seek to enforce, inter alia, the provisions of the Purchase Undertaking and the Master Trust Deed against the Bank by commencing arbitral proceedings.

However, investors should note that, in the event that Warba Bank K.S.C.P. does not have actual or constructive possession, custody or control of all or any part of the relevant Wakala Assets comprising the Wakala Portfolio at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking (for any reason whatsoever, including because the legal nature of such interest as the Bank may have in the relevant Wakala Assets does not amount to actual or constructive possession, custody or control in the view of a court or arbitral tribunal of competent jurisdiction), the condition in (i) as described above will not be satisfied and, therefore, no amounts will be payable by the Bank under the separate indemnity provisions. For the avoidance of doubt, limited investigation has been or will be made by the Trustee, the Arranger, the Dealers or the Delegate as to whether the Bank has or will remain in actual or constructive possession, custody or control of all or any part of the Wakala Assets comprising the Wakala Portfolio.

Accordingly, in such event, the Delegate (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by the Bank in order to prove for damages. Such breach of contract may be due to: (a) a breach by the Bank of the requirement to purchase the Trustee's interests, rights, title, benefits and entitlements in, to and under the relevant Wakala Assets, Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets, as the case may be on the relevant Scheduled Dissolution Date or Dissolution Date pursuant to the provisions of the Purchase Undertaking; and/or (b) a breach by the Bank (acting in its capacity as Service Agent pursuant to the provisions of the Service Agency Agreement) of its undertaking to maintain actual or constructive possession, custody or control of all of the Wakala Assets comprising the Wakala Portfolio in accordance with the terms of the relevant Asset Contract.

As a result, the Delegate (on behalf of the Certificateholders) may not be able to recover, or may face significant challenges in recovering, an amount equal to the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be, and, in turn, the amount payable to the Certificateholders upon redemption.

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

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

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner and to the extent contemplated by the Transaction Documents) or the Delegate in respect of any shortfall in the expected amounts due on the Certificates. The Bank is obliged to make certain payments under the Transaction

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

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

### The Certificates may be subject to early redemption

If the amount payable in respect of the Certificates of any Series is required to be increased to include additional amounts and/or the Bank is required to pay additional amounts pursuant to the Transaction Documents to which it is a party, in each case as a result of certain changes affecting taxation in a Relevant Jurisdiction, the Bank shall be entitled to require the Trustee to redeem the Certificates in whole, but not in part, upon giving notice in accordance with Condition 9(b). In addition, if so provided in the applicable Final Terms, a Series may also be redeemed early at the option of the Bank pursuant to Condition 9(c). The Trustee may also exercise its Clean Up (Call) Right to redeem the Certificates early (in whole but not in part) if 75 per cent. of the Certificates of the relevant Series then outstanding have been redeemed in accordance with Condition 9(e). Any such early redemption feature of any Certificate is likely to limit its market value.

During any period when the Bank elects to require the Trustee to redeem the Certificates (whether pursuant to Condition 9(b) or Condition 9(c) or 9(e)), the market value of those Certificates generally will not rise substantially above the Dissolution Distribution Amount payable. This also may be true prior to any other Dissolution Date.

In the case of Certificates with an optional dissolution feature pursuant to Condition 9(c), the Bank may elect to require the Trustee to redeem such Certificates when its cost of financing is lower than the Profit Rate on the Certificates. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective profit rate as high as the Profit Rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider re-investment risk in light of other investments available at that time.

# The occurrence of a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates

If a Tangibility Event occurs, the Certificateholders will be promptly notified that: (a) a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence; (b) as determined

in consultation with the Shari'a Supervisory Board, the Certificates shall only be tradeable in accordance with the *Shari'a* principles of debt trading; (c) on the date falling 15 days following the Tangibility Event Put Right Date (or, if such date is not a business day, the next following business day (being, for this purpose, a day on which the stock exchange on which the Certificates have been admitted to trading is open for business)), the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading; and (d) the Tangibility Event Put Right Period, during which period the holder of any Certificates shall have the option to require the redemption of all or any of its Certificates. Upon receipt of such notice, the Certificateholders may elect to redeem all or any of their Certificates in accordance with the Conditions. Accordingly, a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates.

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

The Shari'a Supervisory Board, the Global Shariah Supervisory Committee of Standard Chartered Bank and the Internal Shariah Supervision Committee of Emirates NBD - Islamic have each confirmed that the Transaction Documents and the issue and trading of the Certificates of any Series are, in their view, in compliance with Shari'a principles as applicable to, and interpreted by, them. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates of any Series 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 Arranger, the Dealers, the Delegate or the Agents makes any representation as to the Shari'a compliance of the Transaction Documents or the issue and trading of the Certificates of any Series and potential investors are reminded that, as with any Shari'a views, differences in opinion are possible. Potential investors should not rely on the above pronouncements in deciding whether to make an investment in the Certificates and should obtain their own independent Shari'a advice as to whether the Transaction Documents, the Certificates and the issue and trading of Certificates will meet their individual standards of compliance with Shari'a principles, and should also make their own determination as to the future tradability of the Certificates on any secondary market. In addition, none of the Delegate, the Arranger, the Dealers or the Agents will have any responsibility for monitoring or ensuring compliance with any Shari'a principles of debt trading referred to in Condition 9(e), nor shall any of them be liable to any Certificateholder or any other person in respect thereof. Questions as to the Shari'a compliance of the Transaction Documents or the Shari'a permissibility of the Transaction Documents or the issue and trading of the Certificates of any Series may limit the liquidity and adversely affect the market value of the Certificates.

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

### Shari'a requirements in relation to interest awarded by an arbitrator

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

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

The structure of each issue of Certificates under the Programme is based on English law and Kuwaiti law and administrative practices in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English or Kuwaiti law or administrative practices in any such jurisdiction after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Bank to make payments under the Transaction Documents to which it is a party and/or the Trustee to make payments under any Series of Certificates, or the ability of the Trustee or the Bank to otherwise comply with their respective obligations under the Certificates and the Transaction Documents to which they are a party.

# Certificates are subject to modification by a majority of the Certificateholders of a Series without the consent of all of the Certificateholders

The Master Trust Deed contains provisions for calling meetings of the Certificateholders (including by way of conference call or by use of a telephony or electronic platform or facility) to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. In addition, the Master Trust Deed contains provisions for obtaining written resolutions on matters relating to the Certificates from holders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates of the relevant Series for the time being outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

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

- (a) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, the Bank or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates of the relevant Series for the time being outstanding; and
- (b) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, the Bank or the Delegate (as the case may be) by (a) accountholders in the clearing systems with entitlements to such global certificate or (b), where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries). For the purposes of establishing the entitlement to give any such consent or instruction, the Trustee, the Bank and the Delegate (as the case may be) shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "relevant clearing system") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

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

These provisions permit defined majorities to bind all of the Certificateholders of the relevant Series (including Certificateholders who did not attend or vote at the relevant meeting, Certificateholders who did not sign a

written resolution, Certificateholders who do not participate in any electronic consents sought by the Trustee, as well as Certificateholders who voted in a manner contrary to the majority).

The Master Trust Deed also provides that the Delegate may (but shall not be obliged to) (and, in the case of paragraph (i)(b) below, shall), without the consent or sanction of the Certificateholders, (i) agree to any modification of the Trust Deed (including the Conditions), any of the other Transaction Documents or the Trustee's memorandum and articles of association that is in its opinion (a) of a formal, minor or technical nature or is made to correct a manifest error, (b) to effect any Benchmark Amendments (in the circumstances and as set out in Condition 8(c)(1)) or any Benchmark Replacement Conforming Changes (in the circumstances and as set out in Condition 8(c)(2) or (c) is not materially prejudicial to the interests of the holders of the outstanding Certificates and is other than in respect of a matter which requires a special quorum resolution (as defined in paragraph 7 of Schedule 3 of the Master Trust Deed), and (ii), without prejudice to its rights in respect of any subsequent breach, (a) give its consent under the Transaction Documents or to any waiver or authorisation of any breach or proposed breach, of any of provision of the Trust Deed or any Transaction Documents, or (b) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of paragraph (ii) that such consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the holders of the outstanding Certificates and is not in contravention of an express direction given by an Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates of that Series then outstanding. Any such modification, consent, waiver, authorisation or determination shall be binding on all Certificateholders and, unless the Delegate otherwise requires, shall be notified by the Trustee to the Certificateholders in accordance with Condition 18 as soon as practicable thereafter.

### The Delegate may request that the Certificateholders provide an indemnity and/or security and/or prefunding to its satisfaction

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

### Credit ratings may not reflect all risks

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction may also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there

may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

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. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. 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 Certificates changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Certificates may have a different regulatory treatment. This may result in relevant regulated investors selling the Certificates which may impact the value of the Certificates and any secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus and in the applicable Final Terms.

### Interest or profit rate risks

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

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

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

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

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of any amounts on a Certificate. As a result, investors may receive less than expected, or

no payment at all. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Certificate would not be available at such Certificate's maturity.

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

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

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

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

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

### **Emerging markets**

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

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

Each Series of Certificates issued under the Programme will be represented on issue by a Global Certificate that may be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the interests in each

Global Certificate held through it. While the Certificates of each Series are represented by a Global Certificate, investors will be able to trade their interests only through the relevant clearing systems and their respective participants, and the Trustee will discharge its payment obligations under the relevant Series of Certificates by making payments through the relevant clearing systems. A holder of an interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the relevant Series of Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, interests in any Global Certificate. Holders of interests in a Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

# The regulation and reform of "benchmarks" may adversely affect the value of Certificates linked to or referencing such "benchmarks"

Reference rates and indices, including profit rate benchmarks, which are used to determine the amounts payable under financial instruments or the value of such financial instruments (the "Benchmarks"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation could have a material adverse effect on any Certificates referencing or linked to such Benchmark.

Investors should be aware that, if a Benchmark were discontinued or otherwise unavailable, the profit rate on Floating Rate Certificates which reference such Benchmark will be determined for the relevant period by the fall-back provisions applicable to such Certificates set out in the Conditions. Where Screen Rate Determination not Referencing SOFR is specified as the manner in which the Profit Rate in respect of Floating Rate Certificates is to be determined, the Conditions provide that the Profit Rate shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

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

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

Where the relevant Final Terms specify that paragraph (2) of Condition 8(c)(1) (Periodic Distribution Amounts – Benchmark Replacement – Reference Rate other than SOFR) is applicable, the Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if a public statement is made by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed.

Such fallback arrangements include the possibility that the Profit Rate (or the relevant component thereof) could be set by reference to a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate to be used in place of the Reference Rate, with or without the application of an Adjustment Spread, and may include amendments to the Conditions, the Master Trust Deed and/or any other Transaction Document to

ensure the proper operation of the Successor Rate, Alternative Reference Rate and/or Adjustment Spread, all as determined by the Independent Adviser (acting in good faith and in a commercially reasonably manner), following consultation with the Trustee and the Bank and without any requirement for the consent or sanction of the relevant Certificateholders. The application of an Adjustment Spread may result in the Certificates performing differently (which may include payment of a lower Profit Rate) than they would do if the Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Profit Rate. The use of any such Successor Rate or Alternative Reference Rate to determine the Profit Rate is likely to with or without the application of an Adjustment Spread) result in any Certificates initially linked to or referencing the relevant Reference Rate performing differently (which may include payment of a lower Profit Rate) than they would do if the Reference Rate were to continue to apply in its current form. In addition, the market (if any) for Certificates linked to any such Successor Rate or Alternative Reference Rate may be less liquid than the market for Certificates linked to the relevant Reference Rate.

The choice of replacement Benchmark is uncertain and could result in the use of risk-free rates such as the Secured Overnight Financing Rate ("SOFR") (see "—The market continues to develop in relation to risk free rates (including SOFR) as reference rates for Floating Rate Certificates" below) and/or in the replacement Benchmark being unavailable or indeterminable.

In the case of Floating Rate Certificates which reference SOFR where paragraph (2) of Condition 8(c) (*Periodic Distribution Amounts – Benchmark Replacement*) is specified as applicable in the relevant Final Terms where the Bank determines that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred, a Benchmark Replacement (as determined in accordance with paragraph (2) of Condition 8(c) (*Periodic Distribution Amounts – Benchmark Replacement*)) will replace the then-current Benchmark for all purposes relating to such Certificates in respect of all determinations on such date and for all determinations on all subsequent dates. Such Benchmark Replacement may result in the Certificates behaving differently (which may include payment of a lower Profit Rate).

Where ISDA Determination is specified as the manner in which the Profit Rate in respect of Floating Rate Certificates is to be determined, the Conditions provide that the Profit Rate in respect of the Certificates shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Profit Rate may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Profit Rate that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Certificates.

# The Trustee and the Bank may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Reference Rate in accordance with the terms and conditions of the Certificates

If the Trustee and the Bank are unable to appoint an Independent Adviser or the Independent Adviser fails to determine a Successor Rate or Alternative Reference Rate for the life of the relevant Certificates, the initial Profit Rate, or the Profit Rate which applied to the last preceding Periodic Distribution Period, will continue to apply to maturity (subject to the application of such Margin or Maximum or Minimum Profit Rates as may be specified in the applicable Final Terms). This will result in the relevant Floating Rate Certificates, in effect, becoming fixed rate Certificates.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate (as applicable) is determined before the next Profit Rate Determination Date, the Profit Rate for the next succeeding Periodic Distribution Period will be the Profit Rate applicable as at the last preceding Profit Rate Determination

Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Profit Rate Determination Date, the Profit Rate will be the initial Profit Rate (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period). Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Where no Successor Rate or Alternative Reference Rate (as applicable) is determined in respect of any given Periodic Distribution Period, the Trustee and the Bank will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Profit Rate Determination Date to determine a Successor Rate or Alternative Reference Rate to apply the next succeeding and any subsequent Periodic Distribution Periods, as necessary.

Applying the initial Profit Rate, or the Profit Rate applicable as at the last preceding Profit Rate Determination Date before the occurrence of the Benchmark Event is likely to result in Certificates linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Profit Rate) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Reference Rate could be determined.

## The market continues to develop in relation to risk free rates (including SOFR) as reference rates for Floating Rate Certificates

Investors should be aware that the market continues to develop in relation to risk-free rates, such as SOFR, as reference rates in the capital markets for sterling or U.S. dollar bonds, as applicable, and their adoption as alternatives to the relevant interbank offered rates. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. For example, on 2 March 2020, the Federal Reserve Bank of New York, as administrator of SOFR, began publishing the SOFR Compounded Index.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Certificates that reference such risk-free rates issued under this Programme. The Trustee may in the future also issue Certificates referencing SOFR that differ materially in terms of profit determination when compared with any SOFR referenced Certificates issued by it under this Programme. The development of risk-free rates for the international debt capital markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Certificates that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the international debt capital markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, sukuk, bank financing and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Certificates referencing such risk-free rates.

The use of risk-free rates as reference rates in the international debt capital markets is nascent, and may be subject to change and development in terms of the methodology used to calculate such rates, the development of rates based on risk-free rates and the development and adoption of market infrastructure for the issuance and

trading of sukuk referencing risk-free rates. In particular, investors should be aware that several different methodologies have been used in sukuk linked to such risk-free rates issued to date and no assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Certificates, will gain widespread market acceptance. In addition, the methodology for determining any overnight rate index used to determine the Profit Rate in respect of certain Certificates could change during the life of such Certificates.

Certificates referencing risk-free rates may also have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for sukuk referencing such risk-free rates, such as the spread over the index reflected in profit rate provisions, may evolve over time, and trading prices of such Certificates may be lower than those of later-issued indexed debt securities as a result. Further, if the relevant risk-free rates do not prove to be widely used in securities like the Certificates, the trading price of such Certificates linked to such risk-free rates may be lower than those of Certificates referencing indices that are more widely used. Investors in such Certificates may not be able to sell such Certificates at all or may not be able to sell such Certificates at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Certain administrators of risk-free rates have published hypothetical and actual historical performance data. Hypothetical data inherently includes assumptions, estimates and approximations and actual historical performance data may be limited in the case of certain risk-free rates. Investors should not rely on hypothetical or actual historical performance data as an indicator of the future performance of such risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Certificates which reference SOFR.

### Risk-free rates differ from interbank offered rates in a number of material respects and have a limited history

Risk-free rates may differ from interbank offered rates in a number of material respects, including (without limitation) by being backwards-looking in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank financing. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as reference rates for the Certificates.

SOFR is a recently established risk-free rate, and has a limited history. For that reason, the future performance of SOFR may be difficult to predict based on its limited historical performance. The level of SOFR during the term of the Certificates may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to SOFR such as correlations, may change in the future. Since publication of SOFR began, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Furthermore, profit on Certificates which reference SOFR, a backwards-looking risk-free rate, is only capable of being determined immediately prior to the relevant Periodic Distribution Payment Date. It may be difficult for investors in Certificates which reference such risk-free rates to reliably estimate the amount of profit which will be payable on such Certificates, and some investors may be unable or unwilling to trade such Certificates without changes to their IT systems, both of which could adversely impact the liquidity of such Certificates. Further, in contrast to Certificates linked to interbank offered rates, if Certificates referencing backwards-looking SOFR become due and payable or are otherwise redeemed early on a date which is not a Periodic Distribution Date, the final Profit Rate payable in respect of such Certificates shall be determined by reference

to a shortened period ending immediately prior to the date on which the Certificates become due and payable or are scheduled for redemption.

### The administrator of SOFR may make changes that could change the value of SOFR or discontinue SOFR

As SOFR is published and calculated by third parties based on data received from other sources, the Trustee and the Bank have no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Certificates linked to or which reference SOFR (or that any applicable benchmark fallback provisions provided for in the Conditions will provide a rate which is economically equivalent for Certificateholders). The Federal Reserve Bank of New York (or its successors) as administrator of SOFR may make methodological or other changes that could change the value of SOFR, including changes related to the method by which SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR. In addition, an administrator may alter, discontinue or suspend calculation or dissemination of SOFR, in which case a fallback method of determining the profit rate on the Certificates will apply in accordance with the Conditions (see "The regulation and reform of benchmarks may adversely affect the value of Certificates referencing such benchmarks"). The administrator of SOFR has no obligation to consider the interests of Certificateholders when calculating, adjusting, converting, revising or discontinuing SOFR. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of profit payable on such Certificates and the trading price of such Certificates.

### Risks relating to the Sukuk Assets

### Ownership of Wakala Assets

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

Limited investigation and enquiry will be made and limited due diligence will be conducted in respect of any Wakala Assets. The Wakala Assets will be selected by the Bank, and none of the Certificateholders, the Trustee or the Delegate will have any ability to influence such selection. Only limited representations will be obtained from the Bank in respect of the Wakala Assets (such representations not forming part of the Trust Assets) and the precise terms or the nature of the Wakala Assets sold or held will not be disclosed (including whether there are any restrictions on transfer of, or any further obligations required to be performed by the Bank to give effect to the title in, such Wakala Assets). As such, no investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the Transaction Documents, the law of the jurisdiction where such Wakala Assets are located or any other relevant law and no investigation will be made to determine if, and no assurances are made as to whether, any Purchase Agreement will have the effect of transferring an interest in the relevant Wakala Assets. Title to the Wakala Assets is not intended to be registered (to the extent registrable) in the name of the Trustee. Therefore, other than from a Shari'a perspective, Certificateholders shall not have any legal interest in any Wakala Assets which require perfection in order to legally transfer any ownership interest therein.

Further, although the *Shari'a* analysis is such that an ownership interest in the Wakala Assets should pass to the Trustee under the Purchase Agreement, the Certificateholders will not have any rights of enforcement as against the Wakala Assets and their rights are limited to enforcement against the Bank of its obligation to purchase all (or the applicable portion thereof, as the case may be) of the Wakala Assets pursuant to the terms of the Transaction Documents.

However, the Bank has covenanted in the Purchase Undertaking and the Master Trust Deed that, subject to satisfaction of certain conditions as described above (see "Limitations relating to the indemnity provisions in the Purchase Undertaking and the Master Trust Deed") if the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Put Right Exercise Price, as the case may be, is not paid in accordance with the Purchase Undertaking for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the relevant date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Put Right Exercise Price, as the case may be.

If the Bank fails to purchase all (or the applicable portion thereof, as the case may be) of the Wakala Assets in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in the Conditions and the terms of the Master Trust Deed, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Master Trust Deed against the Bank by commencing arbitration proceedings to be administered by the London Court of International Arbitration ("LCIA") pursuant to the Arbitration Rules of the LCIA (the "Rules"). See "-Risks relating to Enforcement – 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".

In addition, the obligors in respect of the Wakala Assets may have rights of set-off or counterclaim against the Bank in respect of such assets. Further, to the extent that a third party is able to establish a direct claim against the Trustee, the Delegate or any Certificateholders on the basis of legal or beneficial ownership of any Wakala Assets, the Bank has agreed in the Master Trust Deed to indemnify the Trustee and the Delegate (on behalf of itself (where applicable) and the Certificateholders) against any such liabilities. However, if the Bank is unable to meet its indemnity obligations in relation to any such claims, then the relevant Certificateholders may suffer losses in excess of the original face amount invested.

### Risks relating to Enforcement

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

Notwithstanding that the Transaction Documents (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be) are expressed to be governed by English law, in the event of the Bank's insolvency, the Kuwaiti insolvency law implemented through Law No. 71 of 2020 (the "Insolvency Law") shall apply. It is to be noted that the previous Kuwait bankruptcy regime has recently been replaced by the Insolvency Law which has recently come into full force and effect on 25 July 2021. The Kuwait bankruptcy regime may, in the event of the Issuer's insolvency, adversely affect the Bank's ability to perform its obligations under the Transaction Documents to which it is a party and, consequently, the Trustee's ability to perform its obligations in respect of any Certificates. Further, obtaining a final bankruptcy judgment in Kuwait may take several years. There is little precedent to predict how any claims on behalf of holders of the Certificates, the Trustee and/or the Delegate against the Bank would be resolved in the event of the Bank's

insolvency and therefore there can be no assurance that holders of the Certificates will receive payment of their claims in full or at all in these circumstances.

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

The Transaction Documents each contains a provision to the effect that disputes arising thereunder will be referred to arbitration under the Rules.

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

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

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

The payments under the Certificates are dependent upon receipt by the Trustee of all amounts due from the Bank under the Transaction Documents to which it is a party and payment by the Trustee of all amounts due to investors in the manner contemplated under the Certificates and the Transaction Documents to which it is a party. If the Trustee or, where applicable, the Bank, fails to fulfil its obligations under the Certificates and/or the Transaction Documents to which it is a party, it may be necessary for the Delegate (or, in the limited circumstances described in Conditions 13 (*Dissolution Events*) and 14 (*Realisation of Trust Assets*), the Certificateholders) to bring an action against the Trustee and/or the Bank to enforce their respective obligations and/or to make other monetary claims, as appropriate, which may be costly and time consuming. Disputes arising under the Certificates and/or the Transaction Documents will be referred to arbitration under the Rules. Certificateholders will therefore only have recourse to LCIA arbitration in order to enforce their contractual rights under the Certificates, and will not have the right to bring proceedings relating to the Certificates before the English courts.

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

be considered arbitrable under Kuwaiti law and the arbitral award must be enforceable in the jurisdiction in which it was rendered.

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

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

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

### Risks relating to Taxation

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

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

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

Furthermore, the Kuwait Ministry of Finance's Department of Income Tax (the "**DIT**") has to date not always adopted consistent rulings on Kuwaiti tax matters more generally. Accordingly, to the extent that the exemption afforded by Article 150 (bis) is held not to apply to the Certificates, to a particular Certificateholder or to the Trustee, such Certificateholder(s) which are non-GCC corporate entities and/or the Trustee may become subject to income tax in Kuwait (see "*Taxation — Kuwait*" for further details).

In addition, neither Article 150 (bis) nor the Administrative Resolution address the issue of whether or not there remains an obligation, as described under "Taxation – Kuwait – Retention", to make a deduction of five per cent. of the amount of any payments made by the Bank to the Trustee. In the event of any such deduction, the Transaction Documents to which the Bank is a party provides that the Bank will pay such additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

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

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

Statements in this Base Prospectus concerning the taxation of investors are of a general nature, are based upon current law and practice in the jurisdictions stated and do not purport to address all tax aspects that may be relevant to a Certificateholder. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors.

In addition, any change in taxation legislation or in practice in a relevant jurisdiction could adversely impact the ability of the Trustee to make payments under the Certificates, the ability of the Bank to make payments under the Transaction Documents to which it is a party and/or the market value of the Certificates.

### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents which have previously been published shall be incorporated in, and form part of, this Base Prospectus:

- (a) the interim condensed consolidated financial information of the Bank for the three months ended 31 March 2022, together with the review report thereon and the notes thereto (available at: https://warbabank.blob.core.windows.net/files/Library/Assets/Gallery/ReportsEnglish/Financialreports/Warba%20Bank%20-%20signed%20English%20FS%20-%2031%20March%202022.pdf);
- (b) the consolidated annual financial statements of the Bank for the financial year ended 31 December 2021, together with the audit report thereon and the notes thereto (available at: https://warbabank.blob.core.windows.net/files/Library/Assets/Gallery/ReportsEnglish/Financialreports/Warba%20Q4%202021%20-%20English%20NEW.pdf);
- (c) the consolidated annual financial statements of the Bank for the year ended 31 December 2020, together with the audit report thereon and the notes thereto (available at: https://warbabank.blob.core.windows.net/files/Library/Assets/Gallery/ReportsEnglish/Financialreports/Warba%20Bank%20-%20Signed%20English%20FS%20-%2031%20Dec%202020%20New.pdf); and
- (d) the Terms and Conditions of the Certificates contained on pages 36 to 69 (inclusive) in the base prospectus dated 18 July 2019 prepared by the Bank in connection with the Programme (available at: https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus\_258b73ea-ac12-4dd5-8cae-3e63c33aa5f5.PDF),

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

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any Document Incorporated by Reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a Document Incorporated by Reference. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

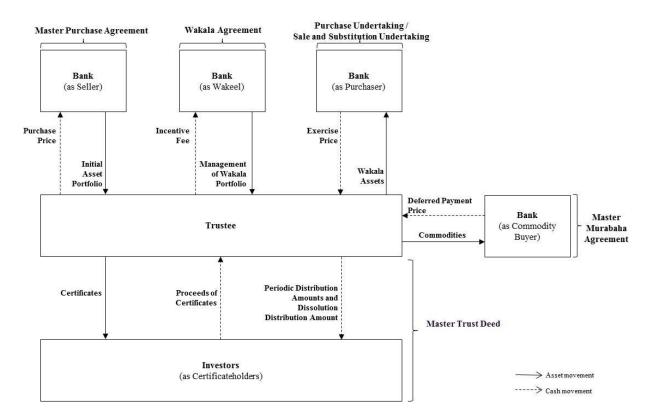
The Documents Incorporated by Reference shall be incorporated in, and form part of, this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained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

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

#### STRUCTURE DIAGRAM AND CASH FLOWS

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

### Structure Diagram



### Payments by the Certificateholders and the Trustee

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

- (a) an amount, which shall be equal to no less than the Wakala Percentage specified in the applicable Final Terms of the aggregate face amount of the relevant Certificates, to the Bank (in its capacity as Seller) as the purchase price payable for the purchase from the Bank of any and all of its rights, title, interests, benefits and entitlements, present and future, in, to and under certain assets (in the case of the first Tranche of the relevant Series of Certificates, the "Initial Assets" or, in the case of each subsequent Tranche of such Series, the "Additional Assets") which are further described below; and
- (b) the remaining portion (if any) of the proceeds of the relevant Issue Price, which shall be equal to (i) the Intangible Asset Percentage specified in the applicable Final Terms of the aggregate face amount of the relevant Certificates, less (ii) (to the extent applicable) the value of the intangible sukuk assets comprising the Initial Assets or the Additional Assets, as the case may be, as the cost price to purchase certain *Shari'a* compliant commodities (the "Commodities") through the Trustee's commodity agent

for the purpose of selling such Commodities to the Bank (in its capacity as Commodity Buyer) on a deferred payment basis for a deferred payment price comprised of the applicable commodity purchase price together with the Murabaha Profit Amount specified in an offer notice (the "Deferred Payment Price") payable in instalments on each Periodic Distribution Date and the relevant Dissolution Date(s) pursuant to a murabaha contract (the "Murabaha Contract") and the Master Murabaha Agreement (such sale of *Shari'a* compliant commodities by the Trustee to the Commodity Buyer, the "Commodity Murabaha Investment").

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

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

### **Periodic Distribution Payments**

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

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

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

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

(b) procure the provision to the Trustee of *Shari'a* compliant funding from a third party to be paid to the Trustee,

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

### **Dissolution Payments**

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

- (a) the aggregate amounts of the Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and
- (b) the Trustee will have the right under the Purchase Undertaking to require the Bank to purchase all of its rights, title, interests, benefits and entitlements, present and future, in, to and under Wakala Assets at the relevant Exercise Price,

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

The Certificates in relation to any Series may be redeemed in whole or in part, as the case may be, prior to the relevant Scheduled Dissolution Date for the following reasons, in the case of each of (ii) and (iii), if so specified in the applicable Final Terms: (i) for taxation reasons; (ii) at the option of the Bank; (iii) at the option of the Certificateholders; (iv) upon the occurrence of a Tangibility Event, at the option of the Certificateholders; (v) upon the exercise of the Clean Up (Call) Right and (vi) following a Dissolution Event.

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

- (a) the aggregate amounts (or the applicable portion thereof) of the Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and
- (b) the Bank will have the right under the Sale and Substitution Undertaking to require the Trustee to sell all (or the applicable portion thereof, as the case may be) of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets at the relevant Exercise Price or Optional Dissolution Exercise Price, as the case may be,

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

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

- (a) the aggregate amounts (or the applicable portion thereof) of the Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and
- (b) the Trustee having the right under the Purchase Undertaking to require the Bank to purchase all (or the applicable portion thereof, as the case may be) of its rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets at the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be.

For Shari'a reasons, the Optional Dissolution Right and the Certificateholder Put Right cannot both be specified as applicable in the applicable Final Terms in respect of any single Series.

### **OVERVIEW OF THE PROGRAMME**

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

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

Bank:	Warba Bank K.S.C.P., a Kuwaiti public shareholding company incorporated in Kuwait on 17 February 2010 with its registered office at Sanabil Tower, 26th – 28th Floor, Abdullah Al Ahmed Street, P.O. Box 1220, Safat 13013, Kuwait.
Bank (LEI):	254900HX6OLMFSO34H53
Trustee:	Warba Sukuk Limited, an exempted company with limited liability incorporated on 18 March 2019 under the Companies Act (As Revised) of the Cayman Islands with company registration number 349273 with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party.
Trustee (LEI):	549300BY1IZV1E6BKJ60
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by MaplesFS Limited under the terms of a share declaration of trust dated 8 July 2019 (the "Share Declaration of Trust").
Administration of the Trustee:	The affairs of the Trustee are managed by MaplesFS Limited, a licensed trust company in the Cayman Islands (the "Trustee Administrator"), with registered office at P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands, who will provide, amongst other things, corporate administrative services, director services and act as share trustee for and on behalf of the Trustee pursuant to the amended and restated corporate services agreement dated 6 July 2022 between the Trustee and the Trustee Administrator (the "Corporate Services Agreement").
Arranger:	Standard Chartered Bank (the "Arranger").
Dealers:	Emirates NBD Bank P.J.S.C. and Standard Chartered Bank and

any other Dealer appointed from time to time either generally in

respect of the Programme or in relation to a particular Series of Certificates.

Citiberk N.A. London Branch (the "Delegate") In accordance

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

Principal Paying Agent, Transfer Agent and Registrar:

Citibank N.A., London Branch

Initial Programme Size:

Up to U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The size of the Programme may be increased in accordance with the terms of the Programme Agreement.

Method of Issue:

Delegate:

The Certificates may be issued on a syndicated or nonsyndicated basis. The specific terms of each Series will be recorded in the applicable Final Terms.

**Issuance in Series:** 

Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Certificates of each Series will have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.

**Currencies:** 

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

Maturities:

The Certificates will have such maturities as may be agreed between the Trustee, the Bank and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee, the Bank or the Specified Currency.

**Issue Price:** 

Certificates may be issued at any price on a fully-paid basis, as specified in the applicable Final Terms. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Bank and the relevant Dealer(s)

**Denomination of Certificates:** 

**Status of the Certificates:** 

at the time of issue in accordance with prevailing market conditions.

The Certificates will be issued in such denominations as may be agreed between the Trustee, the Bank and the relevant Dealer(s), save that (i) the minimum denomination of each Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Specified Currency; (ii) the minimum denomination of each Certificate admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA, in circumstances which require the publication of a prospectus under the Prospectus Regulation, will be at least €100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency, as calculated on the Issue Date of such Series); (iii) unless otherwise permitted by such current laws and regulations, Certificates (including Certificates denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the UK or whose issue otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum denomination of £100,000 (or, if the Certificates are denominated in a currency other than sterling, the equivalent amount in such currency, as calculated on the Issue Date of such Series); and (iv) the minimum denomination of each Certificate listed on the DFSA Official List will be U.S.\$100,000 (or, if the Certificates are issued in a currency other than United States dollars, the equivalent amount in such currency, as calculated on the Issue Date of such Series).

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

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

**Trust Assets:** 

**Periodic Distribution Amounts:** 

**Fixed Rate Certificates:** 

**Floating Rate Certificates:** 

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

Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the Conditions and the applicable Final Terms.

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

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

- (a) on the same basis as the floating rate under a notional profit rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the relevant Series of Certificates) plus or minus the applicable margin;
- (b) on the basis of the relevant Reference Rate as adjusted for any applicable margin.

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

Such profit will be paid on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s) and will be calculated on the basis of such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s). Floating Rate Certificates may also have a maximum profit rate, a minimum profit rate or both.

See Condition 8(b).

**Negative Pledge:** 

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

**Cross-Acceleration:** 

In respect of the Bank, the Certificates will have the benefit of a cross-acceleration provision, as described in Condition 13 and paragraph (c) of the definition of Obligor Event corresponding thereto.

Dissolution on the Scheduled Dissolution Date:

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the relevant Dissolution Distribution Amount on the relevant Scheduled Dissolution Date specified in the applicable Final Terms for such Series and the Trust in relation to the relevant Series will be dissolved by the Trustee following the payment of all such amounts in full.

**Dissolution Distribution Amount:** 

In relation to each Certificate of a Series, either:

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

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

- (a) occurrence of a Tax Event;
- (b) exercise of an Optional Dissolution Right (if so specified in the applicable Final Terms);
- (c) exercise of a Certificateholder Put Right (if so specified in the applicable Final Terms);
- (d) exercise of a Tangibility Event Put Right;
- (e) exercise of a Clean Up (Call) Right; or
- (f) occurrence of a Dissolution Event,

in each case, at the relevant Dissolution Distribution Amount on the relevant Dissolution Date.

The Dissolution Events are described in Condition 1. Following the occurrence and continuation of a Dissolution Event in respect of a Series of Certificates, the Certificates may be redeemed in whole, but not in part, at the relevant Dissolution Distribution

**Early Dissolution:** 

**Dissolution Events:** 

Amount on the Dissolution Event Redemption Date in the manner described in Condition 13.

**Early Dissolution for Tax Reasons:** 

Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11, or the Bank has or will become obliged to pay any additional amounts in respect of amounts payable to the Trustee pursuant to the terms of any Transaction Document, as a result of a change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, and such obligation cannot be avoided by the Trustee or the Bank, as applicable, taking reasonable measures available to it, the Bank may in its sole discretion require the Trustee to redeem the Certificates in whole, but not in part, on a Periodic Distribution Date (in the case of a Floating Rate Certificate) or at any time (in the case of a Fixed Rate Certificate) at the relevant Dissolution Distribution Amount, as more particularly described in Condition 9(b).

**Optional Dissolution Right:** 

If so specified in the applicable Final Terms, the Bank may, in accordance with Condition 9(c), require the Trustee to redeem the Certificates of the relevant Series, in whole or in part, as the case may be, at the relevant Dissolution Distribution Amount on any Optional Dissolution Date.

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

**Certificateholder Put Right:** 

If so specified in the applicable Final Terms, Certificateholders may elect to have their Certificates redeemed on any Certificateholder Put Right Date(s) specified in the applicable Final Terms at an amount equal to the relevant Dissolution Distribution Amount in accordance with Condition 9(d).

**Tangibility Event Put Right:** 

Upon the occurrence of a Tangibility Event, the Certificateholders may redeem all or part of a Series of Certificates in the circumstances set out in Condition 9(e). If, pursuant to such Condition, all of a Series of Certificates are redeemed, the Trust in respect of such Series of Certificates shall be dissolved.

If a Tangibility Event occurs, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading (see Condition 9(e)).

If 75 per cent. or more of the aggregate face amount of

Certificates of a Series then outstanding have been redeemed pursuant to Condition 9(e), the Trustee shall, upon receipt of a duly completed Exercise Notice from the Bank pursuant to the Sale and Substitution Undertaking, on giving not less than 30 days' nor more than 60 days' notice to the Delegate and the Certificateholders in accordance with Condition 18 (such notice

to be given within 30 days of the Tangibility Event Put Right

Clean Up (Call) Right:

Date), redeem the Certificates in whole, but not in part, at their Dissolution Distribution Amount on the Clean Up Call Dissolution Date.

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

Pursuant to Condition 9(g), the Bank and/or any of its Subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries, the Bank may do so in accordance with Condition 9(h).

**Limited Recourse:** 

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

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

See further Condition 4(b).

Form and Delivery of the Certificates:

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

**Clearance and Settlement:** 

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

Withholding Tax:

All payments in respect of the Certificates are to be made free and clear of, and without withholding, retention or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless such withholding, retention or deduction is required by law. In such event, the Trustee has agreed to pay such

additional amounts as shall result in receipt by the Certificateholders (after such withholding, retention or deduction) of such net amounts as would have been receivable by them had no such withholding, retention or deduction been required, subject to and in accordance with Condition 11.

Further, in accordance with the terms of the Master Trust Deed, the Obligor has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 11, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding, retention or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to Condition 11.

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

Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and to trading on the Euronext Dublin Regulated Market.

Application has also been made to the DFSA for Certificates issued under this Programme during the period of 12 months after the date hereof to be admitted to the DFSA Official List and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai.

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

The applicable Final Terms will state whether or not the relevant Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Listing:

The Certificates will be delisted from the Official List, the DFSA Official List and/or any other or further stock exchanges (as applicable) following the occurrence of a Tangibility Event, see Condition 9(e).

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

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

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

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

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

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

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

**Certificateholder Meetings:** 

**Tax Considerations:** 

Governing Law and Dispute Resolution:

Waiver of Immunity:

any disputes under any Transaction Document to which it is a party.

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

The Bank has been assigned long-term ratings of A with a stable outlook and Baa1 with a stable outlook by Fitch and Moody's, respectively.

The Programme is expected to be assigned a rating of A by Fitch.

A Series of Certificates to be issued under the Programme may be rated or unrated. Where a Series of Certificates is to be rated, its rating will be specified in the applicable Final Terms.

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

There are restrictions on the offer, sale and transfer of the Certificates, including in the Cayman Islands, the Dubai International Financial Centre, the EEA, the UK, Hong Kong, Japan, Kuwait, the Kingdom of Bahrain, Saudi Arabia, Malaysia, Singapore, the State of Qatar (including the Qatar Financial Centre), the United Arab Emirates (excluding the Dubai International Financial Centre) and the United States. See "Subscription and Sale".

Regulation S, Category 2.

**Transaction Documents:** 

Rating:

**Selling Restrictions:** 

**United States Selling Restrictions:** 

### TERMS AND CONDITIONS OF THE CERTIFICATES

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

Warba Sukuk Limited (in its capacity as issuer and in its capacity as trustee, the "Trustee") has established a programme (the "Programme") for the issuance of trust certificates (the "Certificates") in a maximum aggregate face amount of U.S.\$2,000,000,000 (or the equivalent in other currencies calculated as described in the amended and restated programme agreement between the Trustee, Warba Bank K.S.C.P. (the "Obligor") and the Dealers named therein dated 6 July 2022 (the "Programme Agreement")), or such other maximum aggregate face amount as increased in accordance with the terms of the Programme Agreement.

The Certificates are constituted by an amended and restated master trust deed dated 6 July 2022 between the Trustee, the Obligor and Citibank N.A., London Branch (the "Delegate", which expression shall include all persons for the time being the delegate or delegates under the Master Trust Deed) (the "Master Trust Deed") as supplemented by a supplemental trust deed entered into on or before the date of issue of the relevant Certificates (the "Issue Date") in respect of the relevant Tranche (the "Supplemental Trust Deed" and, together with the Master Trust Deed, the "Trust Deed").

An amended and restated agency agreement (the "Agency Agreement") dated 6 July 2022 has been entered into in relation to the Certificates between the Trustee, the Obligor, the Delegate, Citibank N.A., London Branch as principal paying agent, transfer agent and registrar and the other agents named in it. The principal paying agent, the other paying agents, the registrar, the transfer agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Principal Paying Agent", the "Paying Agents" (which expression shall include the Principal Paying Agent), the "Registrar", the "Transfer Agent" and the "Calculation Agent(s)", and together the "Agents".

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

Copies of the Transaction Documents are (i) available for inspection and/or collection by Certificateholders during usual business hours from the registered office of the Trustee and the specified office of the Principal Paying Agent or (ii) may be provided by email to a Certificateholder following their prior written request to the Trustee or the Principal Paying Agent and the provision of evidence satisfactory to the Principal Paying Agent as to its holding of the relevant Certificates and identity.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the

Tranche of Certificates in accordance with the terms of the Transaction Documents; and (b) to enter into, and perform its obligations under and in connection with, each Transaction Document to which it is a party, subject to the terms and conditions of the Trust Deed and these Conditions.

### 1 Interpretation

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

- "Authorised Signatory" has the meaning given to it in the Trust Deed;
- "Broken Amount" means the amount specified as such in the applicable Final Terms;
- "Business Day" has the meaning given to it in Condition 8(i);
- "Calculation Amount" means the amount specified as such in the applicable Final Terms;
- "Cancellation Notice" means a cancellation notice given pursuant to the terms of the Trust Deed and the Sale and Substitution Undertaking;
- "Certificateholder" or "holder" has the meaning given to it in Condition 2;
- "Certificateholder Put Exercise Notice" has the meaning given to it in Condition 9(d);
- "Certificateholder Put Right" means the right exercisable by Certificateholders pursuant to Condition 9(d);
- "Certificateholder Put Right Date" means, in relation to any exercise of the Certificateholder Put Right, the date(s) specified as such in the applicable Final Terms and which must (if this Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;
- "Certificateholder Put Right Exercise Price" has the meaning given to it in the Purchase Undertaking;
- "Clean Up Call Dissolution Date" has the meaning given to it in Condition 9(e);
- "Clean Up (Call) Right" has the meaning given to it in Condition 9(e);
- "Corporate Services Agreement" means the amended and restated corporate services agreement entered into between the Trustee Administrator dated 6 July 2022;
- "Day Count Fraction" has the meaning given to it in Condition 8(h);
- "Declaration of Commingling of Assets" has the meaning given to it in the Master Trust Deed;
- "Deferred Payment Price" has the meaning given to it in the Master Murabaha Agreement;
- "Delegation" has the meaning given to it in Condition 16(a);
- "Delisting Notice" has the meaning given to it in Condition 9(e);
- "Dispute" has the meaning given to it in Condition 21(b);
- "Dissolution Date" means, as the case may be:
- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;

- (d) any Tangibility Event Put Right Date;
- (e) any Certificateholder Put Right Date; or
- (f) any Clean Up Call Dissolution Date; or
- (g) any Dissolution Event Redemption Date;

#### "Dissolution Distribution Amount" means, in relation to each Certificate:

- (a) the sum of:
  - (i) the outstanding face amount of such Certificate; and
  - (ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
- (b) such other amount specified in the applicable Final Terms as being payable upon any Dissolution Date;
- "Dissolution Event" means a Trustee Event or an Obligor Event;
- "Dissolution Event Redemption Date" has the meaning given to it in Condition 13(a);
- "Dissolution Notice" has the meaning given to it in Condition 13(a)(ii);
- "Early Tax Dissolution Date" has the meaning given to it in Condition 9(b);
- "Eligible Person" has the meaning given to it in the Trust Deed;
- "Excluded Representations" means any representations given by the Obligor to the Trustee and/or the Delegate pursuant to the Transaction Documents, save for the representations given in clause 5 of the Master Purchase Agreement;
- "Exercise Notice" means an exercise notice given pursuant to the terms of the Purchase Undertaking and/or the Sale and Substitution Undertaking, as the context so requires;
- "Exercise Price" has the meaning given to it in the Purchase Undertaking or the Sale and Substitution Undertaking, as the context so requires;
- "Extraordinary Resolution" has the meaning given to it in the Trust Deed;
- "Fixed Amount" means, in respect of a Series in respect of which Fixed Periodic Distribution Provisions is specified as applicable in the applicable Final Terms, the amount specified as such in the applicable Final Terms;
- "Fixed Rate Certificates" means a Series in respect of which Fixed Periodic Distribution Provisions is specified as applicable in the applicable Final Terms;
- "Floating Rate Certificates" means a Series in respect of which Floating Periodic Distribution Provisions is specified as applicable in the applicable Final Terms;
- "Group" means the Obligor and its Subsidiaries taken as a whole;
- "Indebtedness" means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) or any Shari'a compliant alternative of the foregoing other than any such obligations, guarantees or indemnities owing or given by one member of the Group to another member of the Group;
- "Intangible Asset Percentage" means the percentage specified as such in the applicable Final Terms, which shall be no more than 45 per cent.;

- "ISDA Benchmarks Supplement" means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Certificates of the relevant Series (as specified in the applicable Final Terms) as published by the International Swaps and Derivatives Association, Inc.;
- "ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Certificates of the applicable Series (as specified in the applicable Final Terms) and, if specified in the applicable Final Terms, as supplemented by any applicable supplement to the ISDA Definitions) as published by the International Swaps and Derivatives Association, Inc.;
- "LCIA" means the London Court of International Arbitration;
- "Liability" means any actual loss, actual damage, actual cost (excluding cost of funding and opportunity costs), charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis, and references to "Liabilities" shall mean all of these;
- "Master Murabaha Agreement" means the amended and restated master murabaha agreement dated 6 July 2022 between the Trustee, the Obligor and the Delegate;
- "Master Purchase Agreement" means the amended and restated master purchase agreement dated 6 July 2022 between the Trustee and the Obligor;
- "Maximum Optional Dissolution Amount" means the amount specified as such in the applicable Final Terms;
- "Minimum Optional Dissolution Amount" means the amount specified as such in the applicable Final Terms;
- "Murabaha Instalment Profit Amount" has the meaning given to it in the Master Murabaha Agreement;
- "Murabaha Profit Amount" has the meaning given to it in the Master Murabaha Agreement;
- "Non-recourse Project Financing" means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that: (i) any Security Interest given by the Obligor or the relevant Principal Subsidiary, as the case may be, in connection therewith is limited solely to assets of the project; (ii) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the sole source of recoveries in respect of the financing; and (iii) there is no other recourse to the Obligor or the relevant Principal Subsidiary, as the case may be, or any other Subsidiary of the Obligor, in respect of any default by any person under the financing (including, without limitation, by way of any credit support, security or other similar commitment from the Obligor or the relevant Principal Subsidiary);

### "Obligor Event" means any of the following events:

- (a) the Obligor (acting in any capacity) fails to pay an amount in the nature of profit (corresponding to all or part of the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of 14 days, or the Obligor (acting in any capacity) fails to pay an amount in the nature of principal (corresponding to all or part of the Dissolution Distribution Amount payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of seven days; or
- (b) the Obligor (acting in any capacity) does not perform or comply with any one or more of its other covenants or obligations in the Transaction Documents to which it is a party, which failure: (i) is, in the opinion of the Delegate, incapable of remedy; or (ii) (if, in the opinion of the Delegate, such failure is

capable of remedy) is not, in the opinion of the Delegate, remedied within the period of 30 days after written notice of such failure shall have been given to the Obligor by the Trustee (or the Delegate) requiring the same to be remedied, provided that the failure by the Obligor (acting in its capacity as Service Agent) to comply with its obligations in clause 3.1.3 of the Service Agency Agreement (save for its obligation to deliver the Tangibility Event Notice pursuant to clause 3.1.3(ii) of the Service Agency Agreement) shall not constitute an Obligor Event; or

- (c) any Indebtedness of the Obligor or any Principal Subsidiary of the Obligor is not paid when due or, as the case may be, within any originally applicable grace period or any such Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity (or, in the case of a guarantee, is called) as a result of an event of default (however described) provided, however, that each such event mentioned in this paragraph (c) shall not constitute an Obligor Event unless the aggregate amount (or its equivalent in U.S. dollars) of all such Indebtedness, either alone or when aggregated with all other Indebtedness, which shall remain unpaid or unsatisfied or is so declared or becomes due and payable or is called, as the case may be, shall be more than U.S.\$25,000,000 (or its equivalent in any other currency or currencies); or
- (d) any order is made by any competent court or resolution passed for the winding-up or dissolution of the Obligor or any Principal Subsidiary of the Obligor, save in connection with a Permitted Reorganisation; or
- (e) the Obligor or any Principal Subsidiary of the Obligor ceases or threatens to cease to carry on all or a substantial part of its business, save in connection with a Permitted Reorganisation; or
- (f) one or more judgments or orders for the payment of any sum in excess of U.S.\$25,000,000 (or its equivalent in any currency or currencies), whether individually or in aggregate, is (or are) rendered against the Obligor and/or any Principal Subsidiary of the Obligor and continue(s) unsatisfied and unstayed for a period of 30 days after the date thereof (or, if appealed, the appeal is unsuccessful and thereafter the judgment or order continues unsatisfied and unstayed for a period of 30 days); or
- (i) the Obligor or any Principal Subsidiary of the Obligor takes any corporate action or any steps are (g) taken or any court or other proceedings are initiated against the Obligor or any Principal Subsidiary of the Obligor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of a liquidator, an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Obligor or the relevant Principal Subsidiary, as the case may be), or a liquidator, an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Obligor or any Principal Subsidiary of the Obligor or, as the case may be, in relation to all or a substantial part of the undertaking, assets or revenues of any of them; or (ii) an encumbrancer takes possession of all or a substantial part of the undertaking or assets of the Obligor or any Principal Subsidiary of the Obligor, or a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of the Obligor or any Principal Subsidiary of the Obligor; and in each case of (i) and (ii) (other than the appointment of an administrator) is not discharged within 30 days and is otherwise than in connection with a Permitted Reorganisation; or
- (h) (i) the Obligor or any Principal Subsidiary of the Obligor stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or (ii) the Obligor or any Principal Subsidiary of the Obligor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition,

reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for the general readjustment or rescheduling of its debts with its creditors generally (or any class of its creditors) save, in all cases of (i) and (ii), in connection with a Permitted Reorganisation; or

- (i) any one or more Security Interests, present or future, created or assumed by the Obligor and/or any Principal Subsidiary of the Obligor and securing an amount which equals or exceeds U.S.\$25,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, become(s) enforceable and any step is taken to enforce such Security Interest(s) (including the taking of possession or the appointment of a receiver, manager or other similar person) unless the full amount of the debt(s) which is (or are) secured by the relevant Security Interest(s) is (or are) discharged within 30 days of the later of the first date on which: (a) a step is taken to enforce the relevant Security Interest(s); or (b) the Obligor and/or the relevant Principal Subsidiary of the Obligor, as the case may be, is notified that a step has been taken to enforce the relevant Security Interest(s); or
- (j) any event occurs which under the laws of the State of Kuwait or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d), (g), (h) and (i) above; or
- (k) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Transaction Documents to which it is party; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Transaction Documents to which it is party admissible in evidence in the courts of the State of Kuwait is not taken, fulfilled or done, except that, provided no other Dissolution Event has occurred, the non-registration of legal title to the Wakala Assets in the name of the Trustee will not constitute an Obligor Event for these purposes; or
- (l) the Obligor repudiates, or does or causes to be done any act or thing evidencing an intention to repudiate, these Conditions or any (or any part of any) Transaction Document to which it is a party; or
- (m) at any time it is or becomes unlawful for the Obligor to perform or comply with any one or more of its obligations under or in respect of any of the Transaction Documents to which it is a party or any of the obligations of the Obligor thereunder are not or cease to be legal, valid, binding or enforceable; or
- (n) (i) all or a substantial part of the undertaking, assets and/or revenues of the Obligor or any Principal Subsidiary of the Obligor is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (ii) the Obligor or any Principal Subsidiary of the Obligor is prevented by any such Person from exercising normal control over all or a substantial part of its undertaking, assets and/or revenues,

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

References in paragraph (h) to "debts" shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari'a*, whether entered into directly or indirectly by the Obligor or a Principal Subsidiary of the Obligor, as the case may be;

"Optional Dissolution Date" means, in relation to any exercise of the Optional Dissolution Right, the date(s) specified as such in the applicable Final Terms and which must (if the Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

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

"Optional Dissolution Right" means the right exercisable by the Trustee upon instruction from the Obligor pursuant to Condition 9(c);

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

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

"Periodic Distribution Date" means the date(s) specified as such in the applicable Final Terms;

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

#### "Permitted Reorganisation" means:

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

# "Permitted Security Interest" means:

- (a) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the relevant Series;
- (b) any Security Interest granted by a Person where such Security Interest exists at the time that such Person is merged into, or consolidated with, the Obligor or the relevant Principal Subsidiary (as the case may be), provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Obligor or the relevant Principal Subsidiary (as the case may be);
- (c) any Security Interest existing on any property or assets prior to the acquisition thereof by the Obligor or the relevant Principal Subsidiary (as the case may be), provided that such Security Interest was not created in contemplation of such acquisition;
- (d) any Security Interest created or outstanding with the approval of an Extraordinary Resolution; or
- (e) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising;

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

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

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

# "Principal Subsidiary" means any Subsidiary of the Obligor:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total income (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent more than 10 per cent. of the consolidated total assets, or, as the case may be, the consolidated total income of the Obligor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated financial statements (or, if more recent, auditor reviewed consolidated interim financial statements) of the Obligor, provided that, in the case of a Subsidiary acquired after the end of the financial period to which the then latest consolidated financial statements of the Obligor relate for the purpose of applying each of the foregoing tests, the reference to the Obligor's latest audited consolidated financial statements (or auditor reviewed consolidated interim financial statements, as the case may be) shall be deemed to be a reference to such financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the Obligor after consultation with its auditors for the time being; or
- (b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (A) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary and (B) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant consolidated financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary, shall be determined pursuant to the provisions of paragraph (a) above, and

a certificate addressed to the Delegate signed by two Authorised Signatories of the Obligor certifying that in their opinion a Subsidiary is or is not or was or was not at any particular time or during a particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties and the Delegate shall be entitled to rely on such certificate without liability to any person;

## "Profit Amount" means:

- (a) in respect of a Periodic Distribution Period, the amount of profit payable per Calculation Amount for that Periodic Distribution Period and which, in the case of Fixed Rate Certificates, and unless otherwise specified in the applicable Final Terms, shall mean the Fixed Amount or Broken Amount specified in the applicable Final Terms as being payable on the Periodic Distribution Date ending such Periodic Distribution Period; and
- (b) in respect of any other period, the amount of profit payable per Calculation Amount for that period;

"Profit Commencement Date" means the Issue Date or such other date as may be specified in the applicable Final Terms:

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

"**Profit Rate**" means the profit rate payable from time to time in respect of the Certificates and that is either specified in the applicable Final Terms or calculated in accordance with the provisions hereof;

"Profit Rate Determination Date" means, with respect to a Profit Rate and Periodic Distribution Period, the date specified as such in the applicable Final Terms or, if none is so specified (a) the first day of such Periodic Distribution Period, if the Specified Currency is sterling or (b) the day falling two Business Days for the Specified Currency prior to the first day of such Periodic Distribution Period, if the Specified Currency is neither sterling nor euro, or (c) the day falling two TARGET Business Days prior to the first day of such Periodic Distribution Period, if the Specified Currency is euro or (d) (where SOFR Benchmark is specified hereon as the Reference Rate and where Simple SOFR Average is specified as applicable hereon or where SOFR Observation Lag, SOFR Observation Shift or SOFR Lockout is specified as applicable hereon to determine Compounded SOFR Average or where SOFR Index Average is specified as applicable hereon) the fourth U.S. Government Securities Business Day prior to the last day of each Periodic Distribution Period, or (e) (where SOFR Benchmark is specified hereon as the Reference Rate and where SOFR Payment Delay is specified as applicable hereon to determine Compounded Daily SOFR) the Profit Period Date at the end of each Periodic Distribution Period, provided that the Profit Rate Determination Date with respect to the final Periodic Distribution Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date;

"Purchase Agreement" means the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement;

"Purchase Undertaking" means the amended and restated purchase undertaking dated 6 July 2022 executed by the Obligor in favour of the Trustee and the Delegate;

"Record Date" has the meaning given to it in Condition 10(a);

"Reference Banks" means four major banks selected by the Obligor in the inter-bank market that is most closely connected with the Reference Rate;

"Reference Rate" means one of the following benchmark rates (specified in the applicable Final Terms) in respect of the currency and period specified in the applicable Final Terms:

(b) KIBOR;
(c) CBK Discount Rate;
(d) HIBOR;
(e) KLIBOR;
(f) TRLIBOR or TRYLIBOR;
(g) SIBOR;
(h) EIBOR;

TIBOR;

EURIBOR;

(a)

(i)

- (j) SAIBOR;
- (k) CHF LIBOR;
- (l) QIBOR; and
- (m) SOFR Benchmark;
- "Register" has the meaning given to it in Condition 2;
- "Relevant Date" has the meaning given to it in Condition 11;
- "Relevant Financial Centre" means the financial centre specified as such in the applicable Final Terms and, if no such financial centre is specified, the financial centre most closely connected with the relevant Reference Rate;
- "Relevant Indebtedness" means any present or future Indebtedness, other than any Indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or which is represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;
- "Relevant Jurisdiction" has the meaning given to it in Condition 11;
- "Relevant Powers" has the meaning given to it in Condition 16(a);
- "Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms, or any successor or replacement page, section, caption, column or other part of a particular information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;
- "Relevant Sukuk Obligation" means any present or future Sukuk Obligation, other than any Sukuk Obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, in respect of which the relevant trust certificates or other securities are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;
- "Relevant Time" means the time specified as such in the applicable Final Terms;
- "Required Amount" has the meaning given to it in the Service Agency Agreement;
- "Sale and Substitution Undertaking" means the amended and restated sale and substitution undertaking dated 6 July 2022 executed by the Trustee in favour of the Obligor;
- "Scheduled Dissolution Date" means the date specified as such in the applicable Final Terms;
- "Securitisation" means any securitisation of existing or future assets and/or revenues, provided that: (i) any Security Interest given by the Obligor or the relevant Principal Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of recoveries in respect of the financing or payment of any other liability; and (iii) there is no other recourse to the Obligor or the relevant Principal Subsidiary, as the case may be, in respect of any default by any person under the securitisation (including, without limitation, by way of any credit support, security or other similar commitment from the Obligor or the relevant Principal Subsidiary);

- "Security Interest" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest, including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;
- "Series" means a Tranche of Certificates together with any further Tranche or Tranches of Certificates which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts (as defined herein) thereon and the Profit Commencement Date;
- "Service Agency Agreement" means the amended and restated service agency agreement dated 6 July 2022 between the Trustee and the Service Agent;
- "Service Agent" means the Obligor in its capacity as service agent pursuant to the Service Agency Agreement;
- "Specified Currency" means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Certificates are denominated;
- "Specified Denominations" means the amount(s) specified as such in the applicable Final Terms;
- "Subsidiary" means, in relation to the Obligor, any Person (a) in which the Obligor holds a majority of the voting rights; (b) in which the Obligor, directly or indirectly, has the right (howsoever arising) to appoint or remove a majority of the board of directors or other governing body; (c) that is consolidated in the Obligor's consolidated financial statements; or (d) which the Obligor otherwise, directly or indirectly, controls or otherwise has the power to, directly or indirectly, control the affairs and/or policies of such Person;
- "Sukuk Obligation" means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind;
- "Supplemental Purchase Agreement" has the meaning given to it in the Master Purchase Agreement;
- "Tangibility Event" means, if, at any time, on or following the Issue Date of the first Tranche of a Series, the Tangibility Ratio in respect of such Series falls below 33 per cent.;
- "Tangibility Event Delisting Date" means the date falling 15 days following the Tangibility Event Put Right Date (or, if such date is not a business day, the next following business day (being, for this purpose, a day on which each stock exchange on which the relevant Series of Certificates has been admitted to listing is open for business)) and any relevant Certificates listed on more than one stock exchange shall have the same Tangibility Event Delisting Date across all relevant stock exchanges;
- "Tangibility Event Notice" has the meaning given to it in the Service Agency Agreement;;
- "Tangibility Event Put Notice" has the meaning given to it in Condition 9(e);
- "Tangibility Event Put Right" means the right exercisable by Certificateholders pursuant to Condition 9(e);
- "Tangibility Event Put Right Date" shall be a date falling not less than 75 days following the expiry of the Tangibility Event Put Right Period;
- "Tangibility Event Put Right Exercise Price" has the meaning given to it in the Purchase Undertaking;
- "Tangibility Event Put Right Period" means the period of 30 days commencing on the date that a Delisting Notice is given;
- "Tangibility Ratio" has the meaning given to it in the Service Agency Agreement;
- "TARGET System" means the Trans European Automated Real Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

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

"Transaction Account" means, in relation to each Series, the non-interest bearing account maintained in London in the Trustee's name held with Citibank N.A., London Branch, details of which are specified in the applicable Final Terms;

"Transaction Documents" means, in relation to each Series:

- (a) the Trust Deed;
- (b) any Declaration of Commingling of Assets;
- (c) the Agency Agreement;
- (d) the Purchase Agreement;
- (e) the Service Agency Agreement;
- (f) the Sale and Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Sale and Substitution Undertaking);
- (g) the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking); and
- (h) the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series),

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

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

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

"Trustee Administrator" means MaplesFS Limited;

"Trustee Event" means any of the following events:

- (a) default is made in the payment of the Dissolution Distribution Amount or any Periodic Distribution Amount and, in the case of the Dissolution Distribution Amount, such default continues for a period of seven days from the due date for payment and, in the case of a Periodic Distribution Amount, such default continues for a period of 14 days from the due date for payment; or
- (b) the Trustee (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations under these Conditions or any of the Transaction Documents to which it is a party and (except in any case where, in the opinion of the Delegate, such failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Delegate on the Trustee of written notice requiring the same to be remedied; or
- (c) any distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of the Trustee and is not discharged or stayed within 30 days; or

- (d) the Trustee is adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of any creditors in respect of any of its debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or a particular type of) the debts of the Trustee; or
- (e) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations; or
- (f) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its obligations under the Certificates and the Transaction Documents to which it is a party; (ii) to ensure that those obligations are legally binding and enforceable; or (iii) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done except that, provided no other Dissolution Event has occurred, the non-registration of legal title to the Wakala Assets in the name of the Trustee will not constitute a Trustee Event for these purposes; or
- (g) the Trustee repudiates or does or causes to be done any act or thing evidencing an intention to repudiate these Conditions or any (or any part of any) Transaction Document to which it is a party; or
- (h) at any time it is or becomes unlawful for the Trustee to perform or comply with any one or more of its obligations under or in respect of any of the Certificates or the Transaction Documents to which it is a party or any of the obligations of the Trustee thereunder cease to be legal, valid, binding and enforceable; or
- (i) any event occurs which under the laws of the Cayman Islands or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (c), (d) or (e) above,

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

For the purpose of paragraph (a) above, all amounts payable in respect of the Certificates shall be considered due and payable (including for the avoidance of doubt any amounts calculated as being payable under Condition 8, Condition 9, Condition 11 and Condition 13) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts (whether as a result of the application of Condition 5(b) or otherwise);

"Wakala Assets" has the meaning given to it in the Service Agency Agreement;

"Wakala Percentage" means the percentage specified as such in the applicable Final Terms, which shall be no less than 55 per cent;

"Wakala Portfolio" has the meaning given to it in the Service Agency Agreement; and

"Wakala Portfolio Revenues" has the meaning given to it in the Service Agency Agreement.

All references to the "face amount" of a Certificate shall be deemed to include, as applicable, the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts)

which may be payable under Condition 11 and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to "**Periodic Distribution Amounts**" shall be deemed to include, as applicable, any additional amounts in respect of profit distributions which may be payable under Condition 11 and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

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

All references to "ISDA" and related terms are only included for the purposes of benchmarking.

## 2 Form, Denomination and Title

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

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

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

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

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

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

### 3 Transfers

(a) Transfer of Certificates: Subject to Condition 3(e), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Registered Certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee) duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may reasonably require.

In the case of a transfer of part only of a holding of Certificates represented by one Registered Certificate, a new Registered Certificate shall be issued to the transferee in respect of the part transferred and a further new Registered Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new Registered Certificate representing the enlarged holding shall only be issued against surrender of the Registered Certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to and in accordance with the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.

- (b) Exercise of Early Dissolution Rights: In the case of an exercise of the Obligor's or the Certificateholders' early dissolution right in respect of a holding of Certificates represented by a single Registered Certificate, a new Registered Certificate shall be issued to the holder to reflect the exercise of such early dissolution right or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an early dissolution right resulting in Certificates of the same holding having different terms, separate Registered Certificates shall be issued in respect of those Certificates of that holding that have the same terms. New Registered Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- Delivery of New Registered Certificates: Each new Registered Certificate to be issued pursuant to (c) Conditions 3(a) or 3(b) shall be available for delivery within five business days (or such longer period as may be required to comply with any applicable fiscal or other regulations) of receipt of the form of transfer, Certificateholder Put Exercise Notice or Tangibility Event Put Notice, as the case may be, and surrender of the Registered Certificate for exchange. Delivery of the new Registered Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer, Certificateholder Put Exercise Notice or Tangibility Event Put Notice, as the case may be, and surrender of such Registered Certificate shall have been made or, at the option of the holder making such delivery and surrender as aforesaid and as specified in the relevant form of transfer, Certificateholder Put Exercise Notice, or Tangibility Event Put Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Registered Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance or takaful as it may specify. In this Condition 3(c), "business day" means a day, other than a Saturday or a Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (d) **Transfers Free of Charge**: Transfers of Certificates and Registered Certificates on registration, transfer or exercise of an early dissolution right shall be effected without charge by or on behalf of the Trustee, the Obligor, the Registrar or the Transfer Agents, but upon payment by the transferee of any stamp duty, tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity and/or security as the Trustee, the Registrar or the relevant Transfer Agent may require).
- (e) Closed Periods: No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due, (ii) during the period of 15 days prior to any date on which Certificates may be called for redemption pursuant to Condition 9(c), (iii) after any

such Certificate has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

#### 4 Status

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

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

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

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

- (i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any shareholders, directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Trust Assets to a third party, and may only realise its rights, title, interests, benefits and entitlements, present and future, in, to and under the Trust Assets in the manner expressly provided in the Transaction Documents;
- (iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services providers in their capacity as such) (other than the Trust Assets in the manner and to the extent contemplated by the Transaction Documents), or the Trustee Administrator, the Delegate or any of their respective directors, officers, employees, agents, shareholders or affiliates, in each case in respect of any shortfall or otherwise;
- (iv) no Certificateholders will be able to petition for, institute or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the

Trustee Administrator, the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates;

- (v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Trust Deed and the Certificates by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, director or corporate services provider of the Trustee or the Delegate (as applicable) in their capacity as such. The obligations of the Trustee, the Trustee Administrator and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee, the Trustee Administrator or the Delegate (as applicable) and no personal liability shall attach to or be incurred by officers or directors of the Trustee or the Delegate (as applicable) in their capacity as such, save in the case of the relevant party's wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 7).

Pursuant to the terms of the Transaction Documents, the Obligor is obliged to make payments under the relevant Transaction Documents to which it is a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate (failing which the Certificateholders pursuant to Condition 14(b)) will thereby have recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4(b). Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 7) constitute an unsecured claim against the Obligor. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

## 5 The Trust

- (a) **Trust Assets**: Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each holder. The term "**Trust Assets**" in respect of each Series means the following:
  - (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
  - (ii) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;
  - (iii) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (other than in relation to the Excluded Representations and the covenant given to the Trustee pursuant to clause 13.1 of the Master Trust Deed); and
  - (iv) all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing.

See "Summary of the Principal Transaction Documents" appearing elsewhere in this Base Prospectus for more information on the Trust Assets and the Transaction Documents.

- (b) Application of Proceeds from Trust Assets: On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the moneys standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):
  - (i) first, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed, in each case as notified to the Principal Paying Agent, the Trustee and the Obligor on or before such Periodic Distribution Date or Dissolution Date, as the case may be;
  - (ii) second, only if such payment is due on or before a Periodic Distribution Date (to the extent not previously paid) to pay, pro rata and pari passu (A) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as trustee; and (B) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement in its capacity as trustee administrator and provider of registered office services, in each case as notified to the Trustee and the Obligor on or before such Periodic Distribution Date;
  - (iii) *third*, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
  - (iv) *fourth*, only if such payment is due on a Dissolution Date, in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
  - (v) fifth, only if such payment is made on the Scheduled Dissolution Date (or any earlier date on which the Certificates are redeemed in full) and provided that all amounts required to be paid in respect of the Certificates have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Service Agent as an incentive payment for its performance as Service Agent under the Service Agency Agreement.
- (c) **Transaction Account**: The Trustee will establish a Transaction Account in London in respect of each Series prior to the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee and shall be the account into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents.

## **6 Trustee Covenants**

The Trustee covenants that, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

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

- (b) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (d) except as provided in Condition 15, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (f) have any subsidiaries or employees;
- (g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any
  resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it;
  or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
  - (i) as contemplated, provided for or permitted in the Transaction Documents;
  - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

# 7 Obligor Negative Pledge

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

### 8 Periodic Distribution Amounts

(a) Fixed Rate Certificates: Each Fixed Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. Each such amount of profit is referred to in these Conditions as a **Periodic Distribution Amount**. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 10.

## (b) Floating Rate Certificates

- (i) Periodic Distribution Amounts and Periodic Distribution Dates: Each Floating Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. Each such amount of profit is referred to in these Conditions as a Periodic Distribution Amount. Such Periodic Distribution Date(s) is/are either shown in the applicable Final Terms as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Final Terms, "Periodic Distribution Date" shall mean each date which falls the number of months or other period shown in the applicable Final Terms as the Periodic Distribution Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, pro rata to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) and Condition 10.
- (ii) Business Day Convention: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) Profit Rate for Floating Rate Certificates: The Profit Rate in respect of Floating Rate Certificates for each Periodic Distribution Period shall be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.
  - (A) ISDA Determination for Floating Rate Certificates

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Profit Rate is to be determined, the Profit Rate for each Periodic Distribution Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this paragraph (A) "ISDA Rate" for a Periodic Distribution

Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the applicable Final Terms;
- (y) the Designated Maturity is a period specified in the applicable Final Terms; and
- (z) the relevant Reset Date is the first day of that Periodic Distribution Period unless otherwise specified in the applicable Final Terms.

For the purposes of this paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

The definition of "Fallback Observation Day" in the ISDA Definitions shall be deemed deleted in its entirety and replaced with the following: ""Fallback Observation Day" means, in respect of a Reset Date and the Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Payment Date."

- (B) Screen Rate Determination for Floating Rate Certificates
  - (I) Where Screen Rate Determination not referencing SOFR is specified in the applicable Final Terms as the manner in which the Profit Rate is to be determined:
    - (x) The Profit Rate for each Periodic Distribution Period will, subject as provided below, be either:
      - (1) the offered quotation; or
      - (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Profit Rate Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

- Agent with such offered quotations, the Profit Rate for such Periodic Distribution Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- Subject to Condition 8(c) below, if paragraph (y) above applies and the (z) Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Profit Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Profit Rate Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time, on the relevant Profit Rate Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Financial Centre inter-bank market, provided that, if the Profit Rate cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Profit Rate shall be determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period).
- (II) Where Screen Rate Determination Referencing SOFR is specified in the applicable Final Terms as the manner in which the Profit Rate is to be determined:
  - the Profit Rate for each Periodic Distribution Period will, subject to Condition 8(c) and as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any, as indicated in the applicable Final Terms), all as determined by the Calculation Agent on the relevant Profit Rate Determination Date. The "SOFR Benchmark" will be determined based on Simple SOFR Average, Compounded SOFR Average or SOFR Index Average, as follows (subject in each case to Condition 8(c)):
    - (1) If Simple SOFR Average ("Simple SOFR Average") is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark specified hereon for each Periodic Distribution Period shall be the arithmetic mean of the SOFR reference rates for each day during the Periodic Distribution

Period, as calculated by the Calculation Agent, and where, if applicable and as specified hereon, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Profit Period Date.

- is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Periodic Distribution Period shall be equal to the compounded average of daily SOFR reference rates for each day during (x) where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable hereon to determine Compounded SOFR Average, the relevant Periodic Distribution Period or (y) where SOFR Observation Shift is specified as applicable hereon to determine Compounded SOFR Average, the SOFR Observation Period, in each case as calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable hereon.
  - (i) SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_{i \to VUSBD} \times n_i}{360}\right) - 1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

"SOFR<sub>i-xUSBD</sub>" for any U.S. Government Securities Business Day "i" in the relevant Periodic Distribution Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day "i";

"Lookback Days" means such number of U.S. Government Securities Business Days as specified hereon, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days;

"d" means the number of calendar days in the relevant Periodic Distribution Period;

"d<sub>0</sub>" for any Periodic Distribution Period, means the number of U.S. Government Securities Business Days in the relevant Periodic Distribution Period;

"i" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Periodic Distribution Period; and "ni" for any U.S. Government Securities Business Day "i" in the relevant Periodic Distribution Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which SOFR<sub>i-xUSBD</sub> applies.

(ii) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{360}\right) - 1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

"SOFR<sub>i</sub>" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"SOFR Observation Period" means, in respect of each Periodic Distribution Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Periodic Distribution Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Profit Period Date for such Periodic Distribution Period;

"SOFR Observation Shift Days" means the number of U.S. Government Securities Business Days as specified hereon, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days;

"d" means the number of calendar days in the relevant SOFR Observation Period;

"d<sub>0</sub>" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"i" means a series of whole numbers ascending from one to  $d_o$ , representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

"ni" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which SOFR<sub>i</sub> applies.

(iii) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{360}\right) - 1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

"SOFR<sub>i</sub>" for any U.S. Government Securities Business Day "i" in the relevant Periodic Distribution Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"Periodic Distribution Date" shall be the number of Periodic Distribution Delay Days following each Profit Period Date; provided that the Periodic Distribution Date with respect to the final Periodic Distribution Period will be the Scheduled Dissolution Date or the relevant Optional Dissolution Date;

"Periodic Distribution Delay Days" means the number of Business Days as specified hereon;

"d" means the number of calendar days in the relevant Periodic Distribution Period;

"d<sub>0</sub>" for any Periodic Distribution Period, means the number of U.S. Government Securities Business Days in the relevant Periodic Distribution Period;

"i" means a series of whole numbers ascending from one to  $d_o$ , representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Periodic Distribution Period; and

"ni" for any U.S. Government Securities Business Day "i" in the relevant Periodic Distribution Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which SOFR<sub>i</sub> applies.

For the purposes of calculating Compounded SOFR Average with respect to the final Periodic Distribution Period where SOFR Payment Delay is specified hereon, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Scheduled Dissolution Date or the relevant

Optional Dissolution Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(iv) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{360}\right) - 1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

"SOFRi" for any U.S. Government Securities Business Day "i" in the relevant Periodic Distribution Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i", except that the SOFR for any U.S. Government Securities Business Day "i" in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Profit Period Date for such Periodic Distribution Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"d" means the number of calendar days in the relevant Periodic Distribution Period;

"d<sub>0</sub>" for any Periodic Distribution Period, means the number of U.S. Government Securities Business Days in the relevant Periodic Distribution Period;

"i" means a series of whole numbers ascending from one to  $d_o$ , representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Periodic Distribution Period; and

"ni" for any U.S. Government Securities Business Day "i" in the relevant Periodic Distribution Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day for which SOFR<sub>i</sub> applies.

(3) If SOFR Index Average ("SOFR Index Average") is specified as applicable hereon, the SOFR Benchmark for each Periodic Distribution Period shall be equal to the compounded average of the SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

76

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

"SOFR Averages" shall mean the computation bearing the same name as published on the SOFR Administrator's Website;

"SOFR Index", with respect to any U.S. Government Securities Business Day, means:

the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that*:

- (1) if the value specified above does not appear and a Benchmark Event (or, if Condition 8(c)(2) applies, a SOFR Benchmark Transition Event and its related Benchmark Replacement Date) have not occurred, the "SOFR Index Average" shall be the SOFR Index Unavailable Value; or
- (2) if the value specified above does not appear and a Benchmark Event (or, if Condition 8(c)(2) applies, a SOFR Benchmark Transition Event and its related Benchmark Replacement Date) have occurred, the provisions set forth in Condition 8(c)(1) or Condition 8(c)(2) shall apply as specified hereon;

"SOFR Index<sub>End</sub>" means the SOFR Index value on the date that is the number of SOFR Index<sub>End</sub> Days specified hereon prior to the Profit Period Date for such Periodic Distribution Period (or in the final Periodic Distribution Period, the Scheduled Dissolution Date);

"SOFR Index<sub>Start</sub>" means the SOFR Index value on the date that is the number of SOFR Index<sub>Start</sub> Days specified hereon prior to the first day of the relevant Periodic Distribution Period;

"SOFR Index Determination Time" means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"SOFR Index Unavailable" means if a SOFR Index<sub>Start</sub> or SOFR Index<sub>End</sub> is not published on the associated Profit Rate Determination Date and a Benchmark Event (or, if Condition 8(c)(2) applies, a SOFR Benchmark Transition Event and its related Benchmark Replacement Date) has not occurred, "SOFR Index Average" means, for the relevant Periodic Distribution Period for which such index is not available, the rate of return on a daily compounded interest investment calculated in accordance with the formula for SOFR Averages, and definitions required for such formula, published on the SOFR Administrator's Website at https://www.newyorkfed.org/markets/treasury-repo-reference-

rates-information. For the purposes of this provision, references in the SOFR Averages compounding formula and related definitions to "calculation period" shall be replaced with "SOFR Observation Period" and the words "that is, 30-, 90-, or 180- calendar days" shall be removed. If the daily SOFR does not so appear for any day "i" in the SOFR Observation Period, SOFR for such day "i" shall be SOFR published in respect of the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website.

"SOFR Observation Period" means, in respect of each Periodic Distribution Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Periodic Distribution Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Profit Period Date for such Periodic Distribution Period;

"SOFR Observation Shift Days" means the number of U.S. Government Securities Business Days as specified hereon, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days; and

"d<sub>c</sub>" means the number of calendar days in the applicable SOFR Observation Period.

- If the Profit Rate cannot be determined in accordance with the **(4)** foregoing provisions, but without prejudice to Condition 8(c), the Profit Rate shall be (i) that determined as at the last preceding Periodic Distribution Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period) or (ii) if there is no such preceding Periodic Distribution Determination Date, the initial Profit Rate which would have been applicable to such Series of Certificates for the first Periodic Distribution Period had the Certificates been in issue for a period equal in duration to the scheduled first Periodic Distribution Period but ending on (and excluding) the Profit Commencement Date (but applying the Margin and any Maximum Profit Rate or Minimum Profit Rate applicable to the first Periodic Distribution Period).
- (iv) Linear Interpolation: Where Linear Interpolation is specified as applicable in respect of a Periodic Distribution Period in the applicable Final Terms, the Profit Rate for such Periodic Distribution Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Periodic Distribution Period and

the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Periodic Distribution Period, provided however that, if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it, in consultation with the Trustee and the Obligor, determines appropriate.

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

# (c) Benchmark Replacement

## (1) Reference Rate other than SOFR

This Condition 8(c)(1) shall apply unless Condition 8(c)(2) is specified as applicable in the applicable Final Terms.

Notwithstanding the other provisions of this Condition 8, if the Trustee and the Obligor determine that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Final Terms when any Profit Rate (or the relevant component part thereof) applicable to the Certificates for any Periodic Distribution Period remains to be determined by such Reference Rate, then the following provisions shall apply:

- (i) the Trustee and the Obligor shall use their reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than ten Business Days prior to the relevant Profit Rate Determination Date relating to the next succeeding Periodic Distribution Period (the "IA Determination Cut-Off Date"), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates.
- (ii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Periodic Distribution Periods in respect of such Certificates (subject to the subsequent operation of, and to adjustment as provided in, this Condition 8(c)(1));
- (iii) if (A) the Trustee and the Obligor are unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by the Trustee and the Obligor fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 8(c)(1) prior to the relevant IA Determination Cut-Off Date, then the Obligor (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and/or, in either case, an Adjustment Spread itself for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this this Condition 8(c)(1)) applying mutatis mutandis) to allow such determinations to be made by the Obligor without consultation with the Independent Adviser;

- (iv) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) provided however, if the Independent Adviser (following consultation with the Trustee and the Obligor), or the Obligor (acting in good faith and in a commercially reasonable manner) fails to determine the Adjustment Spread in accordance with this Condition 8(c)(1) prior to the relevant Profit Rate Determination Date then the Successor Rate or Alternative Reference Rate as determined in accordance with this Condition 8(c)(1) will apply without an Adjustment Spread;
- if any Successor Rate, Alternative Reference Rate and, in either case, the applicable (v) Adjustment Spread is determined in accordance with this Condition 8(c)(1) and the Independent Adviser (following consultation with the Trustee and the Obligor), or the Obligor (acting in good faith and in a commercially reasonable manner), as applicable, determines: (A) that amendments to these Conditions, the Trust Deed and/or any other Transaction Document (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Profit Rate Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "Benchmark Amendments") and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Obligor and subject to the delivery of a notice in accordance with Condition 8(c)(1)(vi) and the certificate in accordance with this Condition 8(c)(1)(v): (x) the Trustee and the Obligor shall vary these Conditions, the Trust Deed and/or any other Transaction Document to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Delegate and the Agents shall (at the Obligor's expense), without any requirement for the consent or sanction of Certificateholders, be obliged to concur with the Trustee and the Obligor in effecting such Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), provided that none of the Delegate nor any Agent shall be required to effect any such Benchmark Amendments if the same would impose, in its opinion, more onerous obligations upon it or reduce its protections or rights under the Transaction Documents or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it.

Prior to any such Benchmark Amendments taking effect, the Obligor shall provide a certificate signed by two Authorised Signatories of the Obligor to the Trustee, the Delegate and the Principal Paying Agent, certifying that such Benchmark Amendments are: (x) in the Obligor's reasonable opinion (following consultation with the Trustee and the Independent Adviser), necessary to give effect to any application of this Condition 8(c)(1); and (y) in each case, have been drafted solely to such effect, and the Trustee, the Delegate and the Agents shall be entitled to rely on such certificates without further enquiry or liability to any person. For the avoidance of doubt, none of the Delegate or any Agent shall be liable to the Certificateholders or any other person for so acting or relying on such certificate, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Certificateholder or person;

(vi) the Trustee (failing which, the Obligor) shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), Adjustment Spread and the specific terms of any Benchmark Amendments, give notice to the Delegate, the Agents (such notice to be delivered not less than five Business Days prior to the date on which such Benchmark Amendments are due to come into effect) and, in accordance with Condition 18, the Certificateholders thereof, confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any), in each case, as determined in accordance with the provisions of this Condition 8(c)(1);

- (vii) if, following the occurrence of a Benchmark Event and in relation to the determination of the Profit Rate (or the relevant component part thereof) on the immediately following Profit Rate Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this Condition 8(c)(1), then the Profit Rate applicable to the next succeeding Periodic Distribution Period shall be equal to the Profit Rate as at the immediately preceding Profit Rate Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period). If there has not been a first Periodic Distribution Date, the Profit Rate shall be the initial Profit Rate. For the avoidance of doubt, this Condition 8(c)(1)(vii) shall apply to the relevant Periodic Distribution Period only and any subsequent Periodic Distribution Periods are subject to the operation of and to adjustment as provided in, this Condition 8(c)(1);
- (viii) the Independent Adviser appointed pursuant to this Condition 8(c)(1) shall act and make all determinations pursuant to this Condition 8(c)(1) in good faith and in a commercially reasonable manner and the Independent Adviser shall act as an expert; In the absence of gross negligence, wilful default or fraud, none of the Independent Adviser, the Trustee, the Calculation Agent and the Obligor shall have any liability whatsoever to the Certificateholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Obligor in connection with any determination made by the Obligor pursuant to this Condition 8(c)(1); and
- (ix) notwithstanding any other provision of this Condition 8, if in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 8, the Calculation Agent shall promptly notify the Trustee and the Obligor thereof and the Trustee, following consultation with the Independent Adviser (if appointed), shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction or is otherwise unable to make such calculation or determination for any reason, it shall notify the Trustee and the Obligor thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meaning set out below:

"Adjustment Spread" means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case, to be applied to the Successor

Rate or the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which:

- in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Trustee and the Obligor) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (iii) (if the Independent Adviser (following consultation with the Trustee and the Obligor) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Trustee and the Obligor) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be);
- (iv) (if the Independent Adviser (following consultation with the Trustee and the Obligor) determines that there is no such industry standard) the Independent Adviser (following consultation with the Trustee and the Obligor) or the Obligor (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate;

"Alternative Reference Rate" means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Trustee and the Obligor) determines, in accordance with this Condition 8(c)(1), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest or profit (or the relevant component part thereof) in the same Specified Currency as the Certificates and of a comparable duration to the relevant Periodic Distribution Period or, if the Independent Adviser or the Obligor (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Obligor (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

"Benchmark Amendments" has the meaning given to it in Condition 8(c)(1)(v);

"Benchmark Event" means: (i) the Reference Rate ceasing to be published as a result of such benchmark ceasing to be calculated or administered or ceasing to exist for at least five Business Days; or (ii) a public statement by the administrator of the Reference Rate that it has ceased or that it will, by a specified future date, cease publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate); or (iii) a public statement by the supervisor of the administrator of the Reference Rate, that the Reference Rate has been or will be, by a specified future date, permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the Reference Rate as a consequence of which, by a specified future date, the Reference Rate will be prohibited from being used either generally, or in respect of the Certificates; or (v) a public statement by the supervisor of the administrator of the Reference Rate that, in the view of such supervisor, such Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of an underlying market; or (vi) it has become unlawful for the Trustee, the Obligor, the Calculation Agent or any Paying Agent to calculate any

payments due to be made to any Certificateholder using the Reference Rate, provided that, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv) and (v) above, and the relevant specified future date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such specified future date;

"Bloomberg Screen SOFRRATE Page" means the Bloomberg screen designated SOFRRATE or any successor page or service;

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

"Independent Adviser" means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Trustee and the Obligor at the Obligor's expense;

"Relevant Nominating Body" means, in respect of a reference rate: (i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the reference rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof; and

"Reuters Page USDSOFR=" means the Reuters page designated USDSOFR= or any successor page or service;

"SOFR" means, in respect of any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

- (i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;
- (ii) if the reference rate specified in (i) above does not appear and a Benchmark Event (or, if Condition 8(c)(2) applies, a SOFR Benchmark Transition Event and its related Benchmark Replacement Date) have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or
- (iii) if the reference rate specified in (i) above does not appear and a Benchmark Event (or, if Condition 8(c)(2) applies, a SOFR Benchmark Transition Event and its related Benchmark Replacement Date) have occurred, the provisions set forth in paragraph (1) of Condition 8(c) or paragraph (2) of Condition 8(c) shall apply as specified hereon;

"SOFR Administrator's Website" means the website of the Federal Reserve Bank of New York (currently, being https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index), or any successor source;

"SOFR Benchmark Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"SOFR Benchmark Transition Event" means the occurrence of a SOFR Benchmark Event with respect to the then-current SOFR Benchmark;

"SOFR Determination Time" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day;

"SOFR Rate Cut-Off Date" means the date that is a number of U.S. Government Securities Business Days prior to the end of each Periodic Distribution Period, the Scheduled Dissolution Date or the relevant Dissolution Date, as applicable, as specified hereon, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days;

"Successor Rate" means the rate that the Independent Adviser (in consultation with the Trustee and the Bank) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body; and

"U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday or a day on which the 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.

### (2) SOFR

This Condition 8(c)(2) shall only apply where Condition 8(c)(2) is specified as applicable in the applicable Final Terms.

(i) If the Obligor determines on or prior to the relevant Reference Time that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred with

respect to the-then current Benchmark, the Benchmark Replacement will replace the thencurrent Benchmark for all purposes relating to the Certificates in respect of all determinations on such date and for all determinations on all subsequent dates.

- (ii) In connection with the implementation of a Benchmark Replacement, the Obligor will have the right to make Benchmark Replacement Conforming Changes from time to time. The Delegate and each of the Agents shall, at the direction and expense of the Obligor, effect such Benchmark Replacement Conforming Changes to the Trust Deed, Agency Agreement and these Conditions as may be required to give effect to this Condition 8(c)(2), provided that neither the Delegate nor any Agent shall be obliged so to concur if doing so would impose, in its opinion, more onerous obligations upon it or reduce its protections or rights under the Transaction Documents or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it. Certificateholders' consent shall not be required in connection with effecting any such Benchmark Replacement Conforming Changes, including the execution of any documents or any steps to be taken by any of the Delegate or the Agents (if required). Further, none of the Delegate, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Obligor with respect to any Benchmark Replacement, any Benchmark Replacement Conforming Changes or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.
- (iii) Any determination, decision or election that may be made by the Obligor pursuant to this Condition 8(c)(2), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Obligor, and (iii) notwithstanding anything to the contrary in the documentation relating to the Certificates, shall become effective without consent from the holders of the Certificates or any other party.
- (iv) The Obligor shall promptly, following the determination of any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 8(c)(2), give notice to the Certificateholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

Prior to any such Benchmark Replacement Conforming Changes taking effect, the Obligor shall provide a certificate signed by two Authorised Signatories of the Obligor to the Trustee, the Delegate and the Agents, (A) confirming (i) that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred, (ii) the relevant Benchmark Replacement and any Benchmark Replacement Adjustment and (iii) the specific terms of the relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 8(c)(2); and (B) certifying that such Benchmark Replacement Conforming Changes are: (i) necessary to ensure the proper operation of such Benchmark Replacement and any Benchmark Replacement Adjustment; and (ii) in each case, have been drafted solely to such effect, and the Trustee, the Delegate and the Agents shall be entitled to rely on such certificates without further enquiry or

liability to any person. For the avoidance of doubt, none of the Delegate or any Agent shall be liable to the Certificateholders or any other person for so acting or relying on such certificate, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person.

The Benchmark Replacement, any Benchmark Replacement Adjustment and any Benchmark Replacement Conforming Changes specified in such certificate will (in the absence of manifest error in the determination of such Benchmark Replacement, Benchmark Replacement Adjustment and Benchmark Replacement Conforming Changes and without prejudice to the Delegate's or the Trustee's or the Agents' ability to rely on such certificate as aforesaid) be binding on the Obligor, the Trustee, the Delegate, the Agents and the Certificateholders.

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

(v) The following defined terms shall have the meanings set out below for the purpose of this Condition 8(c)(2):

"Benchmark" means, initially, the relevant SOFR Benchmark specified hereon; provided that if the Obligor determines that a Replacement Date has occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement;

"Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Obligor as of the Benchmark Replacement Date:

- (1) the sum of:
  - the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
  - the Benchmark Replacement Adjustment;
- (2) the sum of:
  - the ISDA Fallback Rate; and
  - the Benchmark Replacement Adjustment; or

- (3) the sum of:
  - the alternate reference rate that has been selected by the Obligor for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Certificates at such time; and
  - the Benchmark Replacement Adjustment;

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the Obligor as of the Benchmark Replacement Date:

- (1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Obligor giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Certificates at such time;

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of profit, rounding of amounts or tenors, and other administrative matters) the Obligor decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Obligor decides that adoption of any portion of such market practice is not administratively feasible or if the Obligor determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Obligor determines is reasonably necessary);

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (1) in the case of sub-paragraph (i) or (ii) of the definition of "SOFR Benchmark Event", the later of:
  - the date of the public statement or publication of information referenced therein; and
  - the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(2) in the case of sub-paragraph (iii) of the definition of "SOFR Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"ISDA Fallback Adjustment" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"Reference Time" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified as applicable hereon) or SOFR Index Determination Time (where SOFR Index Average is specified as applicable hereon), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Obligor after giving effect to the Benchmark Replacement Conforming Changes;

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

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

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

(i) If any Margin is specified in the applicable Final Terms (either (x) generally or (y) in relation to one or more Periodic Distribution Periods), an adjustment shall be made to all Profit Rates, in the

- case of (x), or the Profit Rates for the specified Periodic Distribution Periods, in the case of (y), calculated in accordance with Condition 8(b) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to paragraph (ii) below.
- (ii) If any Maximum Profit Rate or Minimum Profit Rate is specified in the applicable Final Terms, then any Profit Rate shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, "unit" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.
- (f) Calculations: The amount of profit payable per Calculation Amount in respect of any Certificate for any Periodic Distribution Period shall be equal to the product of the Profit Rate, the Calculation Amount specified in the applicable Final Terms and the Day Count Fraction for such Periodic Distribution Period, unless a Profit Amount (or a formula for its calculation) is specified in the applicable Final Terms as being applicable to such Periodic Distribution Period, in which case the amount of profit payable per Calculation Amount in respect of such Certificate for such Periodic Distribution Period shall equal such Profit Amount (or be calculated in accordance with such formula). In respect of any other period for which profit is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which profit is required to be calculated.
- Determination and Publication of Profit Rates, Profit Amounts and Dissolution Distribution (g) **Amounts**: The Calculation Agent shall, as soon as practicable on each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Profit Amounts for the relevant Periodic Distribution Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Profit Amounts for each Periodic Distribution Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount, to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Certificateholders, any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information. If the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, the Obligor shall notify (or procure the notification of) such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Periodic Distribution Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Profit Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 8(b)(ii), the Profit Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Periodic Distribution Period. If the Certificates become due and payable under Condition 13, the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition 8 but no publication of the Profit Rate or the Profit Amount so calculated need be made unless the

Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (h) **Determination or calculation by another agent**: If the Calculation Agent does not at any time for any reason determine or calculate the Profit Rate for a Periodic Distribution Period or any Profit Amount or Dissolution Distribution Amount, the Trustee may appoint an agent to do so. In doing so such agent shall apply the foregoing provisions of this Condition 8, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (i) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

## "Business Day" means:

- (i) in the case of a currency other than euro, and unless the applicable Final Terms specify that the Floating Rate Periodic Distribution Provisions apply and the Reference Rate is SOFR Benchmark, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in London and each Business Centre (other than the TARGET System) specified in the applicable Final Terms;
- (ii) if the applicable Final Terms specify that the Floating Rate Periodic Distribution Provisions apply and the Reference Rate is SOFR Benchmark, a day which is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;
- (iii) if the TARGET System is specified as a Business Centre in the applicable Final Terms, a day on which the TARGET System is open; and
- (iv) either (A) in the case of a currency other than euro, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency or (B) in the case of euro, a day on which the TARGET System is operating (a "TARGET Business Day").

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

- (i) if "Actual/Actual" or "Actual/Actual ISDA" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

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

" $M_1$ " is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

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

" $D_1$ " is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case  $D_1$  will be 30; and

" $D_2$ " is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and  $D_1$  is greater than 29, in which case  $D_2$  will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

" $M_1$ " is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

" $M_2$ " is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

" $D_1$ " is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case  $D_1$  will be 30; and

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

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

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

91

where:

- "Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;
- "Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- " $\mathbf{M_1}$ " is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- "M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- " $\mathbf{D_1}$ " is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case  $D_1$  will be 30; and
- " $D_2$ " is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date or (ii) such number would be 31, in which case  $D_2$  will be 30;
- (viii) if "Actual/Actual-ICMA" is specified in the applicable Final Terms:
  - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (B) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

- "Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and
- "Determination Date" means the date(s) specified as such in the applicable Final Terms or, if none is so specified, the Periodic Distribution Date(s).
- (j) Calculation Agent: The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Certificate is outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such, or if the Calculation Agent fails duly to establish the Profit Rate for a Periodic Distribution Period or to calculate any Profit Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap

or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

# 9 Redemption and Dissolution of the Trust

(a) **Dissolution on the Scheduled Dissolution Date**: Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount on the Scheduled Dissolution Date specified in the applicable Final Terms and following the payment of all such amounts in full and the execution of a sale agreement pursuant to the Purchase Undertaking, the Trustee shall be bound to dissolve the Trust.

## (b) Early Dissolution for Taxation Reasons: If:

- (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 11 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (ii) (A) the Trustee has received notice from the Obligor that the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the occurrence of an event described in Condition 9(b)(i) or (ii) being a "Tax Event"), the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale and Substitution Undertaking, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Final Terms to the Delegate and the Certificateholders, redeem the Certificates in whole, but not in part, on any Periodic Distribution Date (if this Certificate is a Floating Rate Certificate) or at any time (if this Certificate is a Fixed Rate Certificate) (such dissolution date being an "Early Tax Dissolution Date"), at their Dissolution Distribution Amount, provided that no such notice of dissolution may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 9(b), the Trustee or the Obligor, as the case may be, shall deliver to the Delegate:

(aa) a certificate signed by two directors and/or Authorised Signatories of the Trustee (in the case of Condition 9(b)(i)) or the Obligor (in the case of Condition 9(b)(ii)) stating that the obligation referred to in Condition 9(b)(i) or 9(b)(ii), as the case may be, has arisen and cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it; and

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

and the Delegate shall be entitled to accept and rely on any such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in Condition 9(b)(i) or, as the case may be, Condition 9(b)(ii) above (without liability to any person), in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 9(b), payment in full of the Dissolution Distribution Amount to Certificateholders and execution of a sale agreement pursuant to the Sale and Substitution Undertaking, the Trustee shall be bound to dissolve the Trust.

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

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 9(c).

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

If all (and not some only) of the Certificates are to be redeemed in accordance with this Condition 9(c), upon payment in full of the Dissolution Distribution Amount to all Certificateholders and execution of a sale agreement pursuant to the Sale and Substitution Undertaking, the Trustee shall be bound to dissolve the Trust.

For *Shari'a* reasons, the Optional Dissolution Right and the Certificateholder Put Right may not both be specified in the applicable Final Terms in respect of any Series.

(d) **Dissolution at the Option of the Certificateholders (Certificateholder Put Right)**: If Certificateholder Put Right is specified as applicable in the applicable Final Terms, the Trustee shall, at the option of the holder of any Certificate, upon the holder of such Certificate giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee, redeem such Certificate on the Certificateholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If the Certificates are to be redeemed in whole, but not in part, on any Certificateholder Put Right Date in accordance with this Condition 9(d), upon payment in full of the Dissolution Distribution Amount to all Certificateholders and execution of a sale agreement pursuant to the Purchase Undertaking, the Trustee shall be bound to dissolve the Trust.

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

For *Shari'a* reasons, the Certificateholder Put Right and the Optional Dissolution Right may not both be specified in the applicable Final Terms in respect of any Series.

# (e) Dissolution at the Option of Certificateholders (Tangibility Event Put Right):

If a Tangibility Event occurs, upon receipt of a Tangibility Event Notice from the Obligor in accordance with the Service Agency Agreement, the Trustee shall promptly give notice to the Certificateholders and the Delegate (a "**Delisting Notice**") in accordance with Condition 18 specifying:

- (i) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;
- (ii) that, as determined in consultation with the Bank's Fatwa and Shari'a Supervisory Board, the Certificates shall only be tradeable in accordance with the *Shari'a* principles of debt trading;
- (iii) that, on the Tangibility Event Delisting Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading; and
- (iv) the Tangibility Event Put Right Period, during which period the holder of any Certificates shall have the option to require the redemption of all or any of its Certificates.

Upon receipt of the Delisting Notice, any Certificateholder may exercise its option within the Tangibility Event Put Right Period to require the redemption of all or any of its Certificates.

If any Certificateholder exercises its option to redeem its Certificates in accordance with this Condition 9(e), the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking and redeem such Certificates on the Tangibility Event Put Right Date at their Dissolution Distribution Amount. If all (and not some only) of the Certificates are to be redeemed on any Tangibility Event Put Right Date in accordance with this Condition 9(e), upon payment in full of the Dissolution Distribution Amount to all Certificateholders and execution of a sale agreement pursuant to the Purchase Undertaking, the Trustee shall be bound to dissolve the Trust.

To exercise such option, the relevant holder must deposit the Registered Certificate representing such Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (a "Tangibility Event Put Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Tangibility Event Put Right Period. No Registered Certificate so deposited and option to redeem so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

If 75 per cent. or more of the aggregate face amount of Certificates then outstanding have been redeemed pursuant to this Condition 9(e), the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor pursuant to the Sale and Substitution Undertaking, on giving not less than 30 days' nor more than 60 days' notice to the Delegate and the Certificateholders in accordance with Condition 18 (such notice to be given within 30 days of the Tangibility Event Put Right Date), redeem the Certificates in whole, but not in part, at their Dissolution Distribution Amount on the date specified in such notice (such notice shall be irrevocable and shall oblige the Trustee to redeem the Certificates on such date (the "Clean Up Call Dissolution Date")) (the "Clean Up (Call) Right").

- (f) **Dissolution following a Dissolution Event**: Upon the occurrence and continuation of a Dissolution Event, the Certificates may be redeemed at their Dissolution Distribution Amount. For the purposes thereof, the Trustee may deliver to the Obligor a duly completed Exercise Notice in accordance with the Purchase Undertaking and, following the payment of all such amounts in full, the Trustee shall dissolve the Trust, in each case subject to and as more particularly described in Condition 13.
- (g) **Purchases**: Each of the Obligor and/or any Subsidiary of the Obligor may at any time purchase Certificates at any price in the open market or otherwise. Any Certificates held by the Obligor or any of the Obligor's Subsidiaries shall not entitle the holder to exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums, meetings or for passing Extraordinary Resolutions for the purposes of Condition 15(a).
- (h) Cancellation: All Certificates purchased by or on behalf of the Obligor or any of the Obligor's Subsidiaries may be surrendered for cancellation by surrendering the Registered Certificate representing such Certificates to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Trust Deed. Any Certificates so surrendered, together with all Certificates that are redeemed in accordance with this Condition 9 and/or Condition 13, shall be cancelled forthwith and may not be held, reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 9(h), the Trustee shall be bound to dissolve the Trust.
- (i) **No other dissolution**: The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 9 and Condition 13. Upon payment in full of all amounts due in respect of the Certificates of any Series, the Trustee shall be bound to dissolve the Trust. Upon such dissolution the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable, and the Trustee shall have no further obligations, in respect thereof.

# 10 Payments

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

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

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in the Specified Currency by transfer to an account in the Specified Currency maintained by the payee with a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System, as notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

If the amount being paid upon surrender of the relevant Registered Certificate is less than the Dissolution Distribution Amount of such Registered Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Trustee or a Certificateholder) issue a new Registered Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the Periodic Distribution Amount being paid is less than the amount then due, the Registrar will annotate the Register with the amount so paid.

- (b) Payments subject to Laws: Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (as amended, the "Code") or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 11), any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.
- (c) Appointment of Agents: The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Trustee and the Obligor and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Trustee and the Obligor and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the prior written approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Transfer Agents or Calculation Agent(s), provided that the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s) where these Conditions so require, (v) a Paying Agent having a specified office in at least one major European city and (vi) such other agents as may be required by any stock exchange on which the Certificates may be listed, in each case as approved by the Delegate.

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

- (d) Payment only on a Payment Business Day: If any date for payment in respect of any Certificate is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day, nor to any profit or other sum in respect of such postponed payment. In this Condition 10(d), "Payment Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located, in such jurisdictions as shall be specified as Financial Centres in the applicable Final Terms and:
  - (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency; or
  - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

#### 11 Taxation

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

- (a) Other connection: held by or on behalf of, a holder who is liable to such taxes, levies, imposts, duties, fees, assessments or governmental charges in respect of such Certificate by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of the Certificate; or
- (b) Surrender more than 30 days after the Relevant Date: in respect of which the Registered Certificate representing it is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting or surrendering such Registered Certificate for payment on the last day of such period of 30 days assuming that day to have been a Payment Business Day (in accordance with Condition 10(d)).

As used in these Conditions:

"Relevant Date" means, in respect of any Certificate, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders in accordance with Condition 18 that, upon further presentation of the Registered Certificate representing such Certificate being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation; and

"Relevant Jurisdiction" means the Cayman Islands or the State of Kuwait or any political subdivision or authority thereof or therein having power to tax.

References in these Conditions to "Periodic Distribution Amounts" and the "Dissolution Distribution Amount" shall be deemed to include any additional amounts that may be payable under this Condition 11 or any undertaking given in addition to or in substitution for it under the Trust Deed.

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

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

Further, in accordance with the terms of the Master Trust Deed, the Obligor has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 11, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding, retention or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to this Condition 11.

# 12 Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount), or five years (in the case of Periodic Distribution Amounts) of the appropriate Relevant Date in respect of them.

#### 13 Dissolution Events

- (a) **Dissolution Event**: If a Dissolution Event occurs and is continuing:
  - the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise upon becoming aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing or by Extraordinary Resolution if they wish the Certificates to be redeemed (in whole but not in part) and the Trust to be dissolved; and
  - (ii) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 20 per cent. of the aggregate face amount of the Series of Certificates for the time being outstanding or if so directed by an Extraordinary Resolution (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a "Dissolution Notice") to the Trustee, the Obligor and the Certificateholders that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 13(a)(ii) whether or not notice has been given to Certificateholders as provided in Condition 13(a)(i).

Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall deliver an Exercise Notice to the Obligor under the Purchase Undertaking. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof and the aggregate amount of the Deferred Payment Price then outstanding to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant "Dissolution Event Redemption Date") and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

- (b) **Enforcement and Exercise of Rights**: Upon the occurrence and continuation of a Dissolution Event, to the extent that any amount payable in respect of the Certificates of the relevant Series has not been paid in full (notwithstanding the provisions of Condition 13(a)), the Trustee or the Delegate (in each case subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) may (acting for the benefit of the Certificateholders) take one or more of the following steps:
  - (i) enforce the provisions of the Transaction Documents against the Obligor; and/or
  - (ii) take such other actions, steps or proceedings as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

#### 14 Realisation of Trust Assets

- (a) Neither the Trustee nor the Delegate shall be bound in any circumstances to take any action, step or proceeding to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against the Obligor or (in the case of the Delegate) against the Trustee under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 20 per cent. of the aggregate face amount of the Series of Certificates for the time being outstanding and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate or the Trustee, as the case may be, having become bound so to proceed (i) fails to do so within a reasonable period or (ii) is unable by reason of an order of a court having competent authority to do so, and such failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce the Trustee's and the Obligor's respective obligations under the Transaction Documents to which they are a party.
- (c) Conditions 14(a) and 14(b) are subject to this Condition 14(c). After enforcing or realising the relevant Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds of the relevant Trust Assets in respect of the Certificates of the relevant Series in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate or the Agents or any other person (including the Obligor to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party)) to recover any further sums in respect of the Certificates of the relevant Series and the right to receive from the Trustee any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

# 15 Meetings of Certificateholders, Modification and Waiver

Meetings of Certificateholders: The Trust Deed contains provisions for convening meetings (including (a) by way of telephony or electronic platform or facility) of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of or abrogation from any of these Conditions or any provisions of the Trust Deed or any other Transaction Document. Such a meeting may be convened by the Trustee, the Obligor or the Delegate at any time, or by Certificateholders holding not less than 10 per cent. in aggregate face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more Eligible Persons present and holding or representing in the aggregate not less than a clear majority in face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more Eligible Persons present (whatever the face amount of the Certificates so held or represented by them), unless the business of such meeting includes consideration of proposals: (i) to amend any Dissolution Date in respect of the Certificates or any date for payment of Periodic Distribution Amounts in respect of the Certificates, (ii) to reduce or cancel the face amount of, or any premium payable on redemption of, the Certificates, (iii) to reduce the rate or rates of profit in respect of the Certificates or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Profit Amount in respect of the Certificates (in each case, other than as provided for in these Conditions (including Condition 8(c) and the applicable Final Terms), (iv) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Final Terms, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate, (v) to vary any method of, or basis for, calculating the Dissolution Distribution Amount, (vi) to vary the currency of payment or denomination of the Certificates, (vii) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (viii) to modify or cancel the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be), (ix) to amend any of the Obligor's covenants included in the Transaction Documents, (x) to amend the priority of payments as described in Condition 5(b), or (xi) to amend the above list, in which case the necessary quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they were present and whether or not they voted at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a resolution in writing will be binding on all Certificateholders whether or not they participated in such resolution.

For so long as the Certificates are represented by a Global Certificate, an Extraordinary Resolution may also be passed by Certificateholders giving electronic consent, provided that consent to such resolution is given through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates. See "Summary of Provisions relating to the Certificates while in Global Form".

Modification of the Trust Deed or any Transaction Document: The Delegate may (but shall not be (b) obliged to) (and, in the case of paragraph (i)(b) below, shall), without the consent or sanction of the Certificateholders, (i) agree to any modification of the Trust Deed (including these Conditions), any of the other Transaction Documents or the Trustee's memorandum and articles of association that is in its opinion (a) of a formal, minor or technical nature or is made to correct a manifest error, (b) to effect any Benchmark Amendments (in the circumstances and as set out in Condition 8(c)(1)) or any Benchmark Replacement Conforming Changes (in the circumstances and as set out in Condition 8(c)(2)) or (c) is not materially prejudicial to the interests of the holders of the outstanding Certificates and is other than in respect of a matter which requires a special quorum resolution (as defined in paragraph 7 of Schedule 3 of the Master Trust Deed), and (ii), without prejudice to its rights in respect of any subsequent breach, (a) give its consent under the Transaction Documents or to any waiver or authorisation of any breach or proposed breach, of any of provision of the Trust Deed or any Transaction Documents, or (b) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of paragraph (ii) that such consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the holders of the outstanding Certificates and is not in contravention of an express direction given by an Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates of that Series then outstanding. Any such modification, consent, waiver, authorisation or determination shall be binding on all Certificateholders and, unless the Delegate otherwise requires, shall be notified by the Trustee to the Certificateholders in accordance with Condition 18 as soon as practicable thereafter.

(c) Entitlement of the Delegate: In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, those referred to in this Condition 15), the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, the Obligor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except in the case of the Trustee and the Obligor, to the extent already provided for in Condition 11.

## 16 Delegate

**Delegation of Powers**: The Trustee will in the Trust Deed irrevocably and unconditionally appoint the (a) Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the powers, rights, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together, the "Delegation of the Relevant Powers"), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the relevant Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers, rights, authorities and discretions which are vested solely in it from the date of the Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

(b) Indemnification: The Trust Deed contains provisions for the indemnification of each of the Delegate and the Trustee in certain circumstances and for its relief from responsibility, including provisions relieving the Delegate from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, each of the Trustee and the Delegate shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Certificateholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing

- and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.
- (c) **No Liability**: The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Obligor or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.
- (d) Reliance on Certificates, Reports and/or Information: The Delegate and the Trustee may rely on any certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or the Obligor (as applicable) or any other expert or other person called for by or provided to the Delegate or the Trustee (whether or not addressed to the Delegate or Trustee) in accordance with or for the purposes of the Trust Deed or the other Transaction Documents and such certificate, report or information may be relied upon by the Delegate and the Trustee (without liability to any person) as sufficient evidence of the facts stated therein, notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate or the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Obligor (as applicable) or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such certificate, report or information may be limited by an engagement or similar letter or by the terms of the certificate, report or information itself and the Delegate or the Trustee shall not be bound in any such case to call for further evidence or be responsible for any Liability or inconvenience that may be occasioned by their failure to do so.
- (e) **Proper performance of duties**: Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts (in the case of the Trustee only), powers, authorities or discretions) or as delegate, in the case of the Delegate (having regard to the powers, rights, authorities and discretions conferred on it by the Trust Deed and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Trust Deed.
- (f) Notice of Events: Neither the Delegate nor the Trustee shall be responsible for monitoring or ascertaining whether or not a Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing and, unless and until they shall have actual knowledge or shall have received express written notice to the contrary, they will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to Certificateholders or any other person for so doing).
- (g) **Delegate Contracting with the Trustee and the Obligor**: The Trust Deed contains provisions pursuant to which (i) the Delegate is entitled, *inter alia*, to enter into transactions in the ordinary course of business with the Trustee, the Obligor and/or any other party to a Transaction Document or any person or body corporate directly or indirectly associated with the Trustee, the Obligor or such other party and to accept the trusteeship of or act as delegate in relation to the issuance of any other sukuk or securities of the Trustee, the Obligor or such other party or any person or body corporate directly or indirectly associated with the Trustee, the Obligor or such other party, and (ii) neither the Delegate nor any director or officer of any corporation being a delegate shall be accountable to the Certificateholders, the Trustee, the Obligor and/or any other party to the Transaction Documents or any person or body corporate directly or indirectly associated with the Trustee, the Obligor or any such other person for any profit, fees,

commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Delegate and any such director or officer shall also be at liberty to retain the same for its or his own benefit.

## 17 Replacement of Certificates

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Trustee may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

#### 18 Notices

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

The Trustee shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Certificates are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant authority, relevant stock exchange and/or relevant quotation system if required by those rules or regulations. Any notices shall be deemed to have been given on the fourth day (being a day other than a Saturday or a Sunday) after being so mailed (or on the date of publication, or, if so published more than once or on different dates, on the date of the first publication).

So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to the holders of the Certificates of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing as required by Condition 18. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

#### 19 Further Issues

In respect of any Series, the Trustee may from time to time without the consent of the Certificateholders create and issue further Certificates having the same terms and conditions as the outstanding Certificates of such Series or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that such further issue shall be consolidated and form a single Series with the outstanding Certificates of such Series. Any further Certificates which are to form a single Series with the outstanding Certificates previously constituted by the Trust Deed shall be constituted by a deed supplemental to the Trust Deed. References in these Conditions to the Certificates include (unless the context requires otherwise) any other certificates issued pursuant to this Condition and forming a single Series with the Certificates.

# 20 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 21 Governing Law and Dispute Resolution

- (a) Governing Law: The Trust Deed (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) Arbitration: The Delegate, the Trustee and the Obligor have in the Trust Deed agreed that any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed (which includes the Certificates, these Conditions and this Condition 21(b)) (including any dispute claim, difference or controversy as to the existence, validity, interpretation, performance, breach or termination of the Trust Deed or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a "Dispute")) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the "Rules"), which Rules (as amended from time to time) are incorporated by reference into this Condition 21. For these purposes:
  - (i) the seat or legal place of arbitration shall be London, England;
  - (ii) there shall be three arbitrators, each of whom shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall nominate a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party-nominated arbitrators fail to nominate the third arbitrator within 15 days of the nomination of the second arbitrator, such arbitrator shall be appointed by the LCIA; and
  - (iii) the language of the arbitration shall be English.
- (c) Waiver of Immunity: Under the Trust Deed, the Obligor has acknowledged that the transactions contemplated by the Trust Deed are commercial transactions and, to the extent that the Obligor may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Obligor or any of its assets or revenues, the Obligor has agreed not to claim and has irrevocably and unconditionally waived such immunity in relation to any legal or arbitral proceedings or Disputes. In addition, the Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Disputes.

#### (d) Waiver of Interest:

(i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest (in whatever form) will be payable or receivable under or in connection with the Trust Deed and if it is determined that any interest is payable or receivable in connection with the Trust Deed by any of the Trustee, the Delegate or the Obligor, whether as a result of any arbitral or judicial award or by operation of any applicable law or otherwise, each such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and promptly donate the same to a registered or otherwise officially recognised charitable organisation.

- (ii) For the avoidance of doubt, nothing in this Condition 21(d) shall be construed as a waiver of rights in respect of Wakala Portfolio Revenues, Required Amounts, Periodic Distribution Amounts, Dissolution Distribution Amounts, Exercise Price, Certificateholder Put Right Exercise Price, Tangibility Event Put Right Exercise Price, Optional Dissolution Exercise Price, Deferred Payment Price, Murabaha Instalment Profit Amounts, Murabaha Profit Amounts or profit or principal of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.
- (e) **Service of Process**: Each of the Trustee and the Obligor has in the Trust Deed irrevocably appointed an agent in England to receive for it and on its behalf, service of process in any proceedings in England.

# SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM

#### 1 Initial Issue of Certificates

Each Tranche of Certificates will initially be represented by a Global Certificate in registered form. Global Certificates will be delivered on or prior to the issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary").

Upon registration of the Certificates in the name of any nominee for, and deposit of the Global Certificate with, a Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a face amount of Certificates equal to the face amount thereof for which it has subscribed and paid.

Certificates that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Certificates that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

# 2 Relationship of Accountholders with Clearing Systems

For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates for all purposes other than with respect to any payment on such face amount of such Certificates, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions "Certificateholder" and "holder" and related expressions shall be construed accordingly.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System") as the holder of a Certificate represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Trustee to the registered holder of the underlying Certificates, and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on the Certificates for so long as the Certificates are represented by such Global Certificate and such obligations of the Trustee will be discharged by payment to the registered holder of the underlying Certificates, as the case may be, in respect of each amount so paid.

## 3 Exchange for Definitives

Interests in a Global Certificate will be exchangeable in whole but not in part (free of charge) for Definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to the Certificateholders in accordance with Condition 18 upon the occurrence of an Exchange Event. For these purposes, an "Exchange Event" will occur (i) if the Delegate has given notice in accordance

with Condition 18 that a Dissolution Event has occurred and is continuing or (ii) if the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor or alternative clearing system satisfactory to the Trustee is available or (iii) with the consent of the Trustee. In the event of an occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any holder of an interest in such Global Certificate may give notice to the Registrar requesting exchange. Any exchange shall occur no later than 15 days after the date of receipt of the first relevant notice by the Registrar.

#### 4 Amendment to Conditions

The Global Certificates contain provisions that apply to the Certificates that they represent, some of which modify the effect of the terms and conditions of the Certificates set out in this Base Prospectus. The following is a summary of certain of those provisions:

### 4.1 Payments

All payments in respect of Certificates represented by a Global Certificate will be made (against surrender of that Global Certificate if no further payment falls to be made in respect of the Certificates) to, or to the order of, the person whose name is entered on the Register at the close of business on the record date, being the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive, except 25 December and 1 January.

For the purposes of any payments made in respect of Certificates represented by a Global Certificate, the words "in the place in which the specified office of the Registrar is located" shall not apply to the definition of "Payment Business Day" in Condition 10(d).

A record of each payment made will be noted on the relevant Register which shall be *prima facie* evidence that such payment has been made in respect of the Certificates.

# 4.2 Meetings

All holders of Certificates are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Certificates comprising such Certificateholder's holding.

## 4.3 Delegate's Powers

In considering the interests of Certificateholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Delegate may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Certificates represented by the Global Certificate.

# 4.4 Optional Dissolution Right

If any early dissolution right of the Bank is exercised in respect of some but not all of the Certificates of any Series, the rights of accountholders with a clearing system in respect of the Certificates will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

## 4.5 Certificateholder Put Right and Tangibility Event Put Right

Any early dissolution right of the Certificateholders provided for in the Condition 9(d) or 9(e) of any Certificates while such Certificates are represented by a Global Certificate may be exercised by the holder of the Certificate(s) in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

#### 4.6 Cancellation

Cancellation of any Certificate represented by a Global Certificate that is surrendered for cancellation (other than upon its redemption in full) will be effected by reduction in the aggregate face amount of the relevant Series of Certificates in the Register.

## 4.7 Notices

Notices required to be given in respect of the Certificates represented by a Global Certificate may be given by their being delivered (so long as this Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system) to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, rather than by mailing as required by the Conditions, provided that such notices must also be given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange, quotation system or other relevant authority on which the Certificates are for the time being listed or admitted to trading or quotation. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

#### 5 Electronic Consent

While any Global Certificate is held on behalf of, and registered in the name of any nominee for a Common Depositary for, a clearing system, approval of a resolution proposed by the Trustee, the Obligor or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding (an "Electronic Consent") shall, for all purposes (including matters that would otherwise require a special quorum resolution (as defined in paragraph 7 of Schedule 3 to the Master Trust Deed)), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent.

## **6** Further Issues

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

#### FORM OF FINAL TERMS

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

#### **Final Terms**

[MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR product governance/Professional investors and ECPs only target market — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"), only; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "distributor") should take into consideration the manufacturer ['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer ['s/s'] target market assessment) and determining appropriate distribution channels.]

[Singapore SFA product classification – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.][Note: For any Certificates to be offered to Singapore investors, the Trustee to consider whether it needs to re-classify the Certificates pursuant to Section 309B of the SFA prior to the launch of the offer.]

[Date]

## WARBA SUKUK LIMITED

Legal Entity Identifier (LEI): 549300BY1IZV1E6BKJ60

Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing [Aggregate Face Amount of Tranche] [Title of Certificates] issued on [•]

# $(the "Original Certificates")]^1\\under the U.S.\$2,000,000,000 Trust Certificate Issuance Programme$

## Part A - CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Base Prospectus dated 6 July 2022 [and the supplement[s] to it dated [●] [and [●]] which [together] constitute[s] a base prospectus (the "Base Prospectus") for the purposes of Regulation (EU) 2017/1129 (the "Prospectus Regulation"). This document constitutes the Final Terms of the Certificates described herein [for the purposes of the Prospectus Regulation]² and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus [and these Final Terms]³ [is/are] available for viewing in accordance with Article 21 of the Prospectus Regulation on the website of Euronext Dublin at https://live.euronext.com/ and Nasdaq Dubai at http://www.nasdaqdubai.com. The Base Prospectus is available for viewing during normal business hours at the registered office of the Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained from the specified office of the Principal Paying Agent, in each case during usual business hours.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "Conditions") of the Certificates dated 18 July 2019 which are incorporated by reference in the Base Prospectus dated 6 July 2022. This document constitutes the Final Terms of the Certificates described herein [for the purposes of Regulation (EU) 2017/1129 (the "Prospectus Regulation")]<sup>4</sup> and must be read in conjunction with the Base Prospectus dated [6 July 2022] [and the supplement[s] to it dated [●] [and [●]] (the "Base Prospectus"), including the Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information. The Base Prospectus constitutes a base prospectus for the purposes of [Regulation (EU) 2017/1129][the Prospectus Regulation]. The Base Prospectus and these Final Terms have been published on the website of Euronext Dublin at <a href="https://live.euronext.com/">https://live.euronext.com/</a> and Nasdaq Dubai at <a href="https://www.nasdaqdubai.com">https://www.nasdaqdubai.com</a>. The Base Prospectus is available for viewing during normal business hours at the registered office of the Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained during normal business hours from the specified office of the Principal Paying Agent.]

1	(a) Trustee:	Warba Sukuk Limited
	(b) Obligor:	Warba Bank K.S.C.P.
2	Series Number:	[●]
	(a) Tranche Number:	[●]
	(b) Date on which the Certificates will be consolidated and form a sing Series:	
3	Specified Currency:	[•]

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

All references to the Prospectus Regulation, including this reference, to be included only if the Certificates are to be admitted to listing on the official list, and to trading on the regulated market, of Euronext Dublin or other regulated market for the purposes of MiFID II.

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

<sup>4</sup> All references to the Prospectus Regulation, including this reference, to be included only if the Certificates are to be admitted to listing on the official list, and to trading on the regulated market, of Euronext Dublin or other regulated market for the purposes of MiFID II.

4	Aggregate Face Amount:	[•]	
	(i) Series:	[●]	
	(ii) Tranche:	[•]	
5	Issue Price:	[•] per cent. of the Aggregate Face Amount [plus [Specified Currency] [•] in respect of [•] days of accrued Periodic Distribution Amounts from (and including) [the issue date of the Original Certificates] to (but excluding) the Issue Date] <sup>5</sup>	
6	(a) Specified Denominations:	[•]	
	(b) Calculation Amount:	[•]	
7	(a) Issue Date:	[•]	
	(b) Profit Commencement Date:	[[●]/Issue Date]	
8	Scheduled Dissolution Date:	[•]	
9	Profit Basis:	[Fixed Rate Certificates/Floating Rate Certificates] (further particulars specified at paragraph [15][16] below)	
10	Dissolution Basis:	Dissolution at par	
11	Change of Profit Basis:	[[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 16 below and identify there]/Not Applicable]	
12	Put/Call Rights:	[Not Applicable]	
		[Optional Dissolution Right]	
		[Certificateholder Put Right]	
13	Status:	Unsubordinated	
14	Date of Trustee's board approval and date of Obligor's board approval for issuance of Certificates:	[●] and [●], respectively	
PRO	VISIONS RELATING TO PROFIT PAYA	BLE	
15	Fixed Rate Periodic Distribution Provisions:	[Applicable]/[Not Applicable]	
	(a) Profit Rate(s):	[●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/[●]] in arrear on each Periodic Distribution Date	
	(b) Periodic Distribution Date(s):	[[●] in each year up to and including the Scheduled Dissolution Date, commencing on [●]/[●]]	
	(c) Fixed Amount(s):	[•] per Calculation Amount	
	(d) Broken Amount(s):	[[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]/Not Applicable]	

(e) Day Count Fraction:

[Actual/Actual]

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

[Actual/Actual-ISDA]

[Actual/365 (Fixed)]

[Actual/365 (Sterling)]

[Actual/360]

[30/360]

[360/360]

[Bond Basis]

[30E/360]

[Eurobond Basis]

[30E/360 (ISDA)]

[Actual/Actual – ICMA]

(f) Determination Date(s):

[[●] in each year/Not Applicable]

16 Floating Periodic Distribution Provisions:

[Applicable]/[Not Applicable]

(a) Periodic Distribution Period(s):

 $[\bullet]^6$ 

[The end date of each Periodic Distribution Period shall be subject to adjustment in accordance with the Business Day Convention specified in paragraph [15(f)]

below/Not subject to any adjustment]

(b) Specified Periodic Distribution Dates:

[•] in each year, commencing on [•][, subject to adjustment in accordance with the Business Day Convention set out in (e) below/, not subject to adjustment, as the Business Day Convention in (e) below

is specified to be Not Applicable]

(c) First Periodic Distribution Date:

[•][, subject to adjustment in accordance with the Business Day Convention specified in (d) below/, not

subject to any adjustment]

(d) Profit Period Date:

[Not Applicable/ $[\bullet]^7$ ]

(e) Business Day Convention:

[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention]

[Not Applicable]

(f) Business Centre(s):

[•] [Not Applicable]

(g) Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined: [Screen Rate Determination/ISDA Determination]

(h) Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Principal Paying Agent): [•] (the "Calculation Agent")

Periodic Distribution Periods should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Payment Delay.

Profit Period Dates should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Payment Delay.

Screen Rate Determination [Applicable]/[Not Applicable] not referencing SOFR: Reference Rate: (i) [•] month [EURIBOR/KIBOR/CBK Discount Rate/HIBOR/ KLIBOR/TRLIBOR or TRYLIBOR/SIBOR/EIBOR/ TIBOR/SAIBOR/CHF LIBOR/QIBOR] (ii) Profit Rate Determination [•] Date(s): (iii) Relevant Screen Page: [•] (iv) Relevant Time: [•] (v) Relevant Financial Centre: [•] Rate Determination Screen [Applicable]/[Not Applicable] Referencing SOFR: **Profit** Rate Determination [[•] U.S. Government Securities Business Days prior to (i) Date(s): each Periodic Distribution Period Date |8 [The Periodic Distribution Period Date at the end of each Periodic Distribution Period; except in respect of the final Periodic Distribution Period, for which the Profit Rate Determination Date will be the SOFR Rate Cut-off Date]9 SOFR Benchmark [Not Applicable/Simple SOFR Average/Compounded SOFR Average/SOFR Index Average]<sup>10</sup> (iii) Compounded SOFR Average: Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout]11 (iv) Lookback Days: [Not Applicable/[●] U.S. Government Business Day(s)]12

[Not Applicable/[●]

Business Day(s)]13

Business Day(s)]14

U.S.

[Not Applicable/[•] U.S. Government Securities

Government

Securities

(vi) Periodic

Days:

SOFR Observation Shift Days:

Distribution Delay

To be included where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Observation Shift, SOFR Lockout or SOFR Observation Lag. Where the Principal Paying Agent is appointed as Calculation Agent, it will normally require that this period (and, where applicable, any Lookback Days/SOFR Observation Shift Days or SOFR Rate Cut-Off Date) is at least 5 U.S. Government Securities Business Days.

Only applicable where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is the Compounded SOFR Average: SOFR Payment Delay.

<sup>&</sup>lt;sup>10</sup> Only applicable where the Reference Rate is SOFR Benchmark.

Only applicable in the case of Compounded SOFR Average.

<sup>&</sup>lt;sup>12</sup> [Not Applicable/[•] U.S. Government Securities Business Day(s)].

Only applicable in the case of SOFR Observation Shift or SOFR Index Average.

Only applicable in the case of SOFR Payment Delay.

(vii) SOFR Rate Cut-Off Date: [Not Applicable/The day that is the [•] U.S. Government

Securities Business Day(s) prior to the end of each

Periodic Distribution Period<sup>15</sup>

(viii) SOFR Index<sub>Start</sub> Days: [Not Applicable/[●] U.S. Government Securities

Business Day(s)]16

[Not Applicable/[●] U.S. Government Securities (ix) SOFR Index<sub>End</sub> Days:

Business Day(s)]<sup>17</sup>

 $[365/360/[\bullet]]^{18}$ (x) D:

(xi) Fallback Provisions: [Condition 8(c)(1) (Independent Adviser)] <sup>19</sup>[Condition

8(c)(2) Benchmark Discontinuation (SOFR))]

(k) ISDA Determination: [Applicable]/[Not Applicable]

(i) Floating Rate Option:  $[\bullet]$ 

(ii) Designated Maturity:  $[\bullet]$ 

(iii) Reset Date: [●]

(iv) ISDA Definitions: [•]

(v) ISDA Benchmarks Supplement: [Applicable]/[Not Applicable]

Margin(s): [+/-][●] per cent. per annum (1)

(m) Linear Interpolation: [Not Applicable/Applicable - the Profit Rate for the

> [long/short] [first/last] Periodic Distribution Period shall be calculated using Linear Interpolation (specify for each

short or long periodic distribution period)]

(n) Maximum Profit Rate: [•] per cent. per annum

(o) Minimum Profit Rate: [•] per cent. per annum

(p) Day Count Fraction: [Actual/Actual]

> [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)]

[Actual/360] [30/360] [360/360] [Bond Basis] [30E/360]

[Eurobond Basis] [30E/360 (ISDA)]

[Actual/Actual – ICMA]

Only applicable in the case of Simple SOFR Average, Compounded SOFR Average: SOFR Payment Delay or Compounded SOFR Average: SOFR Lockout.

<sup>&</sup>lt;sup>16</sup> Only applicable in the case of SOFR Index Average.

<sup>&</sup>lt;sup>17</sup> Only applicable in the case of SOFR Index Average.

<sup>&</sup>lt;sup>18</sup> "D" will normally be 360.

To be included in all cases expect where the parties have agreed, in respect of an issuance where the Reference Rate is SOFR Benchmark, to the inclusion of the Benchmark Discontinuation (SOFR) fallback provisions instead.

#### PROVISIONS RELATING TO DISSOLUTION

17 Notice periods for Condition 9(b): Minimum period: [●] days

Maximum period: [●] days

18 Optional Dissolution Right: [Applicable]/[Not Applicable]

(a) Dissolution Distribution Amount: [As per Condition 1]/[•]

Optional Dissolution Date(s): [•]

Minimum period: [●] days (c) Notice period: Maximum period: [●] days

> (N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee

and the Agent)

(d) Dissolution in part: [Applicable]/[Not Applicable]

(e) If dissolution in part:

Minimum Optional Dissolution Amount:

[Not Applicable]/[●]

(ii) Maximum Optional Dissolution Amount:

[Not Applicable]/[●]

19 Certificateholder Put Right:

(c) Notice period:

[Applicable]/[Not Applicable]

**Dissolution Distribution Amount:** 

[As per Condition 1]/[•]

Certificateholder Put Right Date(s):

 $[\bullet]$ 

Minimum period: [●] days

Maximum period: [●] days

(N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee

and the Agent)

20 Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date, on any Early Tax Dissolution Date or following the occurrence of a Dissolution Event:

[As per Condition 1]/[•]

# GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

21	For	m of Certificates:	Registered Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate Reg S Compliance Category 2; TEFRA not applicable
22		ancial Centre(s) relating to payment ndition 10(d)):	[Not Applicable]/[●]
PRO	VISI	ONS IN RESPECT OF THE TRUST A	ASSETS
23	3 Series:		
	(a)	Wakala Percentage:	[●] per cent.
	(b)	Intangible Asset Percentage:	[Not Applicable]/[[●] per cent.]
24	Tru	st Assets:	Condition 5(a) applies
25	(a)	Details of Transaction Account:	Warba Sukuk Limited Transaction Account No: [●] with [●] for Series No.: [●]
	(b)	Supplemental Trust Deed:	Supplemental Trust Deed dated [●] between the Trustee, the Obligor and the Delegate
	(c)	Supplemental Purchase Agreement:	Supplemental Purchase Agreement dated [●] between the Trustee and the Obligor
	(d)	Declaration of Commingling of Assets: <sup>20</sup>	[Declaration of Commingling of Assets dated [•] executed by the Trustee][Not Applicable]
	(e)	[Notice of Request to Purchase and Offer Notice]:	[Notice of Request to Purchase dated [•] from the Obligor to the Trustee and Offer Notice dated [•] from the Trustee to the Obligor]/[Not Applicable]
Signed on behalf of		behalf of	Signed on behalf of
Warba Sukuk Limited		kuk Limited	Warba Bank K.S.C.P.
By:			By:
Duly	autho	prised	Duly authorised

<sup>&</sup>lt;sup>20</sup> Include only for an issue of further Certificates in accordance with Condition 19.

#### PART B – OTHER INFORMATION

## 1 Listing and Admission to Trading

(a) Listing and Admission to trading:

[Application has been made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on [Euronext Dublin's regulated market and to be listed on the official list of Euronext Dublin][Nasdaq Dubai or specify relevant regulated market and, if relevant, listing on an official list (for example, the official list maintained by the Dubai Financial Services Authority)] with effect from [•].]

[Application is expected to be made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on [Euronext Dublin's regulated market and to be listed on the official list of Euronext Dublin] [Nasdaq Dubai or specify relevant regulated market and, if relevant, listing on an official list (for example, the official list maintained by the Dubai Financial Services Authority)].

(b) Estimate of total expenses related to admission to trading:

[ullet]

#### 2 Ratings

Ratings:

[The Certificates to be issued [are not rated] [have been/are expected to be] rated:

[Fitch:  $[\bullet]$ ]

[Moody's: [●]]

[Standard & Poor's: [●]]

[[●]: [●]]

[Each of [●] and][●] is established in the European Economic Area and registered under Regulation (EC) No 1060/2009, as amended (the "EU CRA Regulation")]

[Each of [●] and][●] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the "EU CRA Regulation"). The ratings [have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and registered under the EU CRA Regulation.]

[Each of [●] and][●] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the "EU CRA Regulation"), but it is certified in accordance with the EU CRA Regulation.]

[Each of [●] and][●] is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the "UK CRA Regulation").] [The ratings

[have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and is registered under the EU CRA Regulation.]

[Each of [●] and][●] is not established in the UK and has applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the "UK CRA Regulation"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[Each of [●] and][●] is not established in the UK and has not applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the "UK CRA Regulation") but is certified in accordance with the UK CRA Regulation.]

#### 3 Relevant Benchmark

Relevant Benchmark

[[EURIBOR]/[specify benchmark] is provided by [administrator legal name]]. As at the date hereof, [[administrator legal name][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of Regulation (EU) 2016/1011(the "EU Benchmark Regulation").]/[As far as the Trustee is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011 (the "EU Benchmark Regulation").]/[Not Applicable]

[[[EURIBOR/[specify benchmark] is provided by [administrator legal name]]. [As at the date hereof, [[administrator legal name][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the Financial Conduct Authority pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of domestic law in the UK by virtue of the EUWA (the "UK Benchmarks **Regulation**").]/[As far as the Trustee is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011 as it forms part of domestic law in the UK by virtue of the EUWA (the "UK Benchmarks Regulation")/the transitional provisions in Article 51 of the UK Benchmarks Regulation apply such that [administrator legal name] [is/are] not currently required to obtain authorisation or registration (or, if located outside the UK, recognition, endorsement or equivalence)].]

## 4 Interests of Natural and Legal Persons involved in the Issue

[Save for any fees payable to the [Managers/Dealers], so far as each of the Trustee and the Obligor is aware, no person involved in the issue of the Certificates has an interest material to the offer.]

[The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Trustee or the Obligor and their affiliates in the ordinary course of business/[•]].

5 **Indication of profit or return** (Fixed

[•] per cent. per annum

Rate Certificates only):

The indication of profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.

# 6 Reasons for the Offer and Estimated Net Proceeds

Reasons for the offer:

 $[\bullet]$ 

[See ["Use of Proceeds"] in Base Prospectus/Give details]

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

Estimated net proceeds:

[•]

## **7** Operational Information

(a) ISIN:

[•]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary ISIN [•]. After that, the Certificates will have the same ISIN as the Original Certificates, which is [•].

(b) Common Code:

[•]/Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary Common Code [•]. After that, the Certificates will have the same Common Code as the Original Certificates, which is [•].

(c) CFI:

[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Applicable]/[Not Available]]

(d) FISN:

[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]/[Not Available]]

(e) Any clearing system(s) other than Euroclear Bank SA/NV and

[Not Applicable/give name(s), address(es) and number(s)]

Clearstream Banking, S.A. and the relevant identification number(s):

(f) Names and addresses of additional [●]Paying Agent(s) (if any):

(g) Delivery: Delivery [against/free of] payment

(h) Name and address of the Registrar(s): [●]

8 **Distribution** 

(a) Method of distribution: [Syndicated/Non-syndicated]

(b) If syndicated, names of Managers: [●]/[Not Applicable]
(c) Stabilisation Manager(s): [●]/[Not Applicable]
(d) If non-syndicated, name of Dealer: [●]/[Not Applicable]

# 9 Third Party Information

[[●] has been extracted from [●]. The Trustee and the Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable].

## **USE OF PROCEEDS**

The net proceeds from the issue of each Tranche of Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents in the following proportion: (a) the Wakala Percentage of the aggregate face amount of the Certificates of such Tranche towards the purchase of the Eligible Assets from the Bank pursuant to the relevant Purchase Agreement; and (b) the Intangible Asset Percentage of the aggregate face amount of the Certificates of such Tranche towards the purchase of Commodities to be sold to the Bank pursuant to the relevant Murabaha Contract and the Master Murabaha Agreement.

The amounts subsequently received by the Bank in consideration for the transactions entered into with the Trustee as set out above, including, if applicable, with respect to the proceeds received from the on-sale of the Commodities by the Bank, will be applied by the Bank for its general corporate purposes.

#### **DESCRIPTION OF THE TRUSTEE**

#### The Trustee

The Trustee, an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 18 March 2019 under the Companies Act (As Revised) of the Cayman Islands with company registration number 349273. The registered office of the Trustee is at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102 Cayman Islands with telephone number +1 345 945 7099.

## **Share Capital**

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 par value each, 250 of which have been issued. All of the issued shares (the "Shares") are fully paid and are held by MaplesFS Limited as share trustee (in such capacity, the "Share Trustee") under the terms of a share declaration of trust (the "Share Declaration of Trust") under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

#### The Business of the Trustee

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 18 March 2019.

The Trustee has no prior operating history or prior business and will not have any substantial assets or liabilities other than in connection with the Certificates.

The Certificates are the obligations of the Trustee alone and not the Share Trustee. Furthermore, they are not the obligations of, or guaranteed in any way by, MaplesFS Limited or any other party.

### **Financial Statements**

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

#### Directors of the Trustee

The directors of the Trustee are as follows:

Name	Principal Occupation
Kathleen Ramos	Assistant Vice President, Middle East at Maples Fund
	Services (Middle East) Limited
Linval Stewart	Vice President at MaplesFS Limited

The business address of Kathleen Ramos is Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Linval Stewart is MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The Trustee's Articles of Association provide that the board of directors of the Trustee will consist of at least one director.

#### **Conflicts**

There are no potential conflicts of interest between the duties of the directors of the Trustee to the Trustee and their private interests or other duties.

# **Secretary**

The Trustee's secretary is Maples Secretaries (Cayman) Limited of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

#### The Trustee Administrator

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

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

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

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

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

# SELECTED FINANCIAL INFORMATION

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

See also "Presentation of financial and other information" for a discussion of the sources of the numbers contained in this section.

# **Statement of Financial Position**

The table below shows the Bank's statement of financial position as at 31 December in each of 2021, 2020 and 2019.

	As at 31 December		
	2021	2020	2019
		(KD'000)	
ASSETS			
Cash and bank balances	79,856	110,999	102,544
Placements with banks and the CBK	437,043	357,897	225,703
Financing receivables	2,473,516	2,497,366	2,261,974
Financial assets at fair value through profit or loss	128,898	90,929	55,895
Financial assets at fair value through other comprehensive			
income	263,753	237,050	323,062
Investment in joint ventures	104,891	108,240	91,007
Investment properties	18,715	30,039	20,798
Other assets	55,598	23,074	39,885
Property and equipment	17,942	19,660	22,803
TOTAL ASSETS	3,580,212	3,475,254	3,143,671
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions	512,571	494,355	953,303
Depositors' accounts	2,288,918	2,353,454	1,705,811
Sukuk issued	302,024	302,429	152,179
Other liabilities	60,900	44,922	38,018
TOTAL LIABILITIES	3,164,413	3,195,160	2,849,311
EQUITY			
Share capital	200,000	157,500	150,000
Share premium	80,375	40,000	40,000
Statutory reserve	4,777	3,098	3,098
Fair value reserve	1,607	1,676	7,211
Foreign currency translation reserve	(112)	1,469	127
Retained earnings (accumulated losses)	7,882	(12)	10,061
	294,529	203,731	210,497
Proposed dividends	-	-	7,500
·			<u>,                                      </u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF			
THE BANK	294,529	203,731	217,997
Perpetual Tier 1 Sukuk	121,270	76,363	76,363
TOTAL EQUITY	415,799	280,094	294,360
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TOTAL LIABILITIES AND EQUITY	3,580,212	3,475,254	3,143,671
	- , ,	-,	-,,

# **Statement of Profit or Loss**

The table below shows the Bank's statement of profit or loss for each of 2021, 2020 and 2019.

	For the year ended 31 December		
	2021	2020	2019
	(KD '000 unless otherwise indicated)		
Placements and finance income	95,410	109,282	109,570
Finance costs and distribution to depositors	(48,580)	(62,826)	(64,081)
Net finance income	46,830	46,456	45,489
Net investment income	49,622	26,252	7,884
Net fee and commission income	4,035	3,228	5,070
Other income	4,264	3,765	296
Foreign exchange gain (loss)	2,603	(907)	1,023
Net operating income	107,354	78,794	59,762
Staff costs	(20,444)	(17,669)	(14,807)
General and administrative expenses	(4,335)	(3,936)	(4,426)
Depreciation expense	(6,031)	(4,623)	(3,174)
Net operating expenses	(30,810)	(26,228)	(22,407)
Net operating profit before provision for impairment and			
credit losses	76,544	52,566	37,355
Provision for impairment and credit losses	(59,757)	(46,638)	(19,908)
Profit before tax and board of directors' remuneration	16,787	5,928	17,447
Contribution to Kuwait Foundation for the Advancement of			
Sciences (KFAS)	(151)	-	(157)
National Labour Support Tax (NLST)	(435)	(166)	(452)
Zakat	(171)	(65)	(175)
Board of directors' remuneration	(66)	(63)	(125)
NET PROFIT FOR THE YEAR	15,964	5,634	16,538
BASIC AND DILUTED EARNINGS PER SHARE (EPS) . $\_$	6.02 fils	0.39 fils	7.36 fils

# **Statement of Comprehensive Income**

The table below shows the Bank's statement of profit or loss and other comprehensive income for each of 2021, 2020 and 2019.

	For the year ended 31 December			
	2021	2020	2019	
		(KD '000)		
Net profit for the year	15,964	5,634	16,538	
Other comprehensive income (loss) income				
Other comprehensive (loss) income that will be reclassified to				
profit or loss:				
Debt instruments at fair value through other comprehensive				
income:				
Net change in fair value	(16,373)	3,314	11,434	
Changes in allowance for expected credit losses	16,610	(979)	682	
Reclassification adjustment on derecognition	(351)	(7,903)	(215)	
Net (losses) gains on debt instruments at fair value through				
other comprehensive income	(114)	(5,568)	11,901	
Cash flow hedges:				
Hedging net losses	-	-	(1,266)	
Less: reclassification adjustment on discontinuation of the				
hedging relationship	-	-	1,209	
Movement in cash flow hedges	-	-	(57)	
Foreign current translation:				
Exchange differences on translation of foreign operations	(1,257)	1,342	48	
Reclassification adjustment on disposal of a joint venture	(324)	-		
Total items that are or may be reclassified to profit or loss.	(1,695)	(4,226)	11,892	
Other comprehensive income that will not be reclassified to				
profit or loss				
Net change in fair value of equity investments at fair value				
through other comprehensive income	45	33	13	
Total items that will not be reclassified to profit or loss	45	33	13	
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE				
YEAR	(1,650)	(4,193)	11,905	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14,314	1,441	28,443	

# **Statement of Cash Flows**

The table below summarises the Bank's statement of cash flows for each of 2021, 2020 and 2019.

	A		
_	2021	2020	2019
		(KD '000)	
OPERATING ACTIVITIES			
Profit before tax and board of directors' remuneration	16,787	5,928	17,447
Adjustments for:			
Net investment income	(49,622)	(26,252)	(7,884)
Gain on sale of property and equipment	(1)	(795)	-
Provision for employees' end of service benefits	934	904	779
Depreciation expense	6,031	4,623	3,174
Provision for impairment and credit losses	59,757	46,638	19,908
	33,886	31,046	33,424
Changes in operating assets and liabilities:			
Placements with banks and the CBK	(5,510)	18,811	1,973
Financing receivables	(19,251)	(294,393)	(672,864)
Other assets	(13,497)	16,584	(13,913)
Due to banks and other financial institutions	18,216	(459,005)	118,074
Depositors' accounts	(64,536)	647,643	652,633
Other liabilities	11,187	(4,981)	(1,332)
Taxes paid	(231)	(627)	(569)
Net cash flows (used in) from operating activities	(39,736)	(44,922)	117,426
INVESTING ACTIVITIES			
Purchase/capital contributions of financial assets at FVPL	(32,514)	(44,508)	(19,339)
Proceeds from sale/redemption of financial assets at FVPL	6,719	12,685	2,634
Purchase of financial assets at FVOCI	(110,772)	(157,759)	(228,810)
Proceeds from sale of financial assets at FVOCI	63,043	251,252	65,877
Additions to investment in joint ventures	(20,200)	(13,084)	(35,550)
Proceeds from sale of investment in joint ventures	27,705	-	-
Proceeds from sale of investment property	13,650	7,278	2,259
Purchase of property and equipment	(1,910)	(6,248)	(3,298)
Proceeds from sale of property and equipment	1	2,924	-
Dividends received from financial assets	4,145	2,175	2,151
Other investment income received	602	580	937
Amounts paid on discontinuation of the hedging relationship	-	-	(1,209)
Distributions received from joint ventures	14,328	5,388	4,159
Rental income received	705	1,064	1,425
Net cash flows from (used in) investing activities	(34,498)	61,747	(208,764)
FINANCING ACTIVITIES			
Net movement on Sukuk issued	(405)	150,250	152,179
Payment of lease liabilities	(4,319)	(2,698)	(2,187)
Proceeds from increase in share capital	82,875	-	-
Costs directly related to increase in share capital	(172)	-	-
Proceeds from issue of Perpetual Tier 1 Sukuk	75,808	-	-
Perpetual Tier 1 Sukuk issuing Cost	(450)	-	-
Redemption of Perpetual Tier 1 Sukuk	(30,901)	-	-
Profit paid to holders of Perpetual Tier 1 Sukuk	(5,769)	(4,981)	(4,943)

	As at 31 December			
_	2021	2020	2019	
	(KD '000)			
Net cash flows from financing activities	116,667	142,571	145,049	
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,433	159,396	53,711	
Cash and cash equivalents at 1 January	443,033	283,637	229,926	
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	485,466	443,033	283,637	

#### **Selected Ratios**

The table below shows selected ratios (all of which, except for the LCR and the ratios listed under 'Other ratios', are APMs) for the Bank as at, and for years ended, 31 December in each of 2021, 2020 and 2019.

	As at 31 December			
	2021	2020	2019	
		(%)		
Performance measures				
Return on average assets <sup>(1)</sup>	0.45	0.17	0.60	
Return on average equity <sup>(2)</sup>	4.62	0.33	5.63	
Cost to income ratio <sup>(3)</sup>	29	33	38	
Financial ratios				
Net financing margin <sup>(4)</sup>	1.5	1.5	1.6	
Net profit margin <sup>(5)</sup>	14.87	7.15	27.71	
Asset quality				
Non-performing financing receivables ratio (6)	1.08	1.1	1.2	
Financing receivables loss coverage ratio <sup>(7)</sup>	691	594	194	
LCR <sup>(8)</sup>	152	152	163	
Financing receivables to deposits ratio <sup>(9)</sup>	103.9	100.3	93.6	
Other ratios				
CET1 capital adequacy ratio: common equity <sup>(10)</sup>	14.53	11.63	12.82	
Total tier 1 capital adequacy ratio <sup>(10)</sup>	20.36	15.77	17.31	
Total capital adequacy ratio <sup>(10)</sup>	21.53	16.94	18.49	
Financial leverage ratio <sup>(11)</sup>	10.97	7.91	9.01	

#### Notes:

- (1) Net profit for the period less AT1 Sukuk cost (U.S.\$18.98 million in 2021, U.S.\$16.25 million in 2020 and U.S.\$16.25 million in 2019) divided by average total assets for the year, with average total assets calculated as a simple average of the opening and closing balances for the period.
- (2) Net profit for the period less AT1 Sukuk cost (U.S.\$18.98 million in 2021, U.S.\$16.25 million in 2020 and U.S.\$16.25 million in 2019) divided by equity attributable to shareholders for the year, with equity attributable to shareholders calculated as the simple average for the year based on the opening and closing balances (except for 2021 as the Bank increased its capital in November 2021 (see further "Description of the Bank—Overview—History, core businesses and financial performance"), therefore equity attributable to shareholders for 2021 is calculated based on the monthly average).
- (3) Total operating expenses divided by total operating income.
- (4) Net financing income divided by average profit-earning assets for the period. Profit-earning assets comprise financing receivables, sukuk securities and placements with banks and the CBK.
- (5) Net profit for the year divided by total operating income.

- (6) Non-performing financing receivables as a percentage of total gross financing receivables (see Note 20 to the 2021 Financial Statements).
- (7) Impairment provisions in respect of financing receivables (see Note 4 to the 2021 Financial Statements) as a percentage of non-performing financing receivables.
- (8) The LCR is calculated as stipulated in CBK Circular number 2/IBS/346/2014 dated 23 December 2014 and CBK Circular number 2/IBS/363/2016.
- (9) The sum of financing receivables and placements with banks and the CBK divided by the sum of depositors' accounts and due to banks and other financial institutions.
- (10) For all periods calculated in accordance with Basel III, as implemented in Kuwait.
- (11) The leverage ratio is calculated in accordance with CBK Circular number 2/IBS/343/2014 dated 21 October 2014.

## FINANCIAL REVIEW

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

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

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

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

#### **OVERVIEW**

The Bank is a Kuwaiti public shareholding company that was incorporated on 17 February 2010 in Kuwait by virtue of Emiri Decree No. 289/2009, and was officially enrolled in the CBK's Register of Islamic Banks on 7 April 2010. The Bank has been listed on Boursa Kuwait since September 2013.

The Bank is primarily involved in investment, corporate and retail banking activities in accordance with the principles of *Shari'a*, as approved by the Shari'a Board. The Bank's head office is located at Al-Raya Tower, Mezzanine 1, Omar Ibn Al-Khattab Street and its registered postal address is P.O. Box 1220, Safat 13013, Kuwait. The Bank's website address is <a href="www.warbabank.com">www.warbabank.com</a> and its telephone number is +965 2 2288800. As at 31 December 2021, the Bank had a network of 17 branches and 24 in-branch ATMs and 87 off-site ATMs.

The extraordinary general assembly meeting of the shareholders of the Bank held on 3 November 2021 approved an increase in the authorised, issued and paid share capital by offering 425,000,000 rights shares for subscription to the Bank's shareholders. As at 31 December 2021, the Bank's authorised, issued, and fully paid share capital comprised of 2,000,000,000 shares of 100 fils each. As at 31 December 2021, the Bank's principal shareholders were as follows: Kuwait, represented by the KIA, owned 25.908 per cent. of the Bank's total shares (24.000 per cent. directly and 1.908 per cent. indirectly), Al Sayer Holding Company directly owned 10.242 per cent., the PIFSS indirectly owned 9.344 per cent. and Mr. Abdullah Saleh Al-Shalfan directly owned 9.823 per cent.

For financial reporting purposes, the Bank's business activities are classified within the following segments:

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

#### **Financial Overview**

The Bank's net profit for the year ended 31 December 2021 increased by 183.4 per cent. to KD 16.0 million from KD 5.6 million for the year ended 31 December 2020, which represented a decrease of 65.9 per cent. from KD 16.5 million for the year ended 31 December 2019.

The Bank's total assets as at 31 December 2021 increased by 3.0 per cent. to KD 3.6 billion from KD 3.5 billion as at 31 December 2020, which represented an increase of 10.5 per cent. from KD 3.1 billion as at 31 December 2019.

The Bank's total equity as at 31 December 2021 increased by 48.4 per cent. to KD 415.8 million from KD 280.1 million as at 31 December 2020, which represented a decrease of 4.8 per cent. from KD 294.4 million as at 31 December 2019.

As at 31 December 2021, the Bank's portfolio of financing receivables was KD 2.5 billion (representing 69.1 per cent. of its total assets) and its deposits from customers were KD 2.3 billion, compared to KD 2.5 billion and KD 2.4 billion respectively as at 31 December 2020. As at 31 December 2021, the Bank's investment portfolio (including investments in sukuk) amounted to KD 516.3 million (representing 14.4 per cent. of its total assets) compared to KD 466.3 million as at 31 December 2020 and KD 490.8 million as at 31 December 2019.

As at 31 December 2021, the Bank's total capital adequacy ratio (calculated in accordance with the Basel III methodology adopted by the CBK) was 21.53 per cent. compared to 16.94 per cent. as at 31 December 2020 and 18.49 per cent. as at 31 December 2019. As at 31 December 2021, the Bank's total tier 1 capital adequacy ratio (calculated in accordance with the Basel III methodology adopted by the CBK) was 20.36 per cent. compared to 15.77 per cent. as at 31 December 2020 and 17.31 per cent. as at 31 December 2019.

As at 31 December 2021, the Bank's financial leverage ratio (calculated in accordance with CBK Circular number 2/BS/343/2014 dated 21 October 2014 (as amended)), was 10.97 per cent. compared to 7.91 per cent. as at 31 December 2020 and 9.01 per cent. as at 31 December 2019.

## PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

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

#### **Economic Environment in Kuwait**

The Bank is a Kuwaiti bank focused on financing, and accepting deposits from, institutions, companies and residents in Kuwait. As a result, its revenue and results of operations are principally affected by economic and market conditions in Kuwait. See "Overview of Kuwait—Economic Overview" for a summary of Kuwait's GDP, the contribution of the oil and oil products sector to Kuwait's GDP, recent OPEC reference basket movements, inflation trends and Kuwait's public finances.

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

As at the date of this Base Prospectus, the most recent long-term foreign and local currency sovereign rating assigned to Kuwait by Moody's was A1 (stable outlook), by Standard & Poor was A+ (negative outlook) and by Fitch was AA- (stable outlook).

# **Impact of COVID-19**

The COVID-19 pandemic has affected the Bank at all levels, particularly when considering the unpredictability of the spread of the virus as well as government and global responses (see further "Risk Factors—Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents—Economic Risks—The outbreak of communicable diseases around the world, in particular the COVID-19 pandemic, has led to economic volatility, which may materially and adversely affect the Bank's business, financial condition and results of operations").

In Kuwait, the domestic economy was pressured due to long periods of curfew, which negatively impacted the Bank's operations. In October 2020, the World Bank estimated that GDP in Kuwait would contract by around 7.9 per cent. in 2020 due to the restrictive measures implemented in Kuwait. As a result, the Bank downgraded certain exposures, which had a corresponding increase to the Bank's expected credit losses in 2020. The Bank similarly increased its general provisions for this period.

The first COVID-19 case was confirmed in Kuwait on 24 February 2020, followed by a sequence of Government decisions that started with business closures on 9 March 2020 and escalated to a complete lockdown during May 2020. In May 2020, the Government outlined a five-phased plan for returning to normal life in Kuwait and Kuwait entered phase five in October 2021.

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 (with this level ultimately reaching 1.5 per cent.). The Bank 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 Bank sought to leverage the flexibility of its business model, providing support and advice to customers facing financial difficulties and relying heavily on the Bank's digital capabilities to maintain the level of service quality and accessibility that customers would expect in normal times.

The curfew restrictions and slower economic activity, especially during the second quarter of 2020, had a significant adverse impact on the Bank. The decrease in profit rates resulted in a reduction in the Bank's profit margins, while lower transaction volumes resulted in lower fees and commission income. 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 Bank's customers, which led to a significant increase in provision for impairment and credit losses.

The Bank along with other Kuwaiti banks was required by the CBK to postpone monthly payment instalments of consumer financing, instalment financing and credit cards for all customers for a period of six months effective from April 2020 with waiving additional profits and charges during this period. As a result, the Bank recalculated the gross carrying amount based on the revised cash flows of the financial assets and recognised a modification loss of KD 10.726 million charged to retained earnings in accordance with the CBK's instructions.

During 2021, Kuwait banks announced the postponement of payments of consumer and instalment financing to eligible customers, upon request, in accordance with the CBK circular No. 2/BS/IBS/IS/IS/FS/476/2021 dated 18 April 2021 concerning the implementing provisions of Article No. (2) of Law No. (3) of 2021 (the "**Deferral Law**") regarding the deferral of the financial obligations for a six-month period with cancellation of profits resulting from this deferral (the "**2021 Deferral Scheme**"). The cost of the instalment deferrals were fully borne and funded by the Government in accordance with the Deferral Law.

The Bank implemented the 2021 Deferral Scheme by postponing instalments for a six-month period from the date requested by the customer with a corresponding extension to the facility tenure. For the year ended 31 December 2021, instalment deferrals resulted in a loss to the Bank arising from the modification of contractual cash-flows, provisionally estimated at KD 9,013 thousand in accordance with IFRS 9. The modification loss arising from the

moratorium is funded by the Government under the 2021 Deferral Scheme and thus treated as a government grant in accordance with IAS 20. Consequently, the modification losses were offset by an equivalent amount of grant income reimbursable by the Government. The grant receivable is included in other assets in the consolidated statement of financial position of the Bank as at 31 December 2021.

#### SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with IFRS, as adopted for use by Kuwait for financial services institutions regulated by the CBK. For a discussion of the accounting policies applied by the Bank generally, see Note 2.4 to the 2021 Financial Statements.

# CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the Bank's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Bank's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenue and expenses during the years presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and such estimates and assumptions are evaluated by management on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgement. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements.

For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Bank's financial statements, see Note 2.5 to the 2021 Financial Statements.

#### RECENT DEVELOPMENTS

On 28 April 2022, the Bank published the 2022 Interim Financial Statements, which have not been audited. The following discussion is based on the financial information included in the 2022 Interim Financial Statements.

The Bank's financing portfolio increased by 4.3 per cent. to KD 2.6 billion as at 31 March 2022 compared to KD 2.5 billion as at 31 December 2021 and its non-performing financing receivables ratio as at 31 March 2022 was 1.27 per cent. compared to 1.08 per cent. as at 31 December 2021, principally due to delinquency by corporate clients.

The Bank's total assets increased by 6.1 per cent. to KD 3.8 billion as at 31 March 2022 compared to KD 3.6 billion as at 31 December 2021.

The Bank's cost to income ratio for the three months ended 31 March 2022 was 39.3 per cent., compared to 28.7 per cent. as at 31 December 2021.

As at 31 March 2022, the Bank's total capital adequacy ratio (calculated in accordance with the Basel III methodology adopted by the CBK) was 18.9 per cent. and its total tier 1 capital adequacy ratio (calculated in accordance with the Basel III methodology adopted by the CBK) was 17.7 per cent.

# Results of operations as at and for the three months ended 31 March 2022 compared to the three months ended 31 March 2021

# Net operating income

The following table sets out the principal components of the Bank's net operating income for the three months ended 31 March 2022 and 31 March 2021.

	For the three months ended 31		
	March		
_	2022	2021	
	(KD	(000)	
Placements and finance income	24,188	23,025	
Finance costs and distribution to depositors	(12,489)	(11,586)	
Net finance income	11,699	11,439	
Net investment income	6,674	6,234	
Net fee and commission income	1,497	596	
Other income	339	108	
Foreign exchange gain (loss)	99	1320	
Net operating income	20,308	19,697	

The Bank's net operating income for the three months ended 31 March 2022 increased by 3.1 per cent. to KD 20.3 million from KD 19.7 million for the three months ended 31 March 2021. This increase was principally a result of higher net fee and commission income.

# Net finance income

The Bank's net finance income for the three months ended 31 March 2022 remained stable, increasing by 2.3 per cent. to KD 11.7 million from KD 11.4 million for the three months ended 31 March 2021.

# Net fee and commission income

The Bank's net fee and commission income for the three months ended 31 March 2022 increased by 151.2 per cent. to KD 1.5 million from KD 596,000 for the three months ended 31 March 2021. This increase was principally a

result of associated income from a structured finance deal as well as the Bank's retail business returning to normal pace after the COVID-19 pandemic.

#### Net investment income

The Bank's net investment income for the three months ended 31 March 2022 increased by 7.1 per cent. to KD 6.7 million from KD 6.2 million for the three months ended 31 March 2021. This increase was principally a result of higher income generated from funds.

# Other sources of operating income

The Bank's other income for the three months ended 31 March 2022 increased by 213.9 per cent. to KD 339,000 from KD 108,000 for the three months ended 31 March 2021.

The Bank's foreign exchange gain for the three months ended 31 March 2022 amounted to KD 99,000 million compared to KD 1.3 million for the three months ended 31 March 2021. This foreign exchange gain for the three months ended 31 March 2022 was principally a result of foreign exchange trading activities.

#### Net operating expenses

The following table sets out the principal components of the Bank's net operating expenses for the three months ended 31 March 2022 and 31 March 2021.

	For the three months ended 31 March		
	2022	2021	
	(KD '000)		
Staff costs	(5,492)	(4,511)	
General and administrative expenses	(976)	(809)	
Depreciation expense	(1,504)	(1,460)	
Net operating expenses	(7,972)	(6,780)	

The Bank's net operating expenses for the three months ended 31 March 2022 increased by 17.6 per cent. to KD 8.0 million from KD 6.8 million for the three months ended 31 March 2021. This increase was principally a result of:

- an increase in staff costs of 21.7 per cent. to KD 5.5 million for the three months ended 31 March 2022 from KD 4.5 million for the three months ended 31 March 2021; and
- an increase in general and administrative expenses of 20.6 per cent. to KD 1.0 million for the three months ended 31 March 2022 from KD 0.8 million for the three months ended 31 March 2021.

# Net operating profit before provision for impairment and credit losses

As a result of the increases and decreases in the line items set out above, the Bank's net operating profit before provision for impairment and credit losses for the three months ended 31 March 2022 decreased by 4.5 per cent. to KD 12.3 million from KD 12.9 million for the three months ended 31 March 2021.

# Provision for impairment and credit losses

The Bank's provision for impairment and credit losses for the three months ended 31 March 2022 decreased by 47.4 per cent. to KD 5.3 million from KD 10.0 million for the three months ended 31 March 2021. This decrease was principally a result of lower precautionary provisioning than the Bank reported during the height of the COVID-19 pandemic.

# Profit before tax

As a result of the increases and decreases in the line items set out above, the Bank's profit before tax for the three months ended 31 March 2022 increased by 142.8 per cent. to KD 7.1 million from KD 2.9 million for the three months ended 31 March 2021.

#### Other deductions

The Bank's other deductions comprise its contribution to the Kuwait Foundation for the Advancement of Sciences, national labour support tax charged in Kuwait and its zakat charge. Together, these charges amounted to KD 323,000 for the three months ended 31 March 2022 and KD 132,000 for the three months ended 31 March 2021.

# Net profit for the period

As a result of the increases and decreases in the line items set out above, the Bank's profit for the period for the three months ended 31 March 2022 increased by 142.7 per cent. to KD 6.8 million from KD 2.8 million for the three months ended 31 March 2021.

# Results of operations as at and for the year ended 31 December 2021 compared to the year ended 31 December 2020

# Net operating income

The following table sets out the principal components of the Bank's net operating income for the years ended 31 December 2021 and 31 December 2020.

	For the year ended 31 December		
	2021	2020	
	(KD '00	0)	
Placements and finance income	95,410	109,282	
Finance costs and distribution to depositors	(48,580)	(62,826)	
Net finance income	46,830	46,456	
Net investment income	49,622	26,252	
Net fee and commission income	4,035	3,228	
Other income	4,264	3,765	
Foreign exchange (loss) gain	2,603	(907)	
Net operating income	107,354 78,794		

The Bank's net operating income for the year ended 31 December 2021 increased by 36.2 per cent. to KD 107.4 million from KD 78.8 million for the year ended 31 December 2020. This increase was principally a result of the increases and decreases in the line items set out below.

#### Net finance income

Net finance income comprised 43.6 per cent. of its net operating income in 2021 compared to 59.0 per cent. in 2020.

Net finance income is calculated by deducting finance costs and distribution to depositors from placements and finance income. The Bank earns placements and finance income on its portfolio of financing receivables and on its placements with banks and the CBK. The Bank makes distributions to depositors based on the Bank's results at the end of each quarter. Placements, finance income and financing costs are recognised in the income statement using the effective profit rate, as explained in Note 2 to the 2021 Financial Statements.

The Bank's net finance income for the year ended 31 December 2021 increased by 0.8 per cent. to KD 46.8 million from KD 46.5 million for the year ended 31 December 2020. This increase was principally a result of a 22.7 per cent. decrease in finance costs and distribution to depositors due to lower funding rates partially offset by a 12.7 per cent. decrease in placement and finance income due to lower yields.

#### Net investment income

Net investment income comprised 46.2 per cent. of its net operating income in 2021 compared to 33.3 per cent. in 2020.

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

The Bank's net investment income for the year ended 31 December 2021 increased by 89.0 per cent. to KD 49.6 million from KD 26.3 million for the year ended 31 December 2020. This increase was principally a result of a higher share of results from joint ventures and income generated from funds and portfolios.

# Net fee and commission income

Net fee and commissions income is calculated by deducting fees and commissions paid by the Bank from fees and commissions income earned by the Bank. The Bank's fee and commissions income is comprised of financing syndication fees, credit-related fees and commissions, investment management fees and brokerage fees. Credit-related fees and commissions relate to customer financing advanced by the Bank, other financing facilities made available by it (such as letters of credit and guarantees issued by it), and other fees such as account servicing and card-related fees. The Bank pays fees and commissions principally in respect of cards.

The Bank's net fee and commission income for the year ended 31 December 2021 increased by 25.0 per cent. to KD 4.0 million from KD 3.2 million for the year ended 31 December 2020. This increase was principally a result of associated income from a structure finance deal and the Bank's retail business returning to normal pace after the COVID-19 pandemic.

# Other sources of operating income

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

The Bank's other income for the year ended 31 December 2021 increased 13.3 per cent. to KD 4.3 million from KD 3.8 million for the year ended 31 December 2020. This increase was principally a result of the collection of income from deals previously written off.

The Bank reported a foreign exchange gain of KD 2.6 million for the year ended 31 December 2021 compared to a foreign exchange loss of KD 0.9 million for the year ended 31 December 2020.

#### Net operating expenses

The following table sets out the principal components of the Bank's net operating expenses for the years ended 31 December 2021 and 31 December 2020.

	For the year ended 31 December		
	2021	2020	
	(KD '000)		
Staff costs	(20,444)	(17,669)	
General and administrative expenses	(4,335)	(3,936)	
Depreciation expense	(6,031)	(4,623)	
Net operating expenses	(30,810)	(26,228)	

The Bank's net operating expenses for the year ended 31 December 2021 increased by 17.5 per cent. to KD 30.8 million from KD 26.2 million for the year ended 31 December 2020. This increase was principally a result of:

- a 15.7 per cent. increase in staff costs due to both increased staff numbers and increased staff costs;
- a 10.1 per cent. increase in general and administrative expenses due to the return of normal business activities after the COVID-19 pandemic; and
- a 30.5 per cent. increase in depreciation expense due to the expansion of the Bank's retail network and the depreciation of right-of-use capital expenditure items.

#### Net operating profit before provision for impairment and credit losses

As a result of the increases and decreases in the line items set out above, the Bank's net operating profit before provision for impairment and credit losses for the year ended 31 December 2021 increased by 45.6 per cent. to KD 76.5 million from KD 52.6 million for the year ended 31 December 2020.

#### Provision for impairment and credit losses

The Bank's provision for impairment and credit losses for the year ended 31 December 2021 increased by 28.1 per cent. to KD 59.8 million from KD 46.6 million for the year ended 31 December 2020. The increase in provision charges was principally due to provision for expected credit losses for investment in sukuk of KD 16.6 million compared to a reversal of expected credit losses for investment in sukuk of KD 1.0 million for the year ended 31 December 2020. Further, the Bank reported an extra general discretionary charge provision to ensure a sufficient provision reserve in light of the COVID-19 pandemic.

# Profit before tax and board of directors' remuneration

As a result of the increases and decreases in the line items set out above, the Bank's profit before tax and board of directors' remuneration for the year ended 31 December 2021 increased by 183.2 per cent. to KD 16.8 million from KD 5.9 million for the year ended 31 December 2020.

# Board of directors' remuneration

The Bank paid board of directors' remuneration of KD 66,000 for the year ended 31 December 2021 compared to KD 63,000 for the year ended 31 December 2020.

#### Other deductions

The Bank's other deductions comprise its contribution to the Kuwait Foundation for the Advancement of Sciences, national labour support tax charged in Kuwait and its zakat charge. Together, these charges amounted to KD 757,000 for the year ended 31 December 2021 and KD 231,000 (excluding the contribution to Kuwait Foundation for Advancement of Sciences for which the Bank did not report a contribution for the year ended 31 December 2020) for the year ended 31 December 2020.

#### Net profit for the year

As a result of the increases and decreases in the line items set out above, the Bank's profit for the year ended 31 December 2021 increased by 183.4 per cent. to KD 16.0 million from KD 5.6 million for the year ended 31 December 2020.

# Results of operations as at and for the year ended 31 December 2020 compared to the year ended 31 December 2019

# Net operating income

The following table sets out the principal components of the Bank's net operating income for the years ended 31 December 2020 and 31 December 2019.

	For the year ended 31 December		
	2020	2019	
	(KD '00	0)	
Placements and finance income	109,282	109,570	
Finance costs and distribution to depositors	(62,826)	(64,081)	
Net finance income	46,456	45,489	
Net investment income	26,252	7,884	
Net fee and commission income	3,228	5,070	
Other income	3,765	296	
Foreign exchange (loss) gain	(907)	1,023	
Net operating income	78,794	59,762	

The Bank's net operating income for the year ended 31 December 2020 increased by 31.8 per cent. to KD 78.8 million from KD 59.8 million for the year ended 31 December 2019. This increase was principally a result of the increases and decreases in the line items set out below.

#### Net finance income

Net finance income is the Bank's principal source of income comprising 59.0 per cent. of its net operating income in 2020 compared to 76.2 per cent. in 2019.

Net finance income is calculated by deducting finance costs and distribution to depositors from placements and finance income. The Bank earns placements and finance income on its portfolio of financing receivables and on its placements with banks and the CBK. The Bank makes distributions to depositors based on the Bank's results at the end of each quarter. Placements, finance income and financing costs are recognised in the income statement using the effective profit rate, as explained in Note 2 to the 2020 Financial Statements.

The Bank's net finance income for the year ended 31 December 2020 increased by 2.1 per cent. to KD 46.5 million from KD 45.5 million for the year ended 31 December 2019. This increase was principally a result of a 2.0 per cent. decrease in finance costs and distribution to depositors to KD 62.8 million for the year ended 31 December 2020 from KD 64.1 million for the year ended 31 December 2019, partially offset by a 0.3 per cent. decrease in placements and finance income to KD 109.3 million for the year ended 31 December 2020 from KD 109.6 million for the year ended 31 December 2019. The decrease in finance costs and distribution to depositors for the year ended 31 December 2020 compared to the year ended 31 December 2019 was principally a result of a decrease in discount rates as the CBK reduced the rate by 125 basis points during 2019. The decrease in placements and finance income for the year ended 31 December 2020 compared to the year ended 31 December 2019 was principally a result of the decrease in discount rates by the CBK, as noted above.

# Net fee and commission income

Net fee and commissions income is calculated by deducting fees and commissions paid by the Bank from fees and commissions income earned by the Bank. The Bank's fee and commissions income is comprised of financing syndication fees, credit-related fees and commissions, investment management fees and brokerage fees. Credit-related fees and commissions relate to customer financing advanced by the Bank, other financing facilities made

available by it (such as letters of credit and guarantees issued by it), and other fees such as account servicing and card-related fees. The Bank pays fees and commissions principally in respect of cards.

The Bank's net fee and commission income for the year ended 31 December 2020 decreased by 36.3 per cent. to KD 3.2 million from KD 5.1 million for the year ended 31 December 2019. This decrease was principally a result of the COVID-19 pandemic and the consequent slow-down in business transactions, particularly in trade financing.

# Net investment income

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

The Bank's net investment income for the year ended 31 December 2020 increased by 233.0 per cent. to KD 26.3 million from KD 7.9 million for the year ended 31 December 2019. This increase was principally a result of realised gain on debt instruments at FVOCI (amounting to KD 7.9 million for the year ended 31 December 2020 compared to KD 0.2 million for the year ended 31 December 2019), realised gain on sale of financial assets at FVTPL (amounting to KD 2.1 million for the year ended 31 December 2020 compared to KD 23,000 for the year ended 31 December 2019) and gain on sale of investment property (amounting to KD 2.0 million for the year ended 31 December 2020 compared to KD 61,000 for the year ended 31 December 2019).

# Other sources of operating income

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

The Bank's other income for the year ended 31 December 2020 increased over 10-fold to KD 3.8 million from KD 0.3 million for the year ended 31 December 2019. This increase was principally a result of financial support amounting to KD 1.5 million from the Government. In an attempt to mitigate the impact of the COVID-19 pandemic, the Government introduced measures to aid private entities in response to the pandemic. These measures include Government assistance towards the national workforce in the private sector for a period of up to six months effective from June 2020.

The Bank reported a foreign exchange loss of KD 0.9 million for the year ended 31 December 2020 compared to a foreign exchange gain of KD 1.0 million for the year ended 31 December 2019.

# Net operating expenses

The following table sets out the principal components of the Bank's net operating expenses for the years ended 31 December 2020 and 31 December 2019.

	For the year ended 31 December		
	2020	2019	
	(KD '000)		
Staff costs	(17,669)	(14,807)	
General and administrative expenses	(3,936)	(4,426)	
Depreciation expense	(4,623)	(3,174)	
Net operating expenses	(26,228)	(22,407)	

The Bank's net operating expenses for the year ended 31 December 2020 increased by 17.1 per cent. to KD 26.2 million from KD 22.4 million for the year ended 31 December 2019. This increase was principally a result of:

- an increase in staff costs of 19.3 per cent. to KD 17.7 million for the year ended 31 December 2020 from KD 14.8 million for the year ended 31 December 2019 (as a result of both increased staff numbers and increase in staff costs); and
- an increase in depreciation expense of 45.7 per cent. to KD 4.6 million for the year ended 31 December 2020 from KD 3.2 million for the year ended 31 December 2019,

partially offset by a decrease in general and administrative expenses of 11.1 per cent. to KD 3.9 million for the year ended 31 December 2020 from KD 4.4 million for the year ended 31 December 2019.

#### Net operating profit before provision for impairment and credit losses

As a result of the increases and decreases in the line items set out above, the Bank's net operating profit before provision for impairment and credit losses for the year ended 31 December 2020 increased by 40.7 per cent. to KD 52.6 million from KD 37.4 million for the year ended 31 December 2019.

#### Provision for impairment and credit losses

The Bank's provision for impairment and credit losses for the year ended 31 December 2020 increased by 134.3 per cent. to KD 46.6 million from KD 19.9 million for the year ended 31 December 2019. The increase in provision charges was principally due to default by certain corporate clients against which the Bank charged a provision at 100 per cent.

#### Profit before tax and board of directors' remuneration

As a result of the increases and decreases in the line items set out above, the Bank's profit before tax and board of directors' remuneration for the year ended 31 December 2020 decreased by 66.0 per cent. to KD 5.9 million from KD 17.4 million for the year ended 31 December 2019.

# Board of directors' remuneration

The Bank paid board of directors' remuneration of KD 63,000 for the year ended 31 December 2020 compared to KD 125,000 for the year ended 31 December 2019.

# Other deductions

The Bank's other deductions comprise its contribution to the Kuwait Foundation for the Advancement of Sciences, national labour support tax charged in Kuwait and its zakat charge. Together, these charges amounted to KD 231,000 for the year ended 31 December 2020 (excluding the contribution to Kuwait Foundation for Advancement of Sciences for which the Bank did not report a contribution for the year ended 31 December 2020) and KD 784,000 for the year ended 31 December 2019.

#### Net profit for the year

As a result of the increases and decreases in the line items set out above, the Bank's profit for the year ended 31 December 2020 decreased by 65.9 per cent. to KD 5.6 million from KD 16.5 million for the year ended 31 December 2019.

#### **SEGMENTAL ANALYSIS**

The following table sets out segment revenue and results for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 and segment assets as at 31 December 2021, 31 December 2020 and 31 December 2019.

As at and for the year ended 31 December 2021

	Corporate	Retail	Treasury	Investment	Other	Total
			(KD	(000)		
Operating income	42,853	15,938	138	48,425	-	107,354
Net (loss) profit	142	5,532	(292)	29,763	(19,181)	15,964
Total assets	1,968,675	518,131	682,637	360,404	50,365	3,580,212
Total liabilities	564,368	909,001	1,643,084	-	47,960	3,164,413

As at and for the year ended 31 December 2020

	Corporate	Retail	Treasury	Investment	Other	Total
			(KD	(000'0		
Operating income	39,679	14,165	3,355	21,595	-	78,794
Net (loss) profit	(8,165)	4,294	3,094	20,810	(14,399)	5,634
Total assets	2,053,066	444,300	620,464	314,691	42,733	3,475,254
Total liabilities	514,070	707,016	1,929,152	-	44,922	3,195,160

As at and for the year ended 31 December 2019

	Corporate	Retail	Treasury	Investment	Other	Total
			(KD	(000'0		
Operating income	43,212	10,378	(300)	6,472	-	59,762
Net (loss) profit	24,349	974	(485)	4,214	(12,514)	16,538
Total assets	1,866,249	399,451	515,321	299,963	62,687	3,143,671
Total liabilities	445,576	492,087	1,873,630	-	38,018	2,849,311

#### Corporate

# Operating income

The corporate reporting segment's operating income increased by 8.0 per cent. to KD 42.9 million for the year ended 31 December 2021 from KD 39.7 million for the year ended 31 December 2020 principally as a result of corporate business activities returning to their normal pace after the COVID-19 pandemic.

The corporate reporting segment's operating income decreased by 8.2 per cent. to KD 39.7 million for the year ended 31 December 2020 from KD 43.2 million for the year ended 31 December 2019 principally as a result of growth in the corporate reporting segment's customer financing receivables.

# Net profit (loss)

The corporate reporting segment reported a net profit of KD 142,000 for the year ended 31 December 2021 compared to net loss of KD 8.2 million for the year ended 31 December 2020 principally as a result of lower credit provisions charges for the period.

The corporate reporting segment reported a net loss of KD 8.2 million for the year ended 31 December 2020 compared to net profit of KD 24.3 million for the year ended 31 December 2019 principally as a result of an increase in provision charges related to certain corporate clients.

#### Total assets

The corporate reporting segment's total assets decreased by 4.1 per cent. to KD 2.0 billion as at 31 December 2021 from KD 2.1 billion as at 31 December 2020 principally as a result of growth in the corporate reporting segment's customer financing receivables, reflecting the Bank's adoption of a de-risking approach for certain corporate exposures.

The corporate reporting segment's total assets increased by 10.0 per cent. to KD 2.1 billion as at 31 December 2020 from KD 1.9 billion as at 31 December 2019 principally as a result of growth in the corporate reporting segment's customer financing receivables, reflecting an increase in the Bank's market share.

#### Retail

#### Operating income

The retail reporting segment's operating income increased by 12.5 per cent. to KD 15.9 million for the year ended 31 December 2021 from KD 14.2 million for the year ended 31 December 2020 principally as a result of retail business activities returning to their normal pace after the COVID-19 pandemic and supported by stable financing income from retail customers.

The retail reporting segment's operating income increased by 36.5 per cent. to KD 14.2 million for the year ended 31 December 2020 from KD 10.4 million for the year ended 31 December 2019 principally as a result of growth in the retail reporting segment's customer financing receivables.

#### Net profit

The retail reporting segment's net profit increased by 28.8 per cent. to KD 5.5 million for the year ended 31 December 2021 from KD 4.3 million for the year ended 31 December 2020 principally as a result of growth in the retail reporting segment's customer financing receivables.

The retail reporting segment's net profit increased by 340.9 per cent. to KD 4.3 million for the year ended 31 December 2020 from KD 1.0 million for the year ended 31 December 2019 principally as a result of growth in the retail reporting segment's customer financing receivables.

#### Total assets

The retail reporting segment's total assets increased by 16.6 per cent. to KD 518.1 million as at 31 December 2021 from KD 444.3 million as at 31 December 2020 principally as a result of an increase in the retail financing portfolio.

The retail reporting segment's total assets increased by 11.2 per cent. to KD 444.3 million as at 31 December 2020 from KD 399.5 million as at 31 December 2019 principally as a result of growth in the retail reporting segment's customer financing receivables, reflecting an increase in the Bank's market share.

## **Treasury**

# Operating income

For the year ended 31 December 2021, the treasury reporting segment reported operating income amounting to KD 138,000 compared to an operating income of KD 3.4 million for the year ended 31 December 2020 principally as a result of the sale of investment in sukuk during 2020.

For the year ended 31 December 2020, the treasury reporting segment reported operating income amounting to KD 3.4 million compared to an operating income loss of KD 0.3 million for the year ended 31 December 2019 principally as a result of growth in placements with banks partially offset by a decline in average profit rates.

#### Net profit (loss)

For the year ended 31 December 2021, the treasury reporting segment reported a net loss of KD 292,000 compared to a net profit of KD 3.1 million for the year ended 31 December 2020 principally as a result of the sale of investment in sukuk during 2020.

For the year ended 31 December 2020, the treasury reporting segment reported a net profit of KD 3.1 million compared to a net loss of KD 0.5 million for the year ended 31 December 2019 principally as a result of increased money market activities commensurate with the growth of the Bank.

#### Total assets

The treasury reporting segment's total assets increased by 10.0 per cent. to KD 682.6 million as at 31 December 2021 from KD 620.5 million as at 31 December 2020 principally as a result of an increase in liquid assets including placements with banks and sukuk.

The treasury reporting segment's total assets increased by 20.4 per cent. to KD 620.5 million as at 31 December 2020 from KD 515.3 million as at 31 December 2019 principally as a result of an increase in liquid assets including placements with banks and sukuk.

#### Investment

#### Operating income

The investment reporting segment's operating income increased by 124.2 per cent. to KD 48.4 million for the year ended 31 December 2021 from KD 21.6 million for the year ended 31 December 2020 principally as a result of growth in the Bank's investment portfolio resulting in increased income from funds and portfolios in addition to the income share from joint ventures.

The investment reporting segment's operating income increased by 233.7 per cent. to KD 21.6 million for the year ended 31 December 2020 from KD 6.5 million for the year ended 31 December 2019 principally as a result of growth in the Bank's investment portfolio as well as gains realised on the disposal of investments.

# Net profit

The investment reporting segment's net profit increased by 43.0 per cent. to KD 29.8 million for the year ended 31 December 2021 from KD 20.8 million for the year ended 31 December 2020 principally as a result of the growth of investment portfolio income generating assets in addition to gains realised from the sale of investment assets.

The investment reporting segment's net profit increased by 393.8 per cent. to KD 20.8 million for the year ended 31 December 2020 from KD 4.2 million for the year ended 31 December 2019 principally as a result of growth in the Bank's investment portfolio as well as gains realised on the disposal of investments.

#### Total assets

The investment reporting segment's total assets increased by 14.5 per cent. to KD 360.4 million as at 31 December 2021 from KD 314.7 million as at 31 December 2020 principally as a result of increased investment in funds and sukuk.

The investment reporting segment's total assets increased by 4.9 per cent. to KD 314.7 million as at 31 December 2020 from KD 300.0 million as at 31 December 2019 principally as a result of growth in the Bank's investment portfolio.

#### LIQUIDITY AND FUNDING

#### Overview

The Bank's liquidity needs arise primarily from advancing financing to customers, the payment of expenses and investments in sukuk and equity securities. To date, the Bank's liquidity needs have been funded principally through deposits, murabaha syndication, the AT1 Sukuk, share capital and operating cash flow, including profit income received on its portfolio of receivables financing and its portfolio of sukuk investment securities. See "—Funding" below.

#### Liquidity

The table below shows the Bank's cash flow from operating activities, investing activities and financing activities for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

	As at 31 December			
_	2021	2020	2019	
		(KD '000)		
Net cash flows (used in) from operating activities	(39,736)	(44,922)	117,426	
Net cash flows (used in) from investing activities	(34,498)	61,747	(208,764)	
Net cash flows from financing activities	116,667	142,571	145,049	
Net increase in cash and cash equivalents	42,433	159,396	53,711	
Cash and cash equivalents at 1 January	443,033	283,637	229,926	
Cash and cash equivalents at 31 December	485,466	443,033	283,637	

#### Operating activities

For the year ended 31 December 2021, the Bank's net cash flows used in operating activities amounted to KD 39.7 million, representing an 11.5 per cent. decrease from KD 44.9 million for the year ended 31 December 2020. For the year ended 31 December 2019, the Bank reported net cash flows from operating activities of KD 117.4 million.

The decrease in 2021 was principally a result of the reversal of some of the negative trends affecting the Bank's operating activities in 2020 (as outlined below).

The Bank reported net cash flows used in operating activities for 2020 compared to net cash flows from operating activities for 2019 principally a result of: an increase in placements with banks and the growth of the Bank's customer financing receivables; a decrease in amounts due to banks and financial institutions; and the impact of the COVID-19 pandemic as the Bank deferred instalments for retail clients for a period of 6 months.

# Investing activities

For the year ended 31 December 2021, the Bank's net cash flows used in investing activities amounted to KD 34.5 million compared to net cash flows from investing activities amounting to KD 61.7 million for the year ended 31 December 2020 and compared to net cash flows used in investing activities of KD 208.8 million for the year ended 31 December 2019.

The Bank reported net cash flows used in investing activities for the year ended 31 December 2021 as a result of investment in funds and sukuk.

The increase in 2020 was principally a result of the sale of investment securities and properties.

#### **Funding**

The Bank's principal sources of funding are its customer deposits and, to a lesser extent, interbank deposits. The Bank also has access to a pool of unencumbered and liquid securities in the form of sukuk as well as quoted financial assets at fair value through profit or loss and equity securities that it can access to meet liquidity needs, in addition to its cash balances and placements with the CBK and other banks.

The Bank's depositors' accounts were KD 2.3 billion or 72.3 per cent. of its total liabilities as at 31 December 2021, KD 2.4 billion or 73.7 per cent. of its total liabilities as at 31 December 2020 and KD 1.7 billion, or 59.9 per cent. of its total liabilities as at 31 December 2019.

The Bank enjoys significant support from the Government and its related agencies were the source of approximately 25.8 per cent. of the Bank's total funding as at 31 December 2021 compared to 37.3 per cent. as at 31 December 2020 and 27.8 per cent. as at 31 December 2019 (see further "Risk factors—Factors that may affect the Bank's ability to fulfil its obligations under the Transaction Documents—The Bank's customer financing receivables, deposit base and investment securities portfolio are concentrated in Kuwait").

The following table sets out the Bank's funding in the form of customer deposits and amounts due to banks and other financial institutions as at 31 December 2021, 31 December 2020 and 31 December 2019.

	As at 31 December					
	2021		2020	)	2019	)
	(KD'000)	(%)	(KD'000)	(%)	(KD'000)	(%)
Due to banks and other financial institutions	512,571	16.2	494,355	15.5	953,303	33.5
Depositors' accounts	2,288,918	72.3	2,353,454	73.6	1,705,811	59.9
Sukuk issued	302,024	9.5	302,429	9.5	152,179	5.3
Other liabilities	60,900	1.9	44,922	1.4	38,018	1.3
TOTAL LIABILITIES	3,164,413	100.0	3,195,160	100.0	2,849,311	100.0

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

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

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

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

# Maturity profile

The following table sets out maturity profile of the Bank's liabilities as at 31 December 2021, 31 December 2020 and 31 December 2019 based on contractual repayment arrangements with the exception of some investments which are bucketed as per CBK criteria.

	Within 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
			(KD'000)		
31 December 2021					
Due to banks and other financial institutions	358,599	45,363	48,011	60,598	512,571
Depositors' accounts	1,489,677	465,290	306,010	27,941	2,288,918
Sukuk issued	_	-	_	302,024	302,024
Other liabilities	44,024	-	-	16,876	60,900
	1,892,300	510,653	354,021	407,439	3,164,413
31 December 2020			ŕ	·	
Due to banks and other financial institutions	289,510	53,507	22,163	129,175	494,355
Depositors' accounts	1,053,677	395,128	431,209	23,440	2,353,454
Sukuk issued	_	-	_	302,429	302,429
Other liabilities	37,210	-	-	7,712	44,922
	1,830,397	448,635	453,372	462,756	3,195,160
31 December 2019		,	ŕ	·	
Due to banks and other financial institutions	489,146	149,320	154,445	160,392	953,303
Depositors' accounts	939,671	513,180	225,463	27,497	1,705,811
Sukuk issued	-	-	_	152,179	152,179
Other liabilities	29,375	-	_	8,643	38,018
	1,458,192	662,500	379,908	348,711	2,849,311

As at 31 December 2021, 59.8 per cent. of the Bank's funding was repayable within 3 months, 16.1 per cent. within 3 to 6 months and 11.2 per cent. within 6 to 12 months. See further "Risk Factors—Factors that may affect the Bank's ability to fulfil its obligations under the Transaction Documents—The Bank is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business".

Given the state-run and oil-driven nature of the domestic economy, the Bank's deposit base is, at least in the near future, expected to remain concentrated by depositor type, namely cash-rich Government and Government-related entities. Significant time deposits from large customers are, with the customers' agreement, divided into smaller deposits with varying maturities, thereby partly mitigating the maturity risks associated with single party single deposit concentration.

#### **Equity Funding**

For a discussion of the Bank's share capital and reserves at 31 December 2021, 31 December 2020 and 31 December 2019, see Note 12 in the 2021 Financial Statements and Note 12 in the 2020 Financial Statements.

## **Financing**

#### Customer financing receivables portfolio

The Bank's customer financing receivables portfolio (net of provisions) remained stable at KD 2.5 billion as at 31 December 2021 and 31 December 2020. The Bank's customer financing receivables portfolio (net of provisions) as at 31 December 2020 represented an increase of 10.4 per cent. from KD 2.3 billion as at 31 December 2019.

The following table sets out the breakdown of the Bank's customer financing receivables portfolio as at 31 December 2021, 31 December 2020 and 31 December 2019.

	As at 31 December				
	2021	2020	2019		
	(KD'000)				
Corporate	1,496,214	1,576,475	1,443,639		
Individuals	1,044,430	963,067	861,490		
Financing receivables before provision for impairment	2,540,644	2,539,542	2,305,129		
Less: Provision for impairment as per CBK guidelines*	(67,128)	(42,176)	(43,155)		
	2,473,516	2,497,366	2,261,974		

The following table sets out the Bank's total gross and net customer financing receivables portfolio and customer financing to deposit ratios as at 31 December 2021, 31 December 2020 and 31 December 2019.

	As	s at 31 December	
	2021	2020	2019
		(KD'000)	
Financing receivables before provision for impairment	2,540,644	2,539,542	2,305,129
Less: Provision for impairment as per CBK guidelines*	(67,128)	(42,176)	(43,155)
	2,473,516	2,497,366	2,261,974
		(%)	
Net customer financing/customer deposits	108.1	106.1	132.6
Net customer financing/total deposits*	88.3	87.7	85.1

<sup>\*</sup> Total deposits comprise customer deposits and deposits from banks and other financial institutions.

The Bank's 20 largest customer financing receivables amounted to 23.6 per cent. of its total gross customer financing receivables as at 31 December 2021 compared to 26.0 per cent. as at 31 December 2020 and 25.9 per cent. as at 31 December 2019.

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

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

# Distribution of customer financing receivables by maturity

The following table sets out the distribution of the Bank's customer financing receivables portfolio by maturity (based on contractual cash flows and maturity dates) as at 31 December 2021, 31 December 2020 and 31 December 2019.

	Within 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
			(KD'000)		
31 December 2021	1 492 006	422 112	<i>(5.00)</i>	400.502	0.470.516
Financing receivables	1,483,906	433,112	65,906	490,592	2,473,516
Financing receivables	1,441,008	498.314	125,253	432,791	2,497,366
31 December 2019	1,441,006	490,314	123,233	432,791	2,497,300
Financing receivables	1,266,542	523,682	79,395	392,355	2,261,974

#### Gross maximum exposure to credit risk

The following table sets out the Bank's maximum credit risk exposure for the components of the consolidated financing position, including off-consolidated statement of financial position items as at 31 December 2021, 31 December 2020 and 31 December 2019. The maximum exposure is shown net of impairment, before the effect of mitigation through the use of master netting and collateral agreements, where applicable

	As at 31 December			
	2021	2020	2019	
		(KD'000)		
Balances with banks	74,370	99,291	98,819	
Placements with banks and the CBK	437,043	357,897	225,703	
Financing receivables	2,473,516	2,497,366	2,261,974	
Financial assets at fair value through other comprehensive				
income (investment in Sukuk)	258,140	231,512	317,557	
Other assets	14,362	12,254	14,681	
	3,257,431	3,198,320	2,918,734	
Acceptances and letters of credit	52,035	38,557	51,949	
Letter of guarantees	131,093	123,398	109,207	
Total	183,128	161,955	161,156	
Total credit risk exposure	3,440,559	3,360,275	3,079,890	

As at 31 December 2021, the Bank's gross maximum exposure to credit risk was KD 3.4 billion, of which its portfolio of financing receivables comprised 71.9 per cent. As at 31 December 2020, the Bank's gross maximum exposure to credit risk was KD 3.4 billion, of which its portfolio of financing receivables comprised 74.3 per cent. As at 31 December 2019, the Bank's gross maximum exposure to credit risk was KD 3.1 billion, of which its portfolio of financing receivables comprised 73.4 per cent.

# Non-performing financing

The Bank's total non-performing financing as at 31 December 2021 amounted to KD 27.5 million (which represented 1.08 per cent. of gross financing as at 31 December 2021) compared to KD 27.1 million as at 31 December 2020 (representing 1.07 per cent. of gross financing as at 31 December 2020) and KD 26.6 million as at 31 December 2018 (representing 1.15 per cent. of gross financing as at 31 December 2019).

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

The Bank does not disclose the geographical or sectoral split of its portfolio of financing receivables in the Financial Statements, although it does disclose the geographical and sectoral split of its gross maximum exposure to credit

risk. The following table set out the breakdown by geography and by industry sector of the Bank's maximum exposure to credit risk as at 31 December 2021, 2020 and 2019.

A = =4 21 December

			As at 31	December			
	2	021	2	2020	2	2019	
	Financial assets	Off-balance sheet items	Financial assets	Off-balance sheet items	Financial assets	Off-balance sheet items	
Geographical region:	(KD'000)	(KD'000)	(KD'000)	(KD'000)	(KD'000)	(KD'000)	
Kuwait	2,536,876	153,196	2,485,780	131,229	2,036,014	131,788	
Other Middle East	605,153	6,222	608,823	6,601	603,258	6,935	
Rest of the World	115,402	23,710	103,717	24,125	279,462	22,433	
	3,257,431	183,128	3,198,320	161,955	2,918,734	161,156	
Industry sector:							
Banks and other financial							
institutions	877,267	17,538	780,818	12,101	796,240	6,020	
Construction and real estate	979,958	84,572	1,059,812	84,781	971,357	76,776	
Trading and manufacturing	419,825	64,497	425,276	51,347	323,478	58,436	
Personal	504,138	-	443,557	-	394,762	-	
Services	203,039	15,695	279,840	13,655	239,204	19,782	
Other	273,204	826	209,017	71	193,693	142	
	3,257,431	183,128	3,198,320	161,955	2,918,734	161,156	

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

- construction and real estate which, as at 31 December 2021, accounted for 30.9 per cent. of its total gross maximum credit exposure compared to 34.1 per cent. as at 31 December 2020 and 34.0 per cent. as at 31 December 2019; and
- banks and other financial institutions which, as at 31 December 2021, accounted for 26.0 per cent. of its total gross maximum credit exposure compared to 23.6 per cent. as at 31 December 2020 and 26.0 per cent. as at 31 December 2019.

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

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

# Investment securities portfolio

The Bank's investment securities portfolio principally comprises quoted and unquoted fixed rate sukuk (with maturities ranging from short-term to in excess of one year) held at FVOCI and a small portfolio of quoted and unquoted equity securities and funds held at FVTPL and, in some cases, FVOCI. As of 31 December 2021, 31 December 2020 and 31 December 2019, all of these securities were held on an available-for-sale basis.

The table below summarises the Bank's investment securities portfolio as at 31 December 2021, 31 December 2020 and 31 December 2019.

	As at 31 December				
_	2021	2020	2019		
	(KD'000)				
Quoted Sukuk	258,140	225,209	311,159		
Unquoted Sukuk	-	6,303	6,398		
Quoted equity security	16,898	15,580	7,536		
Unquoted equity instruments	5,613	5,538	5,505		
Unquoted funds and other securities	112,000	75,349	48,359		
_	392,651	327,979	378,957		

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

# Capital adequacy

Capital adequacy, financial leverage and the use of various levels of regulatory capital are monitored regularly by the Executive Management and are also governed by guidelines of the Basel Committee as adopted by the CBK (see further "Overview of Banking and Finance Regulations in Kuwait—Banking Regulation—Capital adequacy regulations").

The Bank's principal capital management objectives are to ensure that it complies with externally imposed capital requirements and maintains strong and healthy capital ratios in order to support its business and maximise shareholder value. The Bank aims to ensure adherence to the CBK's requirements by monitoring its capital adequacy and adopting both a capital forecasting process that ensures that pro-active action is taken where necessary and a strategy that ensures that a sufficient capital buffer above minimum required levels is maintained at all times. This process is supported by the use of proprietary capital-planning methodology which takes into consideration regulatory capital requirements, rating agency views, stress testing and bottom-up views of business plans.

The Bank's regulatory capital comprises:

- common equity tier 1 ("CET1") which demonstrates the Bank's underlying strength and includes share capital, reserves, and share premium according to applicable rules and regulations;
- additional tier 1 ("AT1") which comprises the AT1 Sukuk issued by the Bank; and
- Tier 2 supplementary capital which comprises the allowed portion of general provisions (1.25% of the risk weighted assets).

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

As at 31 December 2021, the Bank's total Tier 1 capital (comprising common equity Tier 1 "CET1" capital and additional Tier 1 perpetual sukuk) amounted to KD 423.8 million compared to KD 290.8 million as at 31 December 2020 and KD 294.4 million as at 31 December 2019.

As at 31 December 2021, the Bank's total Tier 2 capital amounted to KD 24.3 million compared to KD 21.8 million as at 31 December 2020 and KD 20.1 million as at 31 December 2019.

The following table sets out the Bank's total capital available and capital adequacy ratios as at 31 December 2021, 31 December 2020 and 31 December 2019.

	As at 31 December			
	2021	2020	2019	
		(KD'000)		
Risk weighted assets	2,081,752	1,843,972	1,700,820	
Capital required	218,584	193,617	221,107	
Capital available				
Common equity Tier 1 "CET1" capital	302,573	214,457	217,997	
Additional Tier 1 perpetual sukuk	121,270	76,363	76,363	
Total Tier 1 capital	423,843	290,820	294,360	
Total Tier 2 capital	24,308	21,592	20,098	
Total capital available	448,151	312,412	314,458	
		(%)	_	
CET1 capital adequacy ratio: common equity	14.53	11.63	12.82	
Total Tier 1 capital adequacy ratio	20.36	15.77	17.31	
Total capital adequacy ratio	21.53	16.94	18.49	

The Bank is also subject to a CBK Basel III minimum leverage ratio requirement of 3 per cent. The Bank's leverage ratio was 10.97 per cent. as at 31 December 2021, 7.91 per cent. as at 31 December 2020 and 9.01 per cent. as at 31 December 2019.

# Commitments and contingent liabilities

The Bank has irrevocable financing commitments as well as contingent liabilities in relation to acceptances, letters of credit and letters of guarantees issued by it. The following table sets out these contingent liabilities as at 31 December 2021, 31 December 2020 and 31 December 2019.

	As at 31 December				
	2021	2020	2019		
	(KD'000)				
Acceptances and letters of credit	52,259	38,751	52,210		
Letter of guarantees	143,867	127,647	115,030		
Contingent liabilities	196,126	166,398	167,240		
Capital commitments	113,063	104,668	28,816		

#### Related party transactions

The Bank's principal related party transactions are with its major shareholders, directors and executive officers, their close family members and companies controlled by them or their close family members. IFRS requires the disclosure of shareholder related parties only in cases where those related parties exercise significant influence. Certain related parties are customers of the Bank in the ordinary course of business. Transactions with related parties are made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve an amount of risk that is higher than the amount of risk taken in comparable transactions with unrelated parties.

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

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

• the Bank must acquire adequate collateral.

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

Further information on the Bank's related party transactions in 2021, 2020 and 2019 is set out in Note 18 in the 2021 Financial Statements and Note 19 in the 2020 Financial Statements.

#### **DESCRIPTION OF THE BANK**

#### **OVERVIEW**

The Bank is a Kuwaiti public shareholding company that was incorporated on 17 February 2010 in Kuwait by virtue of Emiri Decree No. 289/2009, and was officially enrolled in the CBK's Register of Islamic Banks on 7 April 2010. The Bank has been listed on Boursa Kuwait since September 2013.

The Bank is primarily involved in investment, corporate and retail banking activities in accordance with the principles of *Shari'a*, as approved by the Shari'a Board. The Bank's head office is located at Al-Raya Tower, Mezzanine 1, Omar Ibn Al-Khattab Street and its registered postal address is P.O. Box 1220, Safat 13013, Kuwait. The Bank's website address is www.warbabank.com and its telephone number is +965 2 2288800. As at 31 December 2021, the Bank had a network of 17 branches and 24 in-branch ATMs and 87 off-site ATMs.

The extraordinary general assembly meeting of the shareholders of the Bank held on 3 November 2021 approved an increase in the authorised, issued and paid share capital by offering 425,000,000 rights shares for subscription to the Bank's shareholders. As at 31 December 2021, the Bank's authorised, issued, and fully paid share capital comprised of 2,000,000,000 shares of 100 fils each. As at 31 December 2021, the Bank's principal shareholders were as follows: Kuwait, represented by the KIA, owned 25.908 per cent. of the Bank's total shares (24.000 per cent. directly and 1.908 per cent. indirectly), Al Sayer Holding Company directly owned 10.242 per cent., the PIFSS indirectly owned 9.344 per cent. and Mr. Abdullah Saleh Al-Shalfan directly owned 9.823 per cent.

For financial reporting purposes, the Bank's business activities are classified within the following segments:

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

#### **Financial Overview**

The Bank's net profit for the year ended 31 December 2021 increased by 183.4 per cent. to KD 16.0 million from KD 5.6 million for the year ended 31 December 2020, which represented a decrease of 65.9 per cent. from KD 16.5 million for the year ended 31 December 2019.

The Bank's total assets as at 31 December 2021 increased by 3.0 per cent. to KD 3.6 billion from KD 3.5 billion as at 31 December 2020, which represented an increase of 10.5 per cent. from KD 3.1 billion as at 31 December 2019.

The Bank's total equity as at 31 December 2021 increased by 44.6 per cent. to KD 294.5 million from KD 280.1 million as at 31 December 2020, which represented a decrease of 4.8 per cent. from KD 294.4 million as at 31 December 2019.

As at 31 December 2021, the Bank's portfolio of financing receivables was KD 2.5 billion (representing 69.1 per cent. of its total assets) and its deposits from customers were KD 2.3 billion, compared to KD 2.5 billion and KD 2.4 billion respectively as at 31 December 2020. As at 31 December 2021, the Bank's investment portfolio (including

investments in sukuk) amounted to KD 516.3 million (representing 14.4 per cent. of its total assets) compared to KD 466.3 million as at 31 December 2020 and KD 490.8 million as at 31 December 2019.

As at 31 December 2021, the Bank's total capital adequacy ratio (calculated in accordance with the Basel III methodology adopted by the CBK) was 21.53 per cent. compared to 16.94 per cent. as at 31 December 2020 and 18.49 per cent. as at 31 December 2019. As at 31 December 2021, the Bank's total tier 1 capital adequacy ratio (calculated in accordance with the Basel III methodology adopted by the CBK) was 20.36 per cent. compared to 15.77 per cent. as at 31 December 2020 and 17.31 per cent. as at 31 December 2019.

As at 31 December 2021, the Bank's financial leverage ratio (calculated in accordance with CBK Circular number 2/BS/343/2014 dated 21 October 2014 (as amended)), was 10.97 per cent. compared to 7.91 per cent. as at 31 December 2020 and 9.01 per cent. as at 31 December 2019.

# Awards and recognition

The Bank was the recipient of a number of awards in 2021 including:

- Most Innovative Digital Banking App in Kuwait from International Finance Awards;
- Best Innovation in Retail Banking in Kuwait from International Banker Award; and
- Best Customer Service Provider Middle East from International Banker Award.

#### **STRATEGY**

#### Vision, Mission and Objectives of the Bank

The Bank's vision is to create unique value in banking and beyond to unlock opportunities for people and businesses. The Bank's core values are:

- Trust: focus on customers to gain their trust and serve their needs in the best possible way;
- Innovation: continue to innovate in order to always improve the experience of our customers;
- Performance: to excel at execution and be confident in overcoming any challenges;
- Collaboration: work with clients and team members to deliver the right solution; and
- *Ambition:* the drive and enthusiasm to continuously surpass.

This vision is underpinned by the Bank's mission to deliver the best experience for its customers beyond the boundaries of banking, preserving its uniqueness and nurturing top talents while creating sustainable value for its shareholders and society.

In line with this vision and mission, the Board approved a five-year strategic business plan (the **Strategic Plan**) covering the period from 2022 to 2025. The Strategic Plan involves the following core objectives:

- be the leading digital-first bank for corporate clients;
- be the leading digital-first bank for retail clients;
- grow asset management capability and maintain investment business;
- build digital capabilities within a short timeframe; and
- accelerate digital product propositions to support the demands of customers.

As part of the Bank's Strategic Plan, the Bank is also aiming to increase both retail and corporate deposits in order to diversify its funding sources and to reduce concentration risks; and to proactively manage its cost-of-funds by optimizing the mix of the Bank's deposits. As at 31 December 2021, the Bank's top 10 depositors accounted for 39.9 per cent. of total funding, compared to 48.0 per cent. as at 31 December 2020 and 53.9 per cent. as at 31 December 2019. See also "Risk Factors – The Bank is subject to the risk that liquidity may not always be readily available or may only be available at costs which may adversely affect its business".

#### **Corporate Banking Group (CBG)**

CBG's strategic focus is on:

*Re-aligning its product mix:* based on customer profiles and the industries in which they operate, and creating a range of segment-driven offerings.

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

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

- targeting a wider range of customers in different sectors to reach a sizable and well diversified portfolio;
- establishing the Business Banking Department to offer non-credit related products and services, and focusing on generating fee income;
- continuing to target both the large commercial segment as well as medium-sized and selected small- sized businesses across a number of industry sectors, such as oil and gas, services, trading and contracting, helping the Bank to effectively manage concentration risk and maximise profitability; and
- expanding the current product mix to meet the ever-changing customer requirements and expectations whether
  in the form of cash facilities, or non-cash facilities, as well as deposit products, such as its current, call and
  wakala deposits, in order to cater for various classes of customers (e.g. large corporates and SMEs).

Enhancing its distribution and communication network by:

- digitising products and services to provide a simple and friction free customer experience; and
- enhancing user friendly online banking for CBG customers, in line with the current market demand for better access to electronic facilities.

Increasing customer satisfaction by:

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

Enhancing profitability by:

• cross-selling in coordination with other departments, such as retail and treasury, to promote the Bank's products, such as call and deposit accounts, consumer financing and credit cards;

- expanding the Bank's network of wholesale correspondent banking arrangements in major financial centres to support client needs in trade finance and money transfer segments; and
- boosting fee income through offering different products and services.

# Retail Banking Group (RBG)

The RBG's strategic focus is on:

Growing deposits through targeted digital commercialisation and marketing:

- investing in digital marketing to accelerate customer acquisition and enable additional traditional acquisition channels;
- fast-tracking digital enablement of new products and services; and
- continuously introduce new innovative product offerings.

Building a distinctive digitally enabled offering for affluent and high-net worth individuals including "robo-advisory":

- building a digital wealth management proposition to cater to the needs of affluent and high-net worth customers;
- developing the Bank's customer acquisition process through a combination of digital and relationship management led marketing efforts;
- revising and enhancing its affluent and high-net worth banking offering and service model to provide a bestin-class service experience and product suite; and
- developing an omni-channel account management and remote relationship management service model.

#### **Investment Banking Group (IBG)**

The IBG will continue to focus on growing the Bank's proprietary investment book through investments across multiple asset classes, sectors and geographic jurisdictions, and provide the Bank's corporate clients with comprehensive financing solutions and access to international syndicated financing and debt capital markets products. The IBG is also seeking to increase its fees and commission income through the provision of cross-border non-cash products such as letters of credit and letters of guarantee as well as through its participation in syndicated financings.

# **STRENGTHS**

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

#### Growing market position and strong growth record

The Bank's total assets as at 31 December 2021 increased by 3.0 per cent. to KD 3.6 billion from KD 3.5 billion as at 31 December 2020, which represented an increase of 10.5 per cent. from KD 3.1 billion as at 31 December 2019.

According to the CBK's publications, the Bank's market share in Kuwait in terms of total financings increased 4.6 per cent. as at 31 December 2021 from 5.0 per cent. as at 31 December 2020 and 4.8 per cent. as at 31 December 2019. As a relatively young institution, the Bank believes that the potential for growth in all of its core businesses remains significant.

#### Robust quality of financing assets

Despite the rapid growth of its overall customer financing receivables, the Bank has also successfully maintained the high quality of its financing assets. The Bank's total non-performing financing as at 31 December 2021 amounted to KD 27.5 million (which represented 1.08 per cent. of gross financing as at 31 December 2021) compared to KD 27.1 million as at 31 December 2020 (representing 1.07 per cent. of gross financing as at 31 December 2020) and KD 26.6 million as at 31 December 2019 (representing 1.15 per cent. of gross financing as at 31 December 2019).

# Sound and consistent financial performance

The Bank has a history of profitability and has remained profitable since the year ended 31 December 2014, growing its total assets at seven times the rate of the Kuwaiti market (Islamic and conventional) between 2016 and 2021 (Source: published financial statements of Kuwaiti banks).

In addition, the Bank benefits from low cost funding due to its strong liquidity position, institutional relationships and branch network and believes that its asset quality is strong, as evidenced by its relatively low ratio of non-performing financing (see "—Robust quality of financing assets" above).

As at 31 December 2021, the Bank's total capital adequacy ratio (calculated in accordance with the Basel III methodology adopted by the CBK) was 21.53 per cent. compared to 16.94 per cent. as at 31 December 2020 and 18.49 per cent. as at 31 December 2019. As at 31 December 2021, the Bank's total tier 1 capital adequacy ratio (calculated in accordance with the Basel III methodology adopted by the CBK) was 20.36 per cent. compared to 15.77 per cent. as at 31 December 2020 and 17.31 per cent. as at 31 December 2019.

As at 31 December 2021, the Bank's financial leverage ratio (calculated in accordance with CBK Circular number 2/BS/343/2014 dated 21 October 2014 (as amended)), was 10.97 per cent. compared to 7.91 per cent. as at 31 December 2020 and 9.01 per cent. as at 31 December 2019.

# Shareholders' support/stable shareholder base

KIA, which directly owned 24.0 per cent., and indirectly owned 1.908 per cent,. of the shares in the Bank as at the date of this Base Prospectus, is the third largest sovereign wealth fund in the world (Source: data accessed on the Sovereign Wealth Fund Institute's website, <a href="https://www.swfinstitute.org/">https://www.swfinstitute.org/</a> on 14 June 2022). Subject to KIA discretion and endorsement, the Bank can leverage its relationship with KIA in terms of both ongoing funding support as well as opportunities to participate in transactions in which KIA is also involved in the future. KIA's ownership in the Bank is similar to its ownership in the share capital of the Bank's competitors.

#### **Experienced Board and strong management**

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

#### **Smart distribution network**

The Bank has built a robust and efficient distribution network combines strategically located retail branches, digital self-service channels, and direct sales force. Identification of suitable branch locations is achieved through analysis of the demographics of the resident population and matching this to the Bank's targeted segments. A relatively small,

but, the Bank believes, a cost effective, branch network is then complemented by a growing direct sales force which effectively "takes the Bank to the customer". This is already being supplemented by the Bank's enhancement of its mobile and internet distribution network, which is intended to enable clients to achieve most of their requirements through such channels.

#### **Customer satisfaction**

The Bank currently employs third parties to independently monitor service levels, which provide mystery shoppers and conduct customer surveys to provide an overall quality score for the retail division of the Bank and individual scores for each customer-facing employee. Service quality is an integral part of employees' balanced scorecard, based on which they are incentivised and rewarded. The employees' scorecards consist of a combination of financial and non-financial metrics, and the actual metrics used will vary dependent on the relevant employee's role. Financial metrics could include asset sales, deposits (with separate metrics for low cost funds and fixed deposits), customer acquisition and credit card sales. Non-financial metrics could include documentation quality, service quality, product knowledge and audit scores. The Bank's corporate division also offers high quality products and services to its clients, due to its ability to provide boutique services because of its size and its ability to quickly adapt to market needs and to structure and shape available products to fit client needs.

#### Reputable Shari'a Board

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

#### **SHAREHOLDERS**

The table below shows the Bank's key shareholders (5 per cent. and above) and their shareholdings as at 31 December 2021.

Shareholder	Number of shares	Percentage of issued share
		capital
KIA	518,169,488	25.908
PIFSS	186,882,539	9.344
Al Sayer Holding Group	204,842,064	10.242
Abdullah Saleh Al-Shalfan	196,462,400	9.823
	1,106,356,491	55.317

#### BUSINESS

### Reporting segments

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

- *Corporate:* comprising a range of banking services and investment products for corporate customers, in addition to providing commodity and real estate murabaha finance and ijara facilities;
- Retail: comprising a diversified range of products and services for individual customers including consumer finance, credit cards, deposits and other branch related services;
- Treasury: comprising the Bank's funding operations management, local and international murabaha and other Islamic financing primarily with banks and financial institutions;

- Investment: comprising investment in direct equity, real estate investment and other investments; and
- Other: comprising cost centre assets and expenses.

The following table sets out segment revenue and results for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 and segment assets as at 31 December 2021, 31 December 2020 and 31 December 2019.

As at and for the year ended 31 December 2021

	Corporate	Retail	Treasury	Investment	Other	Total
			(KD	(000)		
Operating income	42,853	15,938	138	48,425	-	107,354
Net (loss) profit	142	5,532	(292)	29,763	(19,181)	15,964
Total assets	1,968,675	518,131	682,637	360,404	50,365	3,580,212
Total liabilities	564,368	909,001	1,643,084	_	47,960	3,164,413

As at and for the year ended 31 December 2020

	Corporate	Retail	Treasury	Investment	Other	Total
			(KD	'000)		
Operating income	39,679	14,165	3,355	21,595	-	78,794
Net (loss) profit	(8,165)	4,294	3,094	20,810	(14,399)	5,634
Total assets	2,053,066	444,300	620,464	314,691	42,733	3,475,254
Total liabilities	514,070	707,016	1,929,152	-	44,922	3,195,160

As at and for the year ended 31 December 2019

	Corporate	Retail	Treasury	Investment	Other	Total
			(KD	'000)		
Operating income	43,212	10,378	(300)	6,472	-	59,762
Net (loss) profit	24,349	974	(485)	4,214	(12,514)	16,538
Total assets	1,866,249	399,451	515,321	299,963	62,687	3,143,671
Total liabilities	445,576	492,087	1,873,630	-	38,018	2,849,311

## Corporate banking group (CBG)

CBG is a key income generating area of the Bank accounting for 39.9 per cent. of its operating income for the year ended 31 December 2021. As at 31 December 2021, the CBG accounted for 55.0 per cent. of the Bank's total assets and 17.8 per cent. of its total liabilities. The CBG is headed by the Chief Corporate Banking Officer.

As at 31 December 2021, CBG has 512 customers (compared to 432 as at 31 December 2020 and 415 at 31 December 2019).

CBG is divided into DCB and the Corporate Support and Market Analysis Division. Within the DCB group there are seven teams, each handling customers across the spectrum of business sectors (including real estate, financial institutions, oil and gas, industry and manufacturing, retail and wholesale trade, civil construction and engineering, procurement and construction contractors).

The Bank's credit risk exposure is concentrated in the real estate sector, which as at 31 December 2021 accounted for 30.9 per cent. of the Bank's total credit risk exposure compared to 34.1 per cent. as at 31 December 2020 and 34.0 per cent. as at 31 December 2019. The Bank seeks to reduce its credit risk exposure by establishing internal risk appetite limits approved by the Board in relation to sector concentration and by monitoring such concentration. In 2021, for example, the Bank diversified its products to invest in various economic sectors, including the contracting

and retail sector. In the real estate segment specifically, the Bank finances asset acquisition and development for high-net-worth clients and corporates engaged in real estate management, development and investment.

Within the Corporate Support and Market Analysis Division, there are three teams (Financial Analysis, MIS reporting, and Corporate Support). This division is a backbone of CBG and handles various business and non-business-related matters, enabling the business units to concentrate on portfolio management and the enhancement of profitability.

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

In 2021, the CBG developed several electronic services for customers including the online issuance of letters of guarantee.

CBG offers trade financing facilities through the Trade Finance Division. This division offers the Bank's customers a wide range of services, including:

- letters of credit, including the extension of cash financing under letters of credit (murabaha); and
- letters of guarantee, including bid bonds, performance, advance payment, retention, purchase and counter guarantees; and bills for collections, both documentary and clean with payment at sight/acceptance, settlement and remittance proceeds.

## Retail banking group (RBG)

The RBG accounted for 14.8 per cent. of the Bank's operating income for the year ended 31 December 2021, 14.5 per cent. of its total assets as at 31 December 2021 and 28.7 per cent. of its total liabilities as at 31 December 2021.

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

The Bank's retail customers principally comprise Kuwaiti residents of various nationalities. In order to target specific demographics, the RBG has six segments which offer tailored customer experiences:

- Al Masi: offering private banking services, with an exemption from banking fees and priority services;
- Al Safwa: offering a dedicated relationship manager, concierge services and special rates on personal finance transactions;
- Senyar: offering businessmen a free platinum Mastercard and a VISA prepaid card for the first year and concierge services;
- *Lamar*: offering women a free platinum Mastercard and a VISA prepaid card for the first year, local and international shopping across POS devices and concierge services;
- *Bloom:* offering customers between 15 and 25 years old exclusive discounts, entry into the weekly Hassala draw and exclusive Ooredoo offers; and

• *Tala:* offering products to parents to help encourage children up to 14 years old to save and learn the basics of banking.

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

## **Deposits**

The Bank has a range of retail deposit products, including demand, savings and deposit accounts.

The Bank's current account, is available to individuals, corporations, individual firms and charity associates and has a minimum limit of KD 1,000 (or its equivalent in Euro, U.S. dollars or pound sterling). Customers are issued an ATM card, chequebook and can make cash withdrawals of up to KD 2,000 from ATMs. In addition, current account customers can make cash deposits at the Bank's ATMs and have access to the Bank's mobile app and SMS service.

The Bank's salary account is suitable for private and public sector employees and offers competitive personal finance rates, a free credit card for a year and gives the customer access to free services from Warba Concierge. In addition, the salary account offers the following benefits: instant issuance of an ATM card, up to KD 2,000 cash withdrawals from ATMs and access to the Bank's mobile app and SMS service.

The Bank's investment savings account is *Shari'a*-compliant and based on the mudaraba principle whereby the Bank invests depositor funds and profits generated are shared with the depositors. Profits are calculated based on the account's lowest monthly balance. Salaries can be transferred directly and returns on the savings account are distributed quarterly. The account is available in Kuwaiti dinar only. In addition, the investment savings account offers the following benefits: instant issuance of an ATM card, up to KD 2,000 cash withdrawals from ATMs and access to the Bank's mobile app and SMS service.

The Bank's super saving account is based on the wakala investment principle. The Bank invests customer funds in *Shari'a* compliant portfolios and customers can expect returns of up to 0.75 per cent. Salaries can be transferred directly and returns on the super saving account are distributed monthly. The super savings account is only available to individuals and is available in Kuwaiti dinar, U.S. dollars and pound sterling. The minimum opening balance is KD 1,000 or its equivalent in the relevant foreign currencies. In addition, the super saving account offers the following benefits: instant issuance of ATM card, up to KD 2,000 cash withdrawals from ATMs and access to the Bank's mobile app and SMS service. Lastly, credit cards can be issued with this account.

The Bank's family account allows customers to manage their children's accounts directly by linking the child's account with their own. The parent can monitor and track all transactions and make transfers to and from the child's account. The account linkage ends when the child turns 21.

### Fixed deposits

The Bank offers the 'Al Sunbula' fixed deposit account in Kuwaiti dinar based on the wakala investment principle. A minimum of KD 5,000 is required to open the deposit, tenures may be between 1 and 60 months and profit is distributed at monthly, yearly or at maturity. In addition to the expected returns, the Al Sunbula account gives customers the opportunity to enter weekly and annual Sunbula prize draws with the customer's chances of winning based on the number of days the investment is held during the month and against each KD 1,000 of investment. In 2020, the Bank doubled the number of winners for its Sunbula draw program.

The Bank offers a similar foreign currency fixed deposit in Euro, U.S. dollars and pound sterling which does not include the benefit of entry into the Sunbula draws.

#### Financing

The Bank's retail financing products include auto finance, consumer finance, medical finance and housing finance.

The Bank offers auto financing up to KD 25,000 with exclusive offers with auto dealers. Neither salary transfer nor down payments are required and the Bank offers flexible monthly instalments starting from KD 30. The Bank offers a special rate for Al Safwa customers and can offer grace periods of up to 6 months. Customers must be over 18 (with the requirements for a guardian signature if under 21) and have a salary of not less than KD 300. Monthly instalments for employees cannot exceed 40 per cent. of their net salary (30 per cent. for retired customers) and the payment periods offered are between 6 and 60 months. The Bank also offers an 'Auto Cash' product, financing up to KD 100,000 (KD 5,000 minimum) in respect of car purchases in cash through investment in the Bank's Al Sunbula fixed deposit account.

The Bank offers consumer financing up to KD 25,000 (KD 1,000 minimum) with flexible monthly instalments starting at KD 30. Neither salary transfer nor down payments are required and the Bank can offer grace periods of up to 6 months. Customers must be over 18 (with the requirements for a guardian signature if under 21) and have a salary of not less than KD 300. Monthly instalments for employees cannot exceed 40 per cent. of their net salary (30 per cent. for retired customers) and the payment periods offered are between 6 and 60 months.

The Bank offers medical financing with zero per cent. profits compliance with *Shari'a* principles covering healthcare expenses, treatments and medical services in hospitals, clinics and medical centres. Such financing is offered by to KD 25,000 (KD 1,000 minimum). Salary transfer and down payments are not required and the Bank offers flexible monthly instalments starting from KD 30. The Bank offers a special rate for Al Safwa customers and can offer grace periods of up to 6 months. Customers must be over 18 (with the requirements for a guardian signature if under 21) and have a salary of not less than KD 300. Monthly instalments for employees cannot exceed 40 per cent. of their net salary (30 per cent. for retired customers) and the payment periods offered are between 6 and 60 months. The Bank also offers health educational programs financing to fund certain training programs and medical education and 'Medi Cash' financing through investment in the Bank's Al Sunbula fixed deposit account.

The Bank offers housing financing up to KD 70,000 (KD 1,000 minimum) with free debt insurance and a special rate for Al Safwa customers. Neither salary transfer nor down payments are required and the Bank can offer grace periods of up to 6 months. Customers must be over 18 (with the requirements for a guardian signature if under 21) and have a salary of not less than KD 400. Monthly instalments for employees cannot exceed 40 per cent. of their net salary (30 per cent. for retired customers) and the payment periods offered are between 12 and 180 months.

The Bank offers 'Al Wafi' financing in compliance with *Shari'a* principles in the form of musawama. Financing is offered up to KD 250,000 (KD 5,000 minimum) against collateral held in a pre-existing account with the Bank. The customer may choose either monthly payment or payment at maturity and the term of the financing cannot exceed 60 months.

In 2020, the Bank entered a strategic partnership with Gatehouse Bank, a UK based financial institution specialising in *Shari'a* compliant real estate property financing in England and Wales.

## Cards

The Bank provides various Visa and Mastercard credit cards such as Visa Signature, Visa Platinum, Visa Prepaid and Mastercard World and Mastercard Platinum. Different card types are focused on different customer segments, as outlined above, with a range of services and benefits attached to each card.

During 2020, the Bank introduced two new Mastercard credit card products and had the highest cashback credit card program in Kuwait. In 2021, it introduced a dual chip card powered by Mastercard that combines debit and credit cards in one while retaining the advantages of each.

Applications for both financing and credit cards can be made through several of the Bank's distribution channels, summarised below. Consistent with its credit risk management strategy, the Bank prioritises attracting financing and credit card customers with a good credit standing. Financing and credit card applicants are screened and credit limits are assessed according to the Bank's credit policy based on demographic and financial factors and the past credit history of the customer, while ensuring strict adherence to relevant CBK regulations.

#### Distribution channels

As at 31 December 2021, the Bank's principal distribution channels in Kuwait comprise:

- Branch network: a network of 17 strategically located branches in Kuwait, including residential and commercial branches with afternoon shifts, and an ATM and customer deposit-machine network of 24 machines. In addition, the Bank had 87 offsite ATMs placed in various locations.
- Telebanking: automated banking services by telephone and a 24/7 call centre through which customers can make enquiries about financing, deposits and credit cards, request balances and statements, report lost or stolen cards, instruct bill and credit card payments and make other enquiries or complaints. In 2021, the Bank's call centre handled 343,500 calls compared to 237,000 calls in 2020. Sales leads generated from the call centre's activities are routed through the Bank's leads management system to sales channels depending on customer preference.
- Express bank machines: express banking machines available at the Bank's Al Shuhada and Airport branches through which a customer may transfer funds, get a printed statement or account balance certificate, made cash deposits and withdrawals, update account information, open an account, request credit cards of personal finance, issue debit cards and deposit cheques.
- Online banking: an internet banking platform with 67 per cent. of its customers registered for online banking as at 31 December 2021 (compared to 62 per cent. as at 31 December 2020). Through its internet banking platform, the Bank's customers can transfer money, top up cards, request money from others, activate debt cards, pay bills, purchase vouchers, transfer cashback, request concierge services, request clearance certificates and notify the Bank of travel. In 2020, the Bank extended its online banking platform to allow for the onboarding of new customers without attending in-branch. During 2021, the Bank continued to develop further online banking projects including online account opening, online financing origination, new investment banking services and solutions.
- Warba Bank App: an iOS and Android banking services app through which customers can create accounts
  (including deposit accounts, savings accounts, premium savings accounts and Sunbula accounts), request
  chequebooks, request detailed accounts statements, update personal information, activate credit and debit
  cards, purchase online vouchers, transfer funds and view bills. In 2020 and 2021, the Bank launched a number
  of in-app services:
  - MasterSend and Western Union: offering seamless and quick international fund transfers to customers.
  - Postshipper: a digital service which offers Warba customers a free shipping subscription for international purchases to be delivered to Kuwait through different couriers at competitive rates.
  - KYC: enables users to update their know your customer data through the mobile app.
  - Warba Auto: a digital car catalogue that is provided via application in partnership with the "Motery Application" and displays detailed car models that help Warba and non-Warba customers to view car details and offers. The Bank also launched a leasing product, which provides operating lease offers.

- Loyalty programme ("W-Pocket"): enables users to earn loyalty points by utilising the Bank's services and spend earned loyalty points through retail purchases with a variety of merchants or exchange earned loyalty points for airmiles with Kuwait Airways.
- Finance management service: combines the Bank's key banking and finance management services.
- Personalised banking advisory service: a banking advisory service called "Al Mustashar" that identifies and suggests the best digital solutions for a customer's banking needs.

During 2020, the Bank also introduced new interface and navigational features including finger-print and face ID login, bio verification for transactions and dark mode.

- *SiDi Wallet:* In 2021, the Bank launched SiDi Wallet, the first digital wallet in Kuwait aiming to target new customer segments.
- **Youth Banking App:** in 2020, the Bank launched a banking app for the youth segment with a user experience, feature-rich interface and specific offers and discounts tailored to the segment.
- "Fayez" App: in 2020, the Bank launched a fitness gamification app called "Fayez" for the Bank's customers and the general public. By fitness tracking and making positive wellbeing choices, users are rewarded with increased profit rates on deposits held with the Bank and other rewards with strategic partners.
- **SMS:** an SMS banking service providing regular account updates and SMS alerts. 97 per cent. of the Bank's customers were registered for SMS banking services as at 31 December 2021.
- **Direct sales force:** a direct sales force comprising 25 members as at 31 December 2021 (including 14 in car dealerships) which focuses on customer acquisition by bringing the Bank's products and services to a client's home or office.

The Bank's customers are also able to activate 'Samsung Pay', 'Garmin Pay' and 'Fitbit Pay' with its Mastercard credit card product to enjoy seamless payments at POS terminals.

In addition, in 2020, the Bank entered a strategic telecom partnership with Ooredoo Kuwait to provide a series of banking/telecom products and services to enhance the Bank's digital offering to its retail customers.

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

The table below sets out a breakdown of the Bank's retail customer financing receivables by product type (all such financing is within Kuwait) for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

	$\mathbf{A}$	s at 31 December	
	2021	2020	2019
		(KD'000)	
Murabaahah	134,298	146,368	137,609
Musawamah	344,179	272,538	225,737
Credit cards	884	1.078	1,096
AlWafi	10,829	11,240	9,432
Qardh Hasan	14,651	13,411	13,723
Total	504,841	444,635	387,597

## Treasury group (TG)

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

## In addition, the TG:

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

The TG accounted for 0.1 per cent. of the Bank's operating income for the year ended 31 December 2021, 19.1 per cent. of its total assets as at 31 December 2021 and 51.9 per cent. of its total liabilities as at 31 December 2021.

As at 31 December 2021, the TG's core clientele comprised government and semi-government institutions and corporate customers and it played an active role in supporting other business units within the Bank and the branch network.

In June 2020, the Bank became the first financial institution in Kuwait to issue a Kuwaiti dinar-denominated sukuk. The issuance amounted to KD 150 million, was listed on Euronext Dublin and has a term of 5 years.

# **Investment banking group (IBG)**

#### International Banking Division (IBD)

IBD was established to cover the debt capital markets and structured and cross-border financing. IBD focuses on developing and maintaining relationships with local and international financial institutions, as well as ensuring the overall efficiency, synergy and alignment of business lines under IBD. The Structured and Syndicated Finance Department, Debt Capital Markets Department and the Financial Institutions Department have all been restructured as part of IBD.

Structured and Syndicated Finance Department

The Bank has led local and regional transactions and was successful in securing multiple mandated lead arranger and bookrunner roles in notable transactions, such as:

- acting as the sole mandated lead arranger and investment agent on a KD 75 million senior financing facility for National Industries Group in Kuwait;
- acting as mandated lead arranger and bookrunner on a U.S.\$200 million syndicated financing facility for Daewoo Engineering & Construction Co., Ltd.; and

 acting as mandated lead arranger and istisna-ijara facility agent on a U.S.\$541 million senior secured project financing facility for DEWA V Solar IPP Project in Dubai.

In 2021, the IBG's structured finance and syndications books increased by 14.9 per cent. in value compared to 2020, from KD 345.46 million as at 31 December 2020 to KD 396.98 million as at 31 December 2021. Despite COVID-19 challenges, the structured finance and syndications division was able to successfully close numerous transactions. Furthermore, the IBG's structured finance and syndications book has amortising facilities and as such, the book decreases over time if no new assets are booked.

#### Debt Capital Markets Department

The Debt Capital Markets Department has significant experience in the origination, structuring, pricing and distribution of Islamic debt capital market (sukuk) securities. The Debt Capital Markets Department was relatively active during 2021. The Bank acted as joint lead arranger and joint bookrunner on three successfully placed sukuk issuances for Arabian Centres Company (U.S.\$650 million), Khazanah Nasional Berhad, the sovereign wealth fund of the government of Malaysia (U.S.\$1 billion) and The Islamic Development Bank (U.S.\$2.5 billion).

As at 31 December 2021, according to Bloomberg's International Sukuk Issuance league tables, the Bank had a market share of 1.4 per cent. of the global sukuk issuance market and was ranked 20 out of 55 underwriters.

In 2021, the Bank's fixed income portfolio (comprised of sukuk investments) increased by 11.5 per cent. in value compared to 2020, from KD 231.5 million in 2020 to KD 258.1 million in 2021. This was principally a result of the HQLA position to maintain the required regulatory liquidity ratio.

## Financial Institutions Department

The Financial Institutions Department supports the Bank's institutional brand awareness and standing in the local and international banking industry. The Financial Institutions Department manages banking and non-banking financial institutions relationships to increase business volumes across all banking operations and to satisfy customers' international *Shari'a*-compliant banking needs through its diversified global correspondent network.

# Principal Investment Division (PID)

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

PID operates through two departments: Real Estate Investment Department and Direct Investment Department.

## Real Estate Investment Department

In accordance with IBG's asset allocation strategy, the Real Estate Investment Department has grown its global real estate investments resulting in the Bank's overall real estate investments growing by 15 per cent. year-on-year from approximately KD 138 million as at 31 December 2020 to approximately KD 158.6 million as at 31 December 2021.

As at 31 December 2021, the Bank owned three properties in the GCC and 15 international real estate properties through joint venture structures that are geographically diversified across numerous states and high growth cities namely, Atlanta, Phoenix, Denver, North Carolina, Pittsburgh, Dallas, Philadelphia, Wisconsin, Virginia and Florida in the U.S., Greater London, Manchester and Immingham in the UK, and Dublin and Cork in Ireland. The assets are

strategically located in core and 'core plus' submarkets, high growth business parks and high growth suburban markets, all of which are supported by robust economic and demographic fundamentals.

Despite challenges resulting from the COVID-19 pandemic, the Bank has successfully disposed of a number of real estate investments during 2021, generating a return.

## Direct Investment Department

The Direct Investment Department manages the Bank's strategic and proprietary investments across multiple asset classes. The Direct Investment Department's investment activity has progressed with 2021 with approximately U.S.\$120 million in new commitment made to private equity and infrastructure funds. As at 31 December 2021, the Direct Investment Department oversaw aggregate commitments of U.S.\$535 million across various strategic and proprietary investments.

## The Portfolios & Funds Management Department

In line with its strategic aspirations and its mission to provide improved financial solutions to its customers, the Bank has obtained CMA licences for investment portfolio manager, collective investment scheme manager, investment advisor, subscription agent and custodian activities.

#### **COMPETITION**

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

The tables below show rankings for these 10 banks by total assets, by customer deposits and by customer financing as at 31 December in each of 2021, 2020 and 2019.

	A	s at 31 December	
	2021	2020	2019
		(KD million)	
Ranking by total assets <sup>(1)</sup>			
National Bank of Kuwait	33,256.6	29,717.4	29,270.8
Kuwait Finance House	21,788.2	21,502.3	19,390.9
Boubyan Bank	7,351.9	6,437.1	5,300.5
Burgan Bank	7,074.9	7,106.1	7,081.0
Gulf Bank	6,555.9	6,112.7	6,245.4
Al-Ahli Bank of Kuwait	5,627.3	4,852.7	4,883.1
Ahli United Bank	4,573.4	4,370.0	4,351.4
Commercial Bank of Kuwait	4,289.6	4,389.6	4,873.2
The Bank	3,580.2	3,475.3	3,143.7
Kuwait International Bank	3,135.1	2,801.6	2,687.6

<sup>(1)</sup> Total assets are based on consolidated figures and include international assets.

Source: 31 December 2021 and 31 December 2020 annual financial statements for each bank.

As at 31 December 2021, the Bank's total assets represented 8.9 per cent. of the total assets of the Kuwaiti Islamic commercial banking sector and 4.0 per cent. of the Kuwaiti total commercial banking sector.

	As	s at 31 December	
	2021	2020	2019
		(KD million)	
Ranking by customer deposits <sup>(1)</sup>			
National Bank of Kuwait	19,620.3	17,104.2	15,930.6
Kuwait Finance House	15,866.9	15,317.3	13,552.6
Boubyan Bank	5,618.8	5,107.7	4,347.2
Gulf Bank	4,304.0	4,033.7	3,949.9
Burgan Bank	4.161.7	4,091.4	3,991.0
Al-Ahli Bank of Kuwait	3,913.3	3,485.5	3,319.8
Ahli United Bank	3,109.9	3,008.2	2,697.0
The Bank	2,288.9	2,353,5	1,705.8
Commercial Bank of Kuwait	2,119.6	2,369.0	2,452.9
Kuwait International Bank	2,061.6	1,644.8	1,469.6

<sup>(1)</sup> Total deposits are based on consolidated figures and include international customer deposits.

Source: 31 December 2021 and 31 December 2020 annual financial statements for each bank.

As at 31 December 2021, the Bank's customer deposits represented 7.9 per cent. of the total customer deposits of the Kuwaiti Islamic commercial banking sector and 4.0 per cent. of the Kuwaiti total commercial banking sector.

	A	s at 31 December	
	2021	2020	2019
		(KD million)	
Ranking by customer financing <sup>(1)</sup>			
National Bank of Kuwait	19,722.5	17,504.3	16,552.6
Kuwait Finance House	11,355.4	10,747.5	9,473.8
Boubyan Bank	5,513.1	4,823.3	3,826.1
Gulf Bank	4,558.1	4,116.5	4,224.6
Burgan Bank	4,278.7	4,345.1	4,284.3
Al-Ahli Bank of Kuwait	3,387.0	3,117.1	3,215.7
Ahli United Bank	3,342.1	3,113.7	3,018.8
The Bank	2,473.5	2,497.4	2,262.0
Commercial Bank of Kuwait	2,278.1	2,279.1	2,266.7
Kuwait International Bank	2,270.5	1,979.0	1,865.6

<sup>(1)</sup> Customer financing is based on consolidated figures and include international customer financing and Islamic financing (as applicable).

As at 31 December 2021, the Bank's customer financing and advances represented 9.9 per cent. of the total customer financing and advances of the Kuwaiti Islamic commercial banking sector and 4.6 per cent. of the Kuwaiti total commercial banking sector.

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

Source: 31 December 2021 and 31 December 2020 annual financial statements for each bank.

banks on their financing portfolios, as the CBK permits Islamic banks, subject to CBK limits, to charge customers higher margins to compensate for the fixed nature of profit on financing.

## **INFORMATION TECHNOLOGY GROUP (ITG)**

The ITG works on developing both development and business continuity. In relation to development, and in line with the ongoing implementation of the Strategic Plan, ITG is focusing on three key factors: governance, business transformation and infrastructure.

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

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

During 2021, the ITG completed several projects including, but not limited to: ISO 27001-2013 standard implementation and certification, CBK cyber security framework compliance, PCI DSS certification, Swift CSP 2021, Swift GPI, KNPS system implementation for local payments with the CBK, safe box enablement, smart Sunbula for flexible deposit, 'customer 360 view' for both RBG and CBG customers, dual chip card implementation, online customer onboarding and account opening, online retail financing origination, online corporate banking, online letter of guarantee origination for trade finance operations, investment banking solutions, treasury operations updates, electronic payment enhancements including new services through SWIFT, Western Union and MasterSend, enabling Fitbit, Garmin and Samsung Pay services, robotic process automation, workflow automation for supporting activities and updates to the AML/CTF system. The in-app 'customer 360 view' has the following features: basic customer profile details, salary details, customer portfolio, account details, account statements, Murabaha details, deposits details, financing details, credit and debit card details, recent online activities, standing order details, against cash and non-cash deals, cheque book details, SMS status and Sunbula changes (amongst other things), as applicable for RBG and CBG customers.

The ITG has completed both internal and external audits as well as regulatory compliance reviews during 2021 pertaining to business technology infrastructure, policies and operations, thus providing assurance that required controls are implemented to protect the Bank's assets while maintaining data integrity and alignment with its business objectives.

During 2021, given the Banks accelerated digitisation journey, ITG also continued to enhance and update the Bank's cyber security systems to safeguard its data avert associated risks.

## **OPERATIONS GROUP (OG)**

OG provides extensive back-end support to all business areas (including CBG, IBG, TG front office and RBG).

OG's capabilities are aligned with the overall business objectives and goals of the Bank. OG is responsible for existing and new business products, timely execution of critical transactions, applying regulatory and operations controls and maintaining a high level of accuracy. There was an overall increase of approximately 10.4 per cent. in financial-related transactional volume as at 31 December 2021 compared to 31 December 2020.

In addition to providing high quality transaction processing services, the OG focuses on optimising processes to reduce cost and avoid volume sensitivity. The Operational Excellence Department was established as an internal assurance function to effectively manage operations and continual progress to improve such services. During 2021, the Bank has implemented several process automation solutions. In addition, the Bank has successfully implemented CBK requirements in relation to the Kuwait national payment system and the real-time-gross-settlement system in compliance with ISO 20022 standards and the SWIFT global payments innovation tracking systems that enable real-time tracking of local and international payments to improve customer experience.

OG has also managed the end-to-end operational cycle of the Bank's capital increase including the accounting setup, daily reconciliations and support for share subscriptions as well as the timely execution of excess subscription amount refunds.

In respect of OG's manpower, OG conducted a human resource capability development programme in 2021 consisting of cross-training sessions for OG staff to enhance their internal operational skills and knowledge about operations processes and systems awareness.

## RISK MANAGEMENT

## **OVERVIEW**

Risk is inherent in all activities of the Bank and is managed through a process of ongoing identification, measurement, mitigation and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's financial health and continuing profitability and each individual within the Bank is accountable for the risk exposures relating to their responsibilities.

The Bank has exposure to the following risks from financial instruments:

- credit risk;
- market risk;
- liquidity risk; and
- operational risk.

In addition, there are other risk areas that need to be monitored and controlled. The following presents information about the Bank's exposure to each of the risks, the Bank's framework of policies, models and quantification techniques, and processes for identifying, measuring, mitigating, monitoring and managing risk, and the management of Bank's capital.

## **Risk Management Structure**

The Board has overall responsibility for the establishment and oversight of Bank's risk management function. The Board has established a risk committee, the BRC, to set the framework and monitor the Bank's risks and control-related requirements covering all risk types like credit, market, liquidity and operational risks. See "Management and Employees—Management—Board committees—Board Risk Committee (the "BRC")".

The Board has also established an audit committee, the BAC, as required by the CBK, which, amongst other functions, is also required to monitor adherence with the Bank's risk management principles, policies and procedures, and for reviewing the adequacy of its risk management framework. The BAC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BAC. See "Management and Employees—Management—Board committees—Board Audit Committee (the "BAC")".

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

Risk management policies are established to identify, quantify, control, mitigate and analyse the risks faced by the Bank to set appropriate risk limits and control and, to monitor risks and ensure adherence to the risk appetite limits. Risk management policies and systems are subject to review on an ongoing basis to reflect changes in economic environment, market conditions, products and services offered by the Bank.

## Risk Management Framework

The BRC sets the framework and monitors the risks and control functions of the Bank. The BAC, as required by the CBK, amongst other functions, is required to monitor adherence with the Bank's risk management principles, policies and procedures, and to review the adequacy of the risk management framework.

The ECIC is the executive level decision making body which is empowered to consider all financing and investment proposals for approval within its delegated authorities and/or recommendations to the BCIC (the Board level decision making body) for final approval. See "Management and Employees—Management—Board committees—Board Credit and Investment Committee (the "BCIC")" and "Management and Employees—Management—Management committees—Executive Credit and Investment Committee (ECIC)".

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

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

## Risk Appetite

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

## **Risk Management Systems**

In order to manage risks in a holistic manner and to measure risks on a consolidated basis, the Bank has a formal Risk Governance Framework, which provides detailed guidelines for a sound framework for enterprise-wide risk management. The objectives of risk management are supported by various risk policies that are reviewed and updated regularly. The risk policies, in general, contain detailed planning for various risks based on business strategies, past performance, future expectations, economic conditions, and internal as well as external events. The policies also require comprehensive analysis of a set of pre-determined parameters prior to the introduction of new products or instruments. The policies have put in place internal limits (nominal as well as risk-based) for continuous monitoring and ensuring that risks are maintained within the Bank's risk appetite. Periodical reporting of risks to various authorities including the ALCO, ECIC, BCIC and the BRC ensures that the Board and the executive management are continuously kept aware of positions thereby enabling informed decision- making.

A summary of the risk management systems in place to mitigate each category of risk are set out below.

## **CATEGORIES OF RISKS**

## **Credit Risks**

Credit risk is the risk of financial loss to the Bank if any counterparty to a financial obligation or instrument fails to or delays in meetings its contractual obligations and arises principally from the Bank's receivables from Islamic financing activities, Ijara and investments. For risk management control purposes, the Bank considers and

consolidates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk in one measure about riskiness of an exposure, based on models and the inter-play of matrices.

### Credit risk management

The Board has approved financing and investment policies for various business groups and investment asset types. The ECIC is empowered to initially screen proposals and can approve financing and investment within its delegated authorities. The Board has also constituted the BCIC which is the next level of authority and is governed by a charter providing guiding principles and approves various financing and investment proposals on behalf of the Board.

The RMG provides an independent opinion and assessment of risk for every financing and investment proposal presented to the approving authorities for decision making.

The Bank manages its credit facilities portfolio with the objective of ensuring that it is well diversified and it earns a level of return commensurate with the risks it assumes and at the same time, seeks to ensure the quality of the credit portfolio.

In addition, the Bank endeavours to manage the credit exposure by obtaining collateral where appropriate and limit the tenor of exposure or implement structures that are beneficial to the overall risk profile of the Bank's credit risk exposure.

As required by the CBK, the Bank has established a Provisioning Committee at the Executive Management level which is primarily responsible for the study and evaluation of the existing credit facilities and investments of the Bank, to identify any abnormal situations and difficulties associated with a customer's position that may require the exposure to be classified as irregular, and to determine the appropriate provisioning required for impairment/potential impairment of assets and investments.

## Assessment of expected credit losses

The Bank considers a financial asset to be in default and therefore Stage 3 (credit impaired) ECL calculations when: (i) the customer is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as transferring collateral (if any is held); (ii) the customer is past due more than 90 days on any material credit obligation to the Bank; or (iii) the customer is considered as credit impaired based on qualitative assessment for internal credit risk management purposes.

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank applies a consistent quantitative criterion for internally and externally rated portfolios to assess any significant increase in credit risk.

For further information regarding the Bank's assessment of expected credit losses, see Note 20.2 of the 2021 Financial Statements.

### Excess risk concentrations

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or are exposed to similar economic environment that would cause their ability to meet contractual obligations to be similarly impacted by changes in economic, political and/or other conditions.

Note 20.2 to the 2021 Financial Statements provides details of the Bank's concentration exposures by type, geography, industry sector and credit quality.

#### Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines initiated by the Bank's risk management and credit committee set out the acceptability of types of collateral and valuation parameters.

Executive Management monitors the fair value of collateral and requires additional collateral in accordance with the underlying agreements when necessary.

The fair value of collateral the Bank held relating to past due or impaired financing facilities as at 31 December 2021 was KD 253.0 million, compared to KD 87.0 million as at 31 December 2020 and KD 114.7 million as at 31 December 2019. The Bank's collateral consists of cash, securities, sukuk, letters of guarantee, real estate assets and other forms of collateral.

#### Market Risks

Market risk emanates from the process of fair valuing, or assessing the future cash flows of, a financial instrument and reflects the fact that the outcomes of these processes fluctuate because of changes in market prices. Market risk may arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

The Risk Management Group is responsible for the development of detailed market risk management policies and for the periodic review of their implementation, while it is the responsibility of IBG and TG to proactively manage and control the market risk generated from various market positions in investments, financial instruments and overthe-counter deals.

## Market Risk Frameworks

The Bank's market risk framework comprises the following elements:

- limits for all market risk parameters and regular limits monitoring to ensure that the Bank does not exceed aggregate risk and concentration parameters set by CBK limits and internal limits;
- mark-to-market valuation based on independently published market data, and continuous review of all open positions; and
- measuring value-at-risk for market sensitive positions and monitoring the same against established limits.

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

## Profit Rate Risk

Profit rate risk arises from the changes in profit rates affecting future cash flows and/or the fair value of the underlying financial exposure or instrument. The Bank is susceptible to profit rate risk as the value of the Bank's fixed income investments and/or return on financing are inversely related to rising rates. Moreover, changes in profit rates might also impact the Bank's net earnings or earnings spread. The Bank is not exposed to significant profit rate risk.

#### Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate financial exposures when profit rates fall. Due to the contractual terms of its Islamic products, the Bank is not significantly exposed to prepayment risk.

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is susceptible to currency risk as the Bank's base currency is KD and all foreign currencies are revalued against KD. Any long or short open position in any currency exposes to Bank to currency risk.

Currency risk is managed on the basis of limits determined by the CBK and a continuous assessment of the Bank's open positions and currency and expected exchange rate movements. See Note 20.3.3 of the 2021 Financial Statements for further information on the currencies to which the Bank had significant exposure on its non-trading monetary assets and liabilities and its forecasted cash flows.

## Liquidity Risk

Liquidity risk is the risk of the Bank being unable to meet its financial liabilities when they fall due. Liquidity risk can be caused by market disruptions, credit downgrades or market perception, which may cause certain sources of funding to dry up immediately. To limit this risk, the Bank has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high quality liquid assets which could be used to secure additional funding and liquidity if and when required. The Bank has a contingency funding plan in place to ensure required action is implemented in the event of any liquidity contingencies. The ALCO is responsible for invoking the contingency funding plan.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The RMG and TG monitor the Bank's liquidity profile daily and take appropriate steps, if required. The Bank's liquidity profile is monitored on a daily basis including its overall assets and liabilities (for Kuwaiti dinar and foreign currencies), the Bank's position in terms of its statutory liquidity ratio. its financing receivables to deposits ratio and LCR. TG co-ordinates with all business groups to confirm details of projected cash flows required or arising from potential ensuing business opportunities.

TG is required to maintain a portfolio of short-term liquid assets, largely made up of short-term high-quality liquid investment securities and availability of inter-bank lines at short notice, to ensure that sufficient liquidity is maintained within the Bank. TG's liquidity management is performed to ensure the most optimum position, taking into account maturity gaps. The daily liquidity position is monitored and regular stress testing is conducted under a variety of scenarios covering mild and more severe market conditions. All liquidity policies are subject to review by the ALCO and approved by the BRC. Periodic liquidity profile reports, including any exceptions and remedial action required/taken, is reviewed by the ALCO. The Bank is governed by the liquidity limits and maturity ladder profile as mandated by CBK regulations and CBK approved limits.

See Note 20.4 to the 2021 Financial Statements for details regarding the maturity profile of the Bank's assets and liabilities.

#### **Operational Risks**

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

## Operational Risk Framework

The Bank has a set of policies approved by the Board that are applied to identify, assess and supervise operational risk in addition to other types of risk relating to the banking and financial activities of the Bank.

Suitable operational risk procedures have been agreed with various groups and departments of the Bank and implemented for effectively reporting, monitoring and controlling operational risks.

Operational risk is managed by the RMG. The RMG ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk in accordance with the Bank's Risk Management Framework.

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

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

#### LEGAL AND COMPLIANCE

# Overview

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

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

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

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

## Anti-Money Laundering (AML) and Combatting the Financing of Terrorism (CFT)

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

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

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

## **Adequacy of Internal Controls**

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

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

The Board believes that the internal control systems as of 31 December 2021 are adequate to provide reasonable assurance regarding the achievement of the Bank's objectives.

Based on the CBK's instructions, the Bank engaged an independent external auditor in 2021 to conduct an independent review of the Bank's internal controls for 2020. The report was presented to the BAC and the Board in a meeting held on 21 June 2021. The report, submitted to the CBK on 28 June 2021, indicated that the Bank has set internal controls and processes in accordance with the Kuwaiti regulatory requirements. The issues raised in the report have no material impact on the fair presentation of the Bank's financial statements for 2020. The actions taken by the Bank to address the findings referred in the report were satisfactory. A further external auditors' report sent to the CBK on 4 January 2022 concluded that all findings in the report had been resolved.

## MANAGEMENT AND EMPLOYEES

## MANAGEMENT

## Corporate governance framework

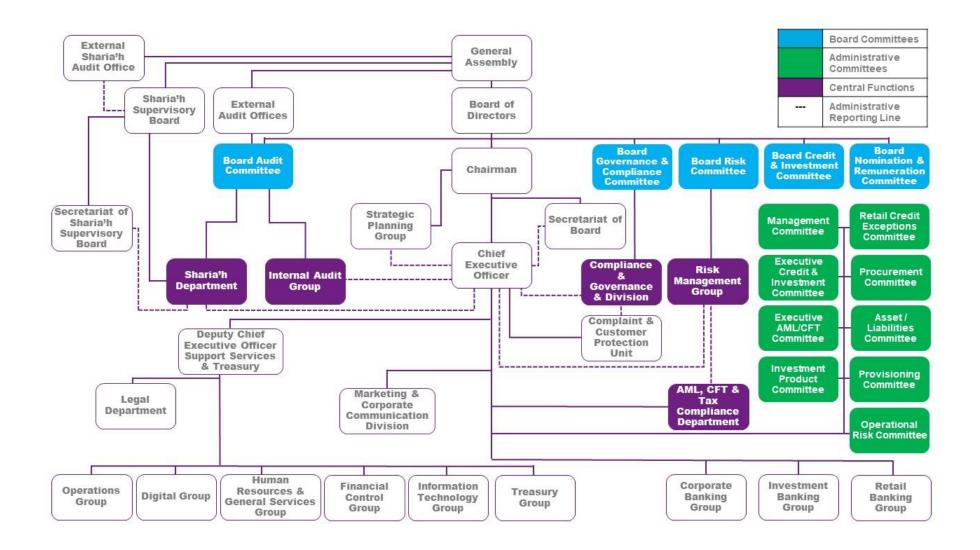
The Bank's corporate governance framework is based on principles and standards defined by leading professional bodies and regulatory authorities and is embedded into the Bank's business and practices. The framework is designed to secure effective oversight of the Bank's strategy and business operations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

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

The Bank is committed to providing timely, consistent and accurate information to its stakeholders and has adopted a disclosure and transparency policy to ensure that this is achieved. This policy covers a wide range of areas, including the key quantitative and qualitative information related to financial performance and financial stability, risk management factors, remuneration, corporate governance, related-party transactions, conflicts of interest and substantial changes in business.

## Organisational structure

The Bank's organisational structure has been designed taking into consideration transparency and clarity to facilitate the decision-making process, achieving sound corporate governance and defining authority limits that clearly set key responsibilities and duties of the Board, Executive Management and heads of supervisory and control functions in the Bank. The Bank's organisational structure is periodically updated, if required, to cover all CBK requirements. The chart below shows the Bank's organisational structure.



#### **Board of Directors**

The Bank operates under the direction of the Board which comprises of 11 members, including four independent members. Each member of the Board is elected during a shareholders' general assembly meeting for a period of three years and each member can be re-elected for an unlimited number of additional three-year terms. The Board meets as often as it deems necessary, subject to a minimum of six times a year. In line with CBK requirements, the Board must convene at least once each quarter. The Board convened 16 times in 2021, 16 times in 2020 and 14 times in 2019.

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

The Board appoints the CEO and approves the appointment of most Executive Management positions reporting to the CEO.

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

The Bank takes the utmost care in training members of the Board. During 2021, the Bank arranged training programs on corporate governance, AML/CFT and cybersecurity awareness as well as training provided by the chairman of the Shari'a Board in respect of investment rules and regulations.

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

Name	Position
Mr. Hamad M. AlSayer	Chairman
Mr. Bader K. AlShalfan	Vice Chairman
Mrs. Basma H. Al Sanea	Board Member – Representing Public Institution for Social
	Securities
Mr. Khaldon Sh. AlTabtabaie	Independent Board Member
Mr. Mubarak N. AlSayer	Board Member
Mr. Mohammad A. AlRuwayeh	Independent Board Member
Mr. Mohammad H. AlShalfan	Board Member
Mr. Mohamed R. AlMutawa	Board Member
Mr. Mohammad A. Saleem	Board Member
Mr. Mohammed A. AlBahar	Independent Board Member
Mrs. May M. AlMudhaf	Independent Board Member

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

#### Mr. Hamad M. AlSayer

Mr. AlSayer has been a member of the Board since March 2019, was Vice Chairman of the Board between March 2019 and March 2022 and has been Chairman of the Board since March 2022.

Qualifications: Mr. AlSayer holds a bachelor's degree in Finance from Seattle University, U.S. and an MBA in Business Administration from Maastricht University.

Experience: Since July 2021, Mr. AlSayer has been CEO of One Franchising Holding Company and previously served as the CEO of Al Sayer Franchising General Trading and Contracting Company W.L.L. (from 2003 to 2021). Mr Al Sayer started his career in the corporate finance sector at the National Bank of Kuwait and was there from 1998 to 2003. He has been a chairman and member of the board of directors of a number of local and regional companies and financial institutions including, but not limited to, Al Dhow Investment Company, United Securities Brokerage Company in Egypt, Al Roeya Securities Company in the Sultanate of Oman and FIMBank in Malta.

#### Mr. Bader K. AlShalfan

Mr. AlShalfan has been a member of the Board since March 2019 and Vice-Chairman of the Board since March 2022.

Qualifications: Mr. AlShalfan holds a bachelor's degree in Business Administration from Kuwait University.

Experience: Mr. AlShalfan joined the Ministry of Finance in 2001 as an officer and researcher in the procurement systems department. In 2004, he founded Health Company with a group of partners where he has held the position of the general manager for over ten years. He founded Bond International Real Estate Company in 2013 with a group of partners where he continues to serve as the general manager of the company, providing advisory services in the domestic and international investment/real estate market.

## Mrs. Basma H. Al Sanea

Mrs. Al Sanea has been a member of the Board since March 2022, a representative of the Public Institution for Social Security (PIFSS).

Qualifications: Mrs. Al Sanea holds a bachelor's degree in Business Administration with a specialisation in marketing from the American University in Kuwait in 2008.

Experience: Mrs. Al Sanea started her career in the training program of Kuwait Investment Authority from 2008 to 2010. Mrs Al Sanea then joined PIFSS in 2010 and ultimately held the position of director of real estate management. She is currently a member of the Board of Directors of Gravitas Holding PCC Ltd, Egycap Investments and Kuwait Medical City Company.

#### Mr. Khaldon Sh. AlTabtabaie

Mr. AlTabtabaie has been a member of the Board since March 2022.

Qualifications: Mr. AlTabtabaie holds a bachelor's degree in Business Administration from George Washington University, U.S. and a master's degree in Information Systems Management from the same university. In 2017, Mr. AlTabtabaie received a Diploma in Financial Market Operations from the University of Reading in the UK and the International Financial Markets Association (ICMA).

Experience: Mr. AlTabtabaie is currently a member of the board of directors of the Muscat Clearing and Depository Company of the Muscat Stock Exchange. Mr. AlTabtabaie gained his professional experience by working in several

companies in the financial sector, the last of which was his work in the Kuwait Clearing Company from 2011 until 2021, in which he held several executive positions until he became the CEO in 2018. He also contributed to the development of the Kuwaiti capital market and the promotion of Boursa Kuwait to an emerging market on several global indicators such as Morgan Stanley MSCI and FTSE Russell, where he was an executive member of the tripartite committee for the development of the Kuwaiti money market formed by the Capital Markets Authority in 2016. In addition to heading the strategic transformation team in the company, during that period, he was also the Vice President of the Africa and Middle East Organization for the AMEDA central depository and gained membership in the Board of Directors of the Federation of Arab Capital Markets AFCM.

## Mr. Mubarak N. AlSayer

Mr. AlSayer has been a member of the Board since March 2022.

Qualifications: Mr. AlSayer holds a bachelor's degree in Business Administration from Bowling Green State University in U.S.

Experience: Mr. AlSayer has been the General Manager of Al Dow Holding Company since 2019. He has also been a member of the Board of Directors and CEO of Al-Sayer Group Holding Company since 2016. He is the appointed director of the Nasser Mohamed Al-Sayer group of companies. Mr. AlSayer's work includes membership and presidency in several local companies, most notably, but not limited to, Credit One Holding Company and the National International Holding Company.

#### Mr. Mohammad A. AlRuwaih

Mr. AlRuwaih has been a member of the Board since March 2022.

Qualifications: Mr. AlRuwaih holds a bachelor's degree in Law from Kuwait University and a master's degree in Corporate Finance Law from the University of Westminster in the UK.

Experience: Mr. AlRuwaih is a member of the Kuwait Bar Association. He gained his professional experience through his work since 1999 to date at Ahmed Al Ruwayeh lawyers and legal advisors law firm.

## Mr. Mohammad H. AlShalfan

Mr. AlShalfan has been a member of the Board since March 2019.

Qualifications: Mr. AlShalfan holds a bachelor's degree in Civil Engineering from the University of Colorado, U.S. and an MBA from DePaul University, U.S.

Experience: Mr. AlShalfan started his career at Kuwaiti Manager Holding Company from 2003 to 2017 holding the position of deputy general manager for operations from 2010, then becoming the company general manager in 2013. In 2017, he became the executive partner of Sama Project Management Company. Since 2019, he has held the position of the CEO of Al Masaken International Real Estate Development (K.S.C) and is also the chairman of the board of directors of INOVEST Company and a board member of Al-Masaken United Real Estate Company. Mr. AlShalfan has been a member of the board of directors at several local and regional companies, most notably: Kuwaiti Manager Holding Company, Kuwaiti Manager for Real Estate Management Projects Company, Kuwaiti Manager Ready Mix for Concrete Production, Kuwaiti Manager Bahrain, Kuwaiti Manager Oman, Khaleeji Manager Saudi Arabia and Baitak Real Estate Company in Saudi Arabia.

### Mr. Mohamed R. AlMutawa

Mr. AlMutawa has been a member of the Board since March 2016.

Qualifications: Mr. AlMutawa holds a bachelor's degree in Finance from Kuwait University.

Experience: Mr. AlMutawa started his career at the Kuwait Investment Authority in 2001 where he holds the position of senior investment manager. He has been a member of the boards of directors of several companies, most notably: the Pakistan-Kuwait Investment Company, the Arabian Sea Company Limited, Farah Al-Magrib Real Estate Company and the National Offset Company.

#### Mr. Mohammad A. Saleem

Mr. Saleem has been a member of the Board since March 2016.

Qualifications: Mr. Saleem holds a bachelor's degree in Business Administration in Finance from Kuwait University.

Experience: Mr. Saleem has gained professional experience from his service of over 30 years at Kuwait Investment Authority, where he held various positions since 1986 including the treasury department manager since 2006. He currently holds the position of vice chairman in the Arab Banking Corporation. He has been a chairman and/or member of the board of directors in a number of companies such as Generations Fund Holding Company, Kuwait Investment Company, the Egyptian Kuwaiti Real Estate Development Company, Gulf Custody Company, Kuwait Real Estate Holding Company and Kuwait Flour Mill & Bakeries Company.

#### Mr. Mohammed A. AlBahar

Mr. AlBahar has been a member of the Board since March 2022.

Qualifications: Mr. AlBahar holds a bachelor's degree in Industrial and Systems Engineering from the University of Southern California in the U.S. and a master's degree in Operations Research from the same university.

Experience: Mr. AlBahar joined the Kuwait Institute for Scientific Research in the Department of Technical Economics in 1983, remaining until 1985. He then moved to Gulf Investment Corporation where he held the position of Vice President in Project Management from 1985 until 2001. He took the position of General Manager of Boubyan Petrochemical Company from 2001 until 2018. Mr. AlBahar has been a president and a member of the boards of directors of several companies and banks, locally and regionally, in the fields of education, technology, and industry fields, most notably, but not limited to, Burgan Bank, Boubyan Plastic Industries Company, Kuwait Olefins Company, Touristic Enterprises Company, Chairman of the Board of Trustees of the Gulf University for Science and Technology, Nama Chemicals Company and the Arab Insulation Industry Company in Saudi Arabia.

## Mrs. May M. AlMudhaf

Mrs. AlMudhaf has been a member of the Board since March 2022.

Qualifications: Mrs. AlMudhaf holds a bachelor's degree in Economics from the American University of Beirut.

Experience: Mrs. AlMudhaf began her career in treasury management at the Commercial Bank of Kuwait from 1980 until 1995, then moved to the Finance Department at Gulf Bank from 1998 to 2001. She joined the Commercial Bank as General Manager of Treasury Department from 2001 to 2006. She then moved to work in Burgan Bank where she held the position of Head of Treasury and Investment Banking from 2009 until 2012. Mrs. AlMudhaf held the position of CEO of First Abu Dhabi Bank from 2013 until 2018, partner and founder of Novum Consultants for financial advisory from 2019 to date.

#### **Board committees**

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



## Board Credit and Investment Committee (the "BCIC")

The BCIC reviews, evaluates, develops and recommends for the Board's approval all issues related to financing and investment proposals, fees and commissions, financing portfolio performance, investments and legal action taken in respect of non-performing financing. The committee has certain delegated approval authority for credit financing and investment decisions. The BCIC met 28 times in 2021.

#### The members of the BCIC are:

- Mr. Mohammad A. Saleem, Committee Chairman;
- Mrs. May M. AlMudhaf, Vice Chairman;
- Mr. Bader K. AlShalfan, Member;
- Mrs. Basma H. Al Sanea, Member; and
- Mr. Nasser Homoud Al Homoud, Committee Secretary.

## Board Audit Committee (the "BAC")

The BAC reviews and monitors the scope, results and adequacy of the Bank's internal and external audit, accounting issues that have or may have a substantial impact on the Bank's financials, the Bank's internal control systems and ensuring that regulatory posts are staffed adequately, the Bank's financial statements (before presentation to the Board) to ensure the sufficiency of necessary provisions and the Bank's compliance with relevant laws, policies, systems and instructions. The BAC also annually assesses the Bank's chief internal auditor's performance and remuneration and the appointment, termination and fees of the Bank's external auditors. The BAC met 12 times in 2021.

## The members of the BAC are:

• Mr. Mohammad Al. AlRuwaih, Committee Chairman;

- Mr. Mohamed R. AlMutawa, Committee Vice Chairman;
- Mr. Mubarak N. AlSayer, Member;
- Mr. Khaldon Sh. AlTabtabaie, Member; and
- Mr. Nasser Homoud Al Homoud, Committee Secretary.

# Board Governance Committee (the "BGC")

The BGC assists the Board in fulfilling its governance responsibilities and submits reports to the Chairman of the Board on a quarterly basis. In addition, it prepares and updates the Bank's corporate governance manual (which is approved by the Board), monitors the implementation of the standards and controls contained therein and reports to the Board thereon. The BGC conducts an annual review of the Bank's corporate governance practices to ensure their effectiveness and makes appropriate recommendations to the Board. In addition, the BGC coordinates with the Shari'a Board and the BAC to ensure compliance with the Bank's internal *Shari'a* audit manual. The BGC met 6 times in 2021.

#### The members of the BGC are:

- Mr. Hamad M. AlSayer, Committee Chairman;
- Mr. Mohammad A. Saleem, Committee Vice Chairman;
- Mr. Mohammad Al. AlRuwaih, Member; and
- Mr. Nasser Homoud Al Homoud, Committee Secretary.

#### Board Risk Committee (the "BRC")

The BRC assists the Board to perform its duties and responsibilities in respect of strategy, risk appetite and risk associated with financing and investment activities. The BRC is also responsible for highlighting and developing the Bank's risk strategy, risk appetite and other risk related measures such a reviewing reports from the Risk Management Group, reviewing the Bank's risk and control policies and recommending their approval by the Board.

The BRC also monitors the Bank's compliance with the standards issued by the Islamic Financial Services Board (IFSB) including *Shari'a* risks and standards set by the Basel Committee in respect of credit risk, market risk and operational risk without conflicting *Shari'a* rules in line with decisions issued by the Shari'a Board and relevant CBK instructions. The BRC met 10 times in 2021.

#### The members of the BRC are:

- Mr. Khaldon Sh. AlTabtabaie, Committee Chairman;
- Mr. Mubarak Nasser Al Sayer, Committee Vice Chairman;
- Mr. Mohammad H. AlShalfan, Member;
- Mr. Mohamed R. AlMutawa, Member;
- Mr. Mohammed A. AlBahar, Member and
- Mr. Nasser Homoud Al Homoud, Committee Secretary.

#### Board Nomination and Remuneration Committee (the "BNRC")

The BNRC assists the Board in determining the eligibility of the nominees to Board membership, nominees for the positions of CEO and CEO's deputies and assistants. It also ensures the efficiency and application of the nomination policy and its consistency with the Bank's objectives, as well as ensuring the efficiency and integrity of compensation and rewards policies and practices in the Bank. The BNRC met 12 times in 2021.

The members of the BNRC are:

- Mrs. May M. AlMudhaf, Committee Chairman;
- Mr. Bader K. AlShalfan, Committee Vice Chairman;
- Mrs. Basma H. Al Sanea, Member;
- Mr. Mohammad H. AlShalfan, Member;
- Mr. Mohammed A. AlBahar, Member; and
- Mr. Nasser Homoud Al Homoud, Committee Secretary.

### **Executive Management**

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

Executive Management team as of the date of this Base Prospectus comprises:

## Mr. Shaheen H. Al-Ghanem - CEO

Mr. Al-Ghanem has been CEO of the Bank since May 2016.

Qualifications: Mr. Al-Ghanem holds a master's degree in Business Administration from Maastricht University, a bachelor's degree in Accounting from Kuwait University and is a Certified Management Accountant from the Institute of Management Accountants in the U.S. He has also completed a course on executive management from Harvard University.

Experience: Mr. Al-Ghanem has broad experience in banking and investment. He began his career in the oil sector in 1988 where he remained until 1999, then moved to the financial and investment services sector where he served as Assistant Chief Financial Officer at International Investor Company in 1999. He then moved to the Kuwait Finance House in 2001 where he held several positions in various departments, the last of which were as General Manager of the International Banks Department in 2012 and Acting Chief Investment Officer in 2013. He has been a board member, and in some cases chairman, in a number of banks and companies inside and outside of Kuwait. Mr. Al Ghanem moved to the Bank in March 2014 as Deputy CEO for Investment and Treasury prior to taking his current position.

## Mr. Anwar Bader Al Ghaith - Deputy Chief Executive Officer Support Services and Treasury

Mr. Al Ghaith was appointed Deputy Chief Executive Officer Support Services and Treasury in February 2021.

Qualifications: Mr. Al Ghaith holds a bachelor's degree in accounting from Kuwait University. He has also completed many training and leadership programs such as the leadership development program from Harvard Business School in 2007. In addition, he has many professional certifications such as certified Islamic Banker from the Accounting & Auditing Organization for Islamic Institutions (AAOIFI) in 2012 and he is a certified and licensed External Auditor from the Ministry of Commerce in the State of Kuwait

Experience: Mr. Al Ghaith has more than 24 years of experience in the government and private financial sectors. His career started in 1997 as a Tax Inspector at the Ministry of Finance. After serving for 3 years, he joined Kuwait Finance House in 2001 and has gradually been promoted to the Head of Local Real Estate Operations and then, in 2005, to the Operations Department Manager, finally becoming Chief Operating Officer in 2011 until 2014 being responsible on the banking operations, information technology and human resources. In 2014, he was appointed as the Acting Chief Executive Officer. In 2015, Mr. Al Ghaith joined Gulf Investment Corporation as the Head of Operations Division. In 2016, he joined the CBK and held a number of positions such as the Executive Director for Organization & Administration and the Executive Director for Information Technology & Banking Operations as well as the Acting Department Head for Foreign Operations Department before joining the Bank in 2020.

## Mr. Mohamed Eissa -Chief Financial Officer

Mr. Mohamed Eissa was appointed Chief Financial Officer in February 2022.

Qualifications: Mr. Eissa holds a bachelor's degree in Accounting from Ain Shams University, he is a Certified Public Accountant (CPA) from the California Board of Accountancy – USA & Certified International Public Sector Accountant - ACCA CertIPSAS.

Experience: Mr. Eissa started his career in 1999 as an auditor and worked for some of the largest international audit and consulting firms for more than 22 years. He gained extensive experience in the field of auditing and internal control over Islamic banks and financial institutions and was progressed in different positions until he held the position of audit principal in the Deloitte Middle East.

# Mr. Dharar A. AlDakhil – Chief Risk Officer

Mr. AlDakhil was appointed Chief Risk Officer in October 2021.

Qualifications: Mr. AlDakhil holds a bachelor's degree in Economics & Political Science with a minor in Management from Kuwait University and master's degree in Business Administration from American University of Middle East – Kuwait. In addition, he holds a number of professional certifications such as Chartered Financial Analyst Level 1, Certificate in Credit Management, Executive Leadership Program by Harvard Business School, Risk Management in Banking Program by INSEAD and General Management Program by Chicago Booth.

Experience: Mr. AlDakhil has more than 24 years of experience in the government and private financial sectors. His career started in 1996 in the Ministry of Interior. In 2000, he joined Burgan Bank and held various roles in International Banking and Corporate Banking. Between 2005 and 2013, he served in multiple banking, investment and financial entities with progressive roles until he joined Kuwait Finance House in 2012 as General Manager in Group Risk Management until July 2020. In August 2020, Mr.AlDakhil joined the Bank as Deputy Chief Risk Officer.

# Mr. Hussam Sulieman Awad Mustafa - Chief Internal Auditor

Mr. Mustafa was appointed as Chief Internal Auditor of the Bank in July 2022.

Qualifications: Mr. Mustafa obtained a bachelor's degree in Accounting from Yarmouk University in Irbid Jordan in 1989. Mr. Mustafa also holds professional certifications as a Certified Fraud Examiner (CFE), Certified Internal Controls Auditor (CICA), Certified Information System Auditor (CISA), Certified Bank Auditor (CBA) and is also a member of the Institute of Internal Auditors, Information Systems Audit and Control Association and Association of Certified Fraud Examiners. Mr. Mustafa has more than 30 years of experience in Internal Audit and Risk Management in the conventional, regulatory and Islamic banking industry as well as the investments sector in the region.

Experience: Mr. Mustafa started his career as a teller in Gulf Bank in 1989. He worked at the Central Bank of Jordan before moving to UAE where he held many managerial positions at the National Bank of Abu Dhabi and Abu Dhabi Islamic Bank prior returning to Gulf Bank of Kuwait in 2014 as a General Manager and Chief Internal Auditor.

## Mr. Simon L. Clements - Chief Operations Officer

Mr. Clements was appointed Chief Operations Officer in June 2020.

Qualifications: Mr. Clements holds a bachelor's degree in Business Administration from the UK.

Experience: He has over 46 years of experience in financial services in Europe, Asia and the Middle East region. He has previously held senior executive positions at several leading banks where he headed the operations and technology group. He has also successfully managed the retail business of two mid–sized Kuwaiti banks in recent years. As a senior executive, Mr. Clements has developed and implemented strategies at several institutions with significant success. He joined the Bank in 2014 as Chief Operations Officer and served as the Chief Retail Banking Officer from 2017 until his current appointment as Chief Operations Officer.

## Mr. Wael Shawareb - Chief Technology Officer

Mr. Shawareb was appointed Chief Technology Officer in May 2022 after taking the position of acting Chief Technology Officer in September 2021.

Qualifications: Mr. Shawareb holds a bachelor's degree in Computer Science from the Modern Academy, Egypt.

Experience: Mr. Shawareb has over 20 years of experience in this field. He started his career at as a Senior Information Security Engineer in 2002 then joined Kuwait Finance House in 2005 as Deputy Manager – Information Security and Infrastructure Planning. He joined the Bank in 2013 as Senior Director, Cyber Security and IT Governance and played a significant role in setting up the infrastructure of the Information Technology Group in the Bank.

Mr. Shawareb has received two major industry awards while at the Bank: the "Cloud Trailblazer" award and "DevOps RockStar" award.

# Mr. Abdullah Allanqawi - Chief Treasury Officer

Mr. Allanqawi was appointed as Chief Treasury Officer of the Bank in July 2022.

Qualifications: Mr. Allanqawi obtained a master's degree in Business Administration from Maastricht Business School and a bachelor's degree in Business Management from Kuwait University. Mr. Allanqawi holds several professional designations including Certified Investment Management Analysis (CIMA) and the Investment Strategies Program (ISPM) each from Wharton Business School, University of Pennsylvania, the Program for Leadership Development (PLD) from Harvard Business School, the Dealing Certificate from the Financial Markets Association (ACI) and the Certificate of Investment management (CIM) from Wharton Business School.

Experience: Mr. Allanqawi started his career at Ahli United Bank as a dealer in 2006 and progressed in many positions until he became a General Manager of Treasury in 2019.

## Mr. Wael Awadh - Acting Chief Digital Officer

Mr. Awadh was appointed Acting Chief Digital Officer in April 2022.

Qualifications: Mr. Awadh holds a bachelor's degree in Computer Science Engineering from Faculty of Electronic Engineering, Al-Monofia University, Egypt.

Experience: Mr. Awadh has more than 21 years of experience in the banking industry, where he started in 2000 as a system officer in Information Technology department in Ahli Bank of Kuwait for 7 years, then transferred in 2007 to work in Kuwait Finance House as an IT Business Consultant in the Information Systems Planning Department in the Information Technology sector. In 2013, Mr. Awadh joined the Bank where held several positions, started as a Senior Business Relationship Manager until being appointed as Acting Chief Digital Officer.

## Mr. Musaed M. Al Mazid - Acting Chief Retail Banking Officer

Mr. Al Mazid was appointed Acting Chief Retail Banking Officer in June 2020.

Qualifications: Mr. Al Mazid holds a bachelor's degree in Political Science from Kuwait University. He also has a certificate of the Executive Leadership Development Program from the University of Chicago Booth Business School. He also completed the Certified Retail Banker course from Moody's in 2021.

Experience: Mr. AlMazid has more than 19 years of experience in the field of retail banking. He joined Gulf Bank as a teller in 2001 and gradually promoted to be an area manager in 2015. He joined the Bank as a Branches Department Manager at the end of 2015 and was promoted to be Head of Sales & Distribution Channels Division in 2017. After that, he held the position of Deputy Chief Retail Banking Officer in 2019 and now serves as the Acting Chief Retail Banking Officer.

## Mr. Thuwaini AlThuwaini - Chief Investment Banking Officer

Mr. AlThuwaini was appointed Chief Investment Banking Officer in July 2019.

Qualifications: Mr. AlThuwaini holds a bachelor's degree in Economics from the University of Maryland, College Park.

Experience: Mr. AlThuwaini has 15 years of experience in banking and finance. He started his career at The International Investor in 2005 and then moved to Boubyan Bank in 2006 as senior financial analyst. In 2007, he moved to Al-Imtiaz Company - International Investment Division. He moved to Rasameel Structured Finance Company in 2008 where he held several positions, including Vice President - Head of Deal Structuring and Analytics, until 2015. Finally, he joined the Bank in 2015 as Acting Chief Investment Banking Officer.

## Mr. Faisal A. Al Nassar - Chief Corporate Banking Officer

Mr. Al Nassar was appointed Chief Corporate Banking Officer in February 2021.

Qualifications: Mr. Al Nassar holds a bachelor's degree in Arts & Science in Economics from University of Colorado, U.S. He also has a certificate in Credit Management from Institute of Banking Studies.

Experience: Mr. Al Nassar has more than 21 years of experience in the corporate banking and corporate finance sectors, commencing in 1999 when he joined Bank of Kuwait & the Middle East as Credit Officer, gradually

progressing to be an Assistant Manager in 2003. In 2005, he joined Aayan Leasing & Investment Company as a Vice President – Treasury & Corporate Finance, then joined Boubyan Bank as a Senior Manager in Corporate Banking Department in 2010. He joined the Bank in 2012 as Senior Director in CBG and gradually progressed to Senior Director Commercial Corporate Banking Department.

## Ms. Maali A. AlRasheed -Chief Human Resources & General Services Officer

Ms. Al Rasheed was appointed Chief Human Resources & General Services Officer in April 2021.

Qualifications: Ms. Al Rasheed holds an MBA from Maastricht School of Management and a bachelor's degree in General Chemistry, with a minor in management information systems from Kuwait University. Ms. Al Rasheed has also attended Harvard Business School Executive Education in addition to various development programs, she is a Certified Professional in Human Resources (PHR) from HRCI and SHRM Certified Professional (SHRM-CP) from the Society for Human Resource Management.

Experience: Ms. Al Rasheed is an established human resources executive with over 20 years of experience. She has extensive experience in human resources and a distinguished background in all human resource domains including but not limited to total rewards, talent and performance management, human resources operations, employee and organisational development. Prior to her appointment at the Bank, Ms. Al Rasheed was the Head of Human Resources and Development at Burgan Bank Kuwait, where she progressed in multiple managerial and leadership roles since joining in 2005.

## Mr. Hamad Fouzan Al Fouzan - Acting Chief Strategic Planning Officer

Mr. Al Fouzan was appointed Acting Chief Strategic Planning Officer in May 2021.

Qualifications: Mr. Al Fouzan holds a bachelor's degree in Information Science from the University of Arkansas in U.S. and a master's degree in Business Administration from the Imperial College London.

Experience: Mr. Al Fouzan has a total of 16 years of experience in leading IT, digital transformation, innovation, and strategy planning and execution. He started his career in 2005 as a Project Engineer at Zain, before joining Boubyan Bank in 2006 where he started as a Systems Engineer in the Core System Divisions and was progressively promoted to become Executive Manager for IT Systems Management. In 2019, he was appointed Head of Innovation and Partnerships and in 2020, the AGM – Head of Innovation and Partnerships.

## **Management Committees**

The Board has formed executive level committees for performing specified tasks and responsibilities to assist the CEO in the efficient administration of the Bank as set out in the chart below and described below. Most of the committees are chaired by the CEO.



## Executive Credit and Investment Committee (ECIC)

ECIC is authorised to consider all credit financing and investment proposals. ESIC approves such proposals or refers them to the BCIC in accordance with its delegated authority. The ECIC is responsible for monitoring and reviewing

the Bank's financing and investment portfolio and taking the appropriate measures to ensure sound performance of the Bank's financing and investment assets.

## Assets and Liability Management Committee (ALCO)

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

## **Provisioning Committee**

The Provisioning Committee is responsible for analysing and evaluating all outstanding exposures under approved financing facilities and investments for the purpose of determining whether or not an exposure is impaired or has any signs of irregularity and ensuring that provisions are built in accordance with IFRS and CBK regulatory requirements. In addition, the Provisioning Committee is delegated to review debt write-offs and provide relevant recommendations to the BAC and Board.

### Management Committee (Mancom)

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

#### **Procurement Committee**

The Procurement Committee was established to ensure that the procurement process of all goods, services, contracts and works necessary for the Bank's business are undertaken properly according to a transparent, effective and timely approach, taking into account best practices in the field of procurement. The main role of the Procurement Committee is to oversee the Bank's needs for procuring products and services that fit their objectives. It ensures that procurement is carried out in good time, at the right place and against the appropriate cost in such a manner that balances the overall corporate requirements of consumption rationalisation, transparency and accountability. It also ensures that the procurement activity of the Bank is performed in accordance with the highest ethical standards of fair and equitable treatment of suppliers and vendors who supply the Bank with services and goods.

## Retail Credit Exceptions Committee (RCEC)

The RCEC was formed to review all personal finance transactions that require further analysis, giving its opinion on the viability of granting exceptions and taking decisions for approval/disapproval, depending on specific credit grounds and rationale in the best interest of the Bank's long-term business objectives under acceptable risk tolerance parameters.

#### Executive AML/CFT Committee

The Bank, pursuant to the CBK instructions dated 28 August 2019, has established a committee for reporting suspicious transactions. The committee's role is to take the final decision on suspicious cases that the Bank should report to the Kuwaiti Financial Intelligence Unit. The committee is composed of four members headed by the AML/CFT officer and membership of the regulatory division, the legal department and the RBG. The committee

prepares a quarterly report of all suspicious transactions, agreed by the committee, for submission to Kuwait Financial Intelligence Unit, the BRC and the Board.

## Investment Product Committee (IPC)

The IPC is responsible for the introduction, roll out and management of investment products, offerings and services, licensed by the CMA, to the Bank's existing and prospective clients. It is also responsible for ensuring that such products, offerings and services are carried out in accordance with the strategy for asset management approved by the Board.

## Operational Risk Committee (ORC)

The ORC is a management level committee that has been formed for the purpose of managing risks other than market, liquidity and credit risk. The ORC convenes at least once per quarter to assess and monitor the overall control environment of the Bank and recommend or approve actions to mitigate risks whose impact (should it materialise) is over the Bank's risk appetite. The risks managed by ORC include, but are not limited to, operational risk, information security risks, IT risks, AML risks, legal risks, regulatory compliance risks and *Shari'a* risk. It also reviews and monitors the Bank's business continuity plans and ensures that a managed process is followed to develop, maintain and test business continuity plans.

## **Business address and conflicts**

The business address of each member of the Board and each member of Executive Management is Sharq, Block 7, Al-Raya Tower, Mezzanine No.1, Omar Ibn Al-Khattab Street, P.O. Box 1220, Al Safat 13013, Kuwait.

No member of the Board or Executive Management has any actual or potential conflict of interest between their duties to the Bank and their private interests and/or other duties.

## Shari'a Board

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

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

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

Name	Position
Dr. Isam K. Al Enazi	Chairman
Dr. Mohammad Al-Fuzaie	Member
Dr. Ali Ibrahim Al Rashed	Member

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

### Dr. Isam K. Al Enazi

Dr. Isam Khalaf Al Enazi holds a master's degree in Islamic Sharia from Kuwait University and a PhD in Islamic Feqh from the University of Jordan. He works as a faculty member at the College of Sharia and Islamic Studies at Kuwait University.

He is a member of several prominent Sharia Supervisory Boards such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain Islamic Bank, the Bank, Boubyan Bank and Ahli United Bank.

Prof. Al Enazi is a regular speaker at conferences and seminars focusing on both Islamic finance and Islamic Feqh. He has published numerous papers handling Islamic banking and finance related issues.

#### Dr. Mohammad Al-Fuzaie

Dr. Al-Fuzaie holds a PhD in Comparative Feqh from the Faculty of Sharia and Law at Al-Azhar University. He works as a faculty member at the College of Sharia and Islamic Studies at Kuwait University.

He is a member of several prominent Sharia Boards, such as the Zakat House Authority, the General Secretariat of Endowments (Awqaf), the Economic Committee of the Fatwa Board of the Ministry of Awqaf and Islamic Affairs, the Bank and Boubyan Bank.

Dr. Al-Fuzaie is also a regular speaker at conferences and seminars focusing on both Islamic finance and Islamic Feqh. He has published numerous papers handling Islamic banking and finance related issues.

#### Dr. Ali Ibrahim Al Rashed

Dr. Ali Ibrahim Al-Rashed holds a PhD in Sharia from Cairo University, Egypt and is a member of the faculty in the College of Shari`ah, Kuwait University.

He is a member of several prominent Sharia Boards such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Bank, Boubyan Bank and Ahli United Bank.

Dr. Al-Rashed is also a regular speaker at conferences and seminars focusing on both Islamic finance and Islamic Feqh. He has published numerous papers handling Islamic banking and finance related issues. He has conducted numerous studies and research projects about Sharia supervision on the activities of Islamic financial institutions.

## **Employees**

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

As at 31 December 2021, the Bank employed 594 full-time staff compared to 538 full-time staff at 31 December 2020 and 496 full-time staff at 31 December 2019.

The Bank is committed to identifying, attracting and developing Kuwaiti nationals in its workforce. The Government's required policy is that not less than 70 per cent. of a bank's total personnel should consist of Kuwaiti nationals. The Bank's Kuwaitisation level as at 31 December 2021 was 77.778 per cent. and it is currently in compliance with all other applicable employment regulations.

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

## **OVERVIEW OF KUWAIT**

Unless indicated otherwise, information in this section has been derived from Government publications.

## **Country Profile**

Kuwait is located in the north-east of the Arabian Peninsula in Western Asia. It is bordered by Saudi Arabia to the south at Khafji and 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 Kuwait's 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.

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 was published by the Public Authority for Civil Information as at 1 January 2021. The population was estimated to be approximately 4.34 million, of which approximately 1.39 million were Kuwaiti nationals (32.1 per cent.) and approximately 2.94 million were non-Kuwaiti nationals (67.9 per cent.).

Kuwait is primarily dependent on its oil industry and is dominated by the Government sector. Kuwait has proven conventional crude oil reserves of 101,500 million barrels, the sixth largest of OPEC's member countries, accounting for 8.2 per cent. of OPEC's total oil reserves (source: *OPEC's Annual Statistical Bulletin 2021*). Kuwait was the fourth largest OPEC oil producer and fifth largest OPEC exporter for the year ended 31 December 2020, accounting for 9.5 per cent. of OPEC's total oil production and 9.3 per cent. of OPEC's total oil exports for the year ended 31 December 2020 (source: *OPEC's Annual Statistical Bulletin 2021*). Kuwait's production levels were 2.4 million barrels per day on average for the year ended 31 December 2020 (source: *OPEC's Annual Statistical Bulletin 2021*). As a founding member of OPEC, Kuwait's oil production is subject to any agreements that are reached 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. As at the date of this Base Prospectus, the OPEC plus alliance had agreed to increase production such that output cuts agreed in 2020 would come to an end in July/August 2022.

#### **Political Overview**

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 of 1964 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 current National Assembly was elected in December 2020.

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 appointed for the first time in 2019. The Council of Ministers is composed of all Ministers who comprise 22 ministerial functions.

Kuwait's legal system is primarily modelled on the French civil law system, Egyptian civil code and elements of *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.

In terms of foreign relations and membership of international organisations, Kuwait, together with Bahrain, Oman, Qatar, Saudi Arabia and the United Arab Emirates, form the GCC. Kuwait is also a member of OPEC and the United Nations. It is also a member of numerous international and multilateral organisations, including the IMF, the International Bank for Reconstruction and Development, the 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 Organization (UNESCO).

#### **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 CSB, Kuwait's real GDP increased by 2.9 per cent. in 2016, declined by 4.7 per cent. in 2017, increased by 1.2 per cent. in 2018 and increased by 0.7 per cent. in 2019. Preliminary estimates of the quarterly GDP for the fourth quarter of 2020 at current prices showed a decline of 20.2 per cent. compared to the same quarter of 2019. Moreover, the annual estimates for 2020 indicated a contraction in the Kuwaiti economy of 8.9 per cent. compared to 2019, where the estimate value of GDP at constant prices amount to KD 36,006.0 million after it reached KD 39,504.2 million in 2019. (Source: *CSB - Estimates of Quarterly Gross Domestic Product at Current and Constant Prices Q4* 2020).

According to data from the IMF's World Economic Outlook Database October 2021 and the concluding statement of the IMF's 2021 Article IV mission published 20 October 2021, Kuwait's real GDP is estimated to have contracted 8.9 per cent. in 2020 with non-oil growth decreasing 7.5 per cent. and oil growth decreasing 9.8 per cent. Non-oil GDP growth of 3.0 per cent. is projected for 2021, as economic activity gradually recovers and the global environment improves, rising to approximately 3.5 per cent. over the medium term. The IMF further projects that oil production will rebound as 'OPEC plus' quotas are relaxed and that overall, Kuwait's GDP will grow around 2.7 per cent. over the medium term. The IMF expects that inflation will average 3.2 per cent. in 2021 given increases in food prices and costs of travel-related services and stay at approximately 3 per cent. over the medium term.

The oil and oil products sector is the most significant contributor to Kuwait's GDP. Oil and gas exports accounted for 43.7 per cent. of Kuwait's GDP (at market prices) in 2018, 39.8 per cent. of GDP (at market prices) in 2019 and was projected to account for 36.7 per cent. of GDP (at market prices) in 2020 (Source: *IMF's 2020 Article IV Consultation with Kuwait*). The estimated value of the oil sector amounted to 33.4 per cent. of Kuwait's GDP (at current prices) and 51.1 per cent. (at constant prices) during the fourth quarter of 2020 (Source: *CSB – Estimates of Quarterly Gross Domestic Product at Current and Constant Prices Q4 2020*).

The sector is also the main contributor to Kuwait's annual revenues. According to data from Kuwait's Ministry of Finance, oil revenues comprised approximately 83.6 per cent. of total Government revenues for the fiscal year ended 31 March 2021.

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 ("FGF")) for each of the fiscal years ended 31 March 2015 to 31 March 2021. According to the IMF, Kuwait's fiscal balance (including investment income) sharply deteriorated in the fiscal year ended 31 March 2021 to a deficit of 15.4 per cent. of GDP, reflecting lower oil revenue, fiscal support measures to ease the effects of the COVID-19 pandemic, and a slump in economic activity. In the fiscal year ended 31 March 2022, the IMF projects that Kuwait's fiscal balance will improve to a surplus of 2.0 per cent. of GDP owing to a rebound in hydrocarbon revenue, significantly higher nominal GDP, spending cuts and the withdrawal of some COVID-19 related fiscal measures. (Source: Concluding statement of the IMF's 2021 Article IV mission published 20 October 2021).

The annual average OPEC reference basket prices in each of 2016, 2017, 2018, 2019 and 2020 were U.S.\$40.76, U.S.\$52.43, U.S.\$69.78, U.S.\$64.04 and U.S.\$41.47, 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 (Source: *OPEC's Annual Statistical Bulletin 2021*). As at 1 June 2022, the OPEC monthly reference basket price per barrel was U.S.\$119.72 (according to data accessed on the OPEC website on 14 June 2022).

OPEC reference basket price movements are shown solely to illustrate the historic volatility in international crude oil prices and no implication is intended that the Bank's revenue from crude oil production is directly linked to the price of the OPEC reference basket. 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, 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 (see "—The New Kuwait Plan" below). 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 CSB, the non-oil sector of the economy (including oil refining) contributed approximately 66.6 per cent. of Kuwait's real GDP in the year ended 31 December 2020 (Source: CSB – Estimates of Quarterly Gross Domestic Product at Current and Constant Prices Q4 2020).

Kuwait's public finances benefit from one of the world's largest sovereign wealth funds. According to the Sovereign Wealth Fund Institute, the KIA was ranked as the world's third largest sovereign wealth fund with approximately U.S.\$737.9 billion in assets (according to data accessed on the Sovereign Wealth Fund Institute's website on 14 June 2022). 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 ("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 1990 Iraqi invasion.

According to the IMF's World Economic Outlook Database October 2021, inflation in Kuwait, on an average consumer price measure, was 1.1 per cent. in 2019, 2.1 in 2020 and estimated to have been 3.2 per cent. in 2021. The IMF estimates that inflation in Kuwait will increase to 3.0 per cent. in 2022.

### **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.

On 30 January 2017, the Government updated its long-term development strategy, linked to international goals and factors adapted to the United Nation's Sustainable Development Goals 2030 agenda, under the slogan "New Kuwait 2035". The New Kuwait Plan is based on the following seven thematic pillars and objectives:

- *Public Administration*: Reform administrative and bureaucratic practices to reinforce transparency, accountability and efficiency in the Government.
- Economy: Develop a prosperous and diversified economy to reduce Kuwait's dependency on oil revenues.
- *Infrastructure*: Develop and modernise the national infrastructure to improve the quality of life for Kuwait's citizens.
- *Living Environment*: Ensure the availability of accommodation through environmentally sound resources and tactics.
- Healthcare: Improve service quality and develop national capabilities in the public healthcare system.
- *Human Capital*: Reform the education system to better prepare Kuwait's youth to become competitive, productive and competent members of the workforce.
- *Global Position*: Enhance Kuwait's regional and global presence in spheres such as diplomacy, trade, culture and philanthropy.

### OVERVIEW OF BANKING AND FINANCE REGULATIONS IN KUWAIT

### Central Bank of Kuwait

Kuwait's monetary, banking and financial system is regulated and supervised by the CBK, which was formed by the Banking Law. The CBK commenced operations on 1 April 1969. According to Article 15 of the Banking 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 Chairman), the Deputy Governor of the CBK, a representative from each of the Ministry of Finance and the MOCI and four additional members, each of whom must be a Kuwaiti national and must be nominated by the Minister of Finance (after obtaining the approval of the Council of Ministers). Each of the four additional board members are drawn from expert practitioners in economics, finance or banking and is appointed by an Emiri Decree for three years. The Governor of the CBK and the Deputy Governor are each appointed by decree pursuant to a recommendation from the Minister of Finance (which is conditional on them having experience in the banking sector) for a five-year renewable term.

The CBK is entrusted with the supervision of Kuwait's banking system. Its supervisory authority covers an array of banking institutions, including conventional banks operating in Kuwait, Islamic banks, specialised banks, branches of foreign banks operating in Kuwait and a number of investment and exchange companies. Only banks licensed and regulated by the CBK are allowed to engage in the conduct of banking activities in Kuwait. In addition to the CBK's supervisory responsibilities with respect to the various banking institutions it regulates and its role as the monetary authority, the CBK's responsibilities include acting as lender of last resort to the banking sector and serving as banker and financial adviser to the Government. The CBK issues currency and directs relations with international institutions. The CBK, either directly or through other financial institutions, undertakes operations relating to the sale and management of securities issued or guaranteed by the Government, or issued in Kuwaiti dinar by any public organisation or institution. The CBK may purchase, sell, discount and rediscount Government treasury bills and purchase and sell public debt securities issued and offered for sale by the Government. Islamic banks have been under CBK supervision since 2003.

In its supervisory capacity, the CBK may at any time inspect banks, investment companies and other institutions subject to the CBK's supervision, including branches, companies and banks that operate abroad that are subsidiaries of Kuwaiti banks. The CBK may issue instructions to banks as it deems necessary to realise its credit or monetary policy and to ensure the sound progress of the Kuwaiti banking system. The CBK is entitled to inspect any accounts, books, records, instruments and any other documents that it deems necessary for performing its supervisory role and may also request any other relevant data and information to be provided by any board member of any CBK-regulated institution. On completion of each inspection, the CBK issues a comprehensive report incorporating its recommendations of actions to be taken to address any issues identified during the inspection.

CBK instructions cover a wide range of matters, including the liquidity system, maximum limits for credit concentration, credit facilities classification, interest and profit rate ceilings, the organisation of banks' credit policy, the extension of consumer loans and financing and other instalment loans and financing, the extension of banking services, foreign exchange transactions and portfolio management (see "—Banking Regulation" below). The CBK may impose penalties on any institution that fails to comply with an instruction.

The National Assembly passed the Islamic Banking Law which allows conventional Kuwaiti banks to practise Islamic banking activities through affiliates in which the principal bank owns at least 51 per cent. of the capital, and shall maintain that percentage at all times after the establishment. The Islamic Banking Law further provides that each bank is allowed to establish one affiliate that has only one headquarters with a capital of not less than KD 15 million.

The Islamic Banking Law also allows the CBK to introduce Islamic instruments to deal with Islamic banks in order to regulate banking liquidity. In conjunction with instructions issued to conventional banks, the CBK also issues separate instructions for Islamic banks.

The Banking Law has allowed the CBK to make progress towards meeting international standards on the supervision and management of the country's banking and financial system. Through the Banking Law, the CBK has the power to enter into memoranda of understanding with foreign authorities for the purposes of collaborative supervision. The CBK can also impose fines, limit activities, remove senior management, and appoint a controller or a commissioner, or both, to manage a financial institution under its supervision.

### **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 the Boursa Kuwait or engage in securities activities as discussed further below.

# 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 off-site supervision 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 in order to stay informed and updated on the latest global trends and developments in the 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, including through periodic inspections. In addition, the on-site supervision department is responsible for the combat of money laundering and financing of terrorism (through an AML/CFT 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 (FSO)

The CBK has also established a Financial Stability Office (the "**FSO**"), which aims to contribute to a sound financial system in Kuwait that is capable of withstanding financial and economic shocks by identifying key vulnerabilities in

the financial system and suggesting appropriate corrective measures. The FSO publishes an annual "Financial Stability Report", covering key developments in the banking sector (which includes making an assessment of financial intermediation, analysing key risks in the banking sector and examining trends in banks' profitability, solvency and resilience against major shocks), domestic markets (which includes money, foreign exchange, equity and real estate markets) and the payment and settlement systems. The aim of publishing the "Financial Stability Report" is to identify risks to the stability of the financial system, to promote transparency and to 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 Regulation**

# Legal form

Only Kuwaiti shareholding companies and branches of foreign banks licensed by the CBK may engage in the business of banking.

## Liquidity regulations

Prior to April 2020, the CBK required banks to maintain 18 per cent. of their KD customer and Government deposits in the form of liquid assets comprising balances with the CBK, or, in the case of Islamic banks only, tawarruq placements, or qualified financial instruments such as sukuk issued by The Islamic Development Bank or governments of the GCC member countries (provided that the sukuk are traded and are rated not less than BBB or equivalent).

Bank liquidity in Kuwait is monitored using the "maturity ladder approach" under which future cash inflows are compared with future cash outflows. The resulting liquidity mismatches are then examined in time bands against approved limits for each band. The relevant CBK instruction relating to liquidity establishes the elements to be included when calculating assets and liabilities for the purpose of determining liquidity.

In 2014, the CBK also introduced 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 31 December 2021. The CBK issued a press statement on 12 October 2021 in which it indicated a gradual return to the pre-COVID-19 regulatory regime by easing the regulatory requirements and modifying some of its supervisory instructions with particular regard to the LCR and NSFR requirements.

#### 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.

### Credit risk regulations

## Loans/financing to deposit ratio

Kuwaiti banks are restricted by the CBK from lending or financing amounts in excess of a prescribed percentage of qualifying deposits. With effect from October 2016 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. As at 1 January 2022, the limit was decreased to 95 per cent. and will return to the pre-COVID-19 prescribed percentage of 90 per cent. on 1 January 2023.

### 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, interest or profit is not paid on the maturity date or the debit balance exceeds the drawing limits determined for the customer.

### Consumer and instalment loans and financing

Consumer credit facilities are granted within the CBK's regulatory framework, lending limits and in accordance with the Bank's internal credit policy. In November 2018, the CBK amended the regulations on granting personal loans/financing. Taking into consideration changes in macroeconomic conditions and the changes in customer demographics, these amendments increased the ceiling for both consumer loans and Islamic financing. In general, the maximum eligible limit for a consumer loan is 25 times the net monthly salary (or continuous monthly income) of the consumer, or KD 25,000, whichever is lower, with a maximum repayment 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/financing is KD 70,000 (which is in addition to the maximum limit on any "consumer" loan/financing advanced to the same customer). The maximum repayment tenor for an instalment loans/financing is 15 years. A customer's total monthly repayment liability (consumer and instalment loans/financing) 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 financing does not exceed 70 per cent. of the total value of the contract. In all other cases, CBK consent is required for financing to non-residents.

#### 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 value of the securities portfolio held by a Kuwaiti bank should not exceed 50 per cent. of the bank's capital in its comprehensive concept, as defined under the relevant CBK instructions. Further, the value of an investment in the securities of any one issuer should be the lower of 10 per cent. of the bank's capital in its comprehensive concept or 10 per cent. of the issuer's capital.

Maximum limit for credit concentration

Subject to certain exceptions or where prior CBK approval has been obtained, the total credit liabilities of any single customer (including its legally or economically associated entities) to a bank may not exceed 15 per cent. of the bank's capital base.

Clustering limit – total limit for large concentrations

The aggregate of large credit concentrations (being concentrations which exceed 10 per cent. of a bank's 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 instruction to conventional banks provides that the maximum limits for such rates on KD financing to corporate borrowers should not exceed:

- 2.5 per cent. over the CBK's discount rate in the case of commercial financing with a maturity of one year or less; and
- 4 per cent. over the CBK's discount rate in the case of commercial financing exceeding one year.

Interest and profit rates for housing and consumer loans and financing denominated in Kuwaiti dinar are currently capped at the CBK discount rate plus 3 per cent. for each block of five years. Such rates may be adjusted by no more than plus or minus 2 per cent. for each subsequent block of five years.

While these regulations pertain to conventional banks they effectively set the rate environment in which all banks, including Islamic banks, operate and compete.

Interest and profit rates for loans and financing in currencies other than the Kuwaiti dinar are not regulated by the CBK.

## Other CBK instructions

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

#### 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 were required to be implemented with effect from 30 June 2020. This new regulation replaced 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 stakeholders' 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 bank's 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 the Bank an extension to this requirement until 31 March 2021. Further to the appointment of Mr. Bader Abdullah Al Sumait in March 2021, the Bank is in compliance with this requirement.

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.

The Bank's Board has adopted and implemented internationally accepted as well as local corporate governance practices, including the Corporate Governance Rules. See "Management and Employees".

Shari'a Supervisory Board

Islamic banks in Kuwait must have a *Shari'a* supervisory board, which must have a minimum of three members. The *Shari'a* supervisory board is responsible for determining the *Shari'a* compliance of bank products and transactions. The board of directors of an Islamic bank must implement the directives of the *Shari'a* supervisory board regarding *Shari'a* compliance. For further information in respect of the Shari'a Board, see "*Management and Employees—Management—Shari'a Board*".

Management of third parties' portfolios

Instructions apply to portfolios managed by banks and investment companies for the account of third parties and invested in foreign securities and other financial instruments.

### Application of CBK Regulations to the Bank

The Bank is incorporated as a public shareholding company in Kuwait. The Bank is licensed by the CBK to conduct banking activities and acts under its supervision. The Bank is also listed on Boursa Kuwait. As a Kuwaiti shareholding company, the Bank must have a valid commercial license issued by the MOCI to perform banking activities. The MOCI issued commercial licence is renewable every four years. The Bank's commercial licence was last renewed on 18 March 2021 and expires on 18 March 2025. The Bank has no reason to believe that its commercial licence will not be renewed by the MOCI for future periods.

The CBK acts as lender of last resort to all of the Kuwaiti banks. As a financial institution, the Bank is required to submit various periodic and one-off reports to the CBK in a format prescribed by it. The CBK also conducts periodic inspections of banking and financial institutions (banks, investment companies, money exchange companies and mutual funds) which are subject to its supervision in order to ascertain their financial sustainability and their adherence to their constitutional by-laws. These inspections may be in the form of a specific inspection or a full audit of all activities. The CBK's most recent inspection of the Bank was conducted on 12 July 2020 and the CBK issued its final report in relation to that inspection on 26 January 2021. The final report contained no material issues.

In addition, the Bank is also regulated by the CMA due to it being a publicly traded company with shares listed on the Boursa Kuwait and conducts some of the "Securities Activities" listed in Module 5 article 1-2 of the CMA Bylaws.

# **Banking System**

In January 2022, the Kuwaiti banking sector comprised 23 banks, including five conventional banks, one specialised bank, five *Shari'a*-compliant local banks, branches of 11 foreign bank branches (source: *CBK – Monthly Monetary Statistics January* 2022).

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 Banking Law. As at 31 December 2021, the total assets of local banks in the Kuwaiti banking sector amounted to KD 77.1 billion and the total credit facilities to Kuwaiti residents of those banks amounted to KD 42.3 billion (source: *CBK – Monthly Monetary Statistics January 2022*).

The key performance indicators of the major Kuwaiti banks for the year ended 31 December 2021 are set out below (source: annual reports published on the company website of each bank listed below).

	Cost to income ratio	Return on average assets	Return on average equity	Earnings per share
	(%)	(%)	(%)	(fils*)
Ahli United Bank	47	0.54	4.1	12.00
Al-Ahli Bank of Kuwait	39	0.70	5.4	11.50
Boubyan Bank	46	0.69	8.0	13.57
Burgan Bank	40	0.69	5.3	13.10
Commercial Bank of Kuwait	35	1.29	7.2	27.80
Gulf Bank	46	0.67	6.5	14.00
National Bank of Kuwait	40	1.20	10.0	47.00
Kuwait International Bank	62	0.38	2.2	5.66
Kuwait Finance House	38	1.44	12.6	28.59
The Bank	29	0.45	4.6	6.02

#### Notes:

\* 1000 fils equals one Kuwaiti dinar.

### **Deposit Guarantee Law**

In response to the global financial crisis which began in 2008, the Government took a number of measures, including the passing of the Deposit Guarantee Law in 2008. Under the Deposit Guarantee Law, the Government has

# SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection from the registered office of the Trustee and the specified office of the Principal Paying Agent. Words and expressions defined elsewhere in this Base Prospectus shall have the same meanings in this section.

# Master Purchase Agreement, as supplemented by each Supplemental Purchase Agreement

The Master Purchase Agreement will be entered into on 6 July 2022 between the Trustee (in its capacity as purchaser, the "Purchaser") and the Bank (in its capacity as seller, the "Seller") and will be governed by Kuwaiti law. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by Kuwaiti law.

Pursuant to each Supplemental Purchase Agreement, the Seller will irrevocably and unconditionally sell, transfer and assign to the Purchaser, and the Purchaser will purchase from the Seller all of: (i) (on the issue date of the first Tranche of a Series) the relevant Initial Assets and (ii) (on each date on which any additional Certificates are issued) the relevant Additional Assets, in each case, together with any and all of the Seller's rights, title, interests, benefits and entitlements, present and future, in, to and under such Initial Assets or Additional Assets, as the case may be.

### Service Agency Agreement

The Service Agency Agreement will be entered into on 6 July 2022 between the Trustee and the Bank (in its capacity as service agent, the "Service Agent") and will be governed by English law.

Pursuant to the Service Agency Agreement, the Trustee will appoint the Service Agent to service the Wakala Portfolio relating to each Series. In particular, the Service Agent will, in relation to each Series, undertake to perform, amongst other things, the following services (the "Services") on behalf of the Trustee, during the Wakala Ownership Period:

- (a) it will service the Wakala Portfolio in accordance with the wakala services schedule (the "Wakala Services Schedule") (the form of which is set out in the schedule to the Service Agency Agreement), which shall be completed by the Service Agent at the time of issue of the first Tranche of the relevant Series upon receipt from the Trustee of the relevant Supplemental Purchase Agreement;
- (b) if the Trustee issues an additional Tranche, it shall as soon as practicable after such issuance amend the Wakala Services Schedule for that Series to take into account the issuance of such additional Tranche;
- (c) it shall ensure that, at all times on or following the Issue Date of the first Tranche of a Series, the Tangibility Ratio shall be more than 50 per cent. and if, at any time, the Tangibility Ratio falls:
  - (i) to 50 per cent. or less (but is 33 per cent. or more), the Service Agent shall take any and all steps as may be required by the Bank's Fatwa and Shari'a Supervisory Board to ensure such Tangibility Ratio is restored to more than 50 per cent. within the time period determined by the Bank's Fatwa and Shari'a Supervisory Board; and
  - (ii) below 33 per cent. (such event, being a "Tangibility Event"), within 10 Kuwait Business Days of the Service Agent becoming aware of the occurrence of the Tangibility Event, the Service Agent shall send a Tangibility Event Notice notifying the Trustee and the Delegate of such

occurrence and requesting the Trustee to promptly deliver a notice to the Certificateholders (a "**Delisting Notice**") in accordance with Condition 18 (*Notices*), specifying:

- (A) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;
- (B) that, as determined in consultation with the Bank's Fatwa and Shari'a Supervisory Board, the Certificates shall only be tradeable in accordance with the *Shari'a* principles of debt trading;
- (C) that on the Tangibility Event Delisting Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading; and
- (D) the Tangibility Event Put Right Period, during which period any Certificateholder shall have the option to require the redemption of all or any of its Certificates.

For the avoidance of doubt, the parties acknowledge that, save for a failure by the Service Agent to deliver the Tangibility Event Notice in accordance with clause 3.1.3(ii) of the Service Agency Agreement (which shall constitute an Obligor Event in accordance with limb (b) of the definition thereof), a failure by the Service Agent to comply with the above obligations shall not constitute a Dissolution Event;

- (d) if at any time there are Wakala Portfolio Principal Revenues, to the extent that the Bank has Eligible Assets available for sale to the Trustee, the Service Agent may notify the Trustee:
  - (i) that there are amounts standing to the credit of the Principal Collection Account which can be used by the Trustee for the purposes of purchasing the Eligible Assets as selected by the Bank (the "New Wakala Assets") (for a purchase price not greater than the Value of such Eligible Assets) (the "New Wakala Asset Purchase Price"); and
  - (ii) of the details and Value of the New Wakala Assets;
- (e) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers (and without the need for the consent of the Trustee) reasonably necessary to ensure the assumption of, and compliance with, by each Asset Obligor, its covenants, undertakings and other obligations under the Asset Contract to which it is a party in accordance with the terms thereof and applicable law;
- (f) it shall discharge or procure the discharge of all obligations to be discharged by the Bank (in whatever capacity) in respect of all Asset Contracts relating to the Wakala Assets of each Series, it being acknowledged that the Service Agent may appoint one or more agents to discharge these obligations on its behalf;
- (g) it shall pay on behalf of the Trustee any actual costs, expenses, actual losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio, and such actual costs, expenses, actual losses and taxes shall be reimbursed in accordance with the terms of the Service Agency Agreement;
- (h) it shall use all reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues (free and clear of, and without withholding, retention or deduction for, taxes), investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues as and when the same shall become due so that the Wakala Portfolio Income Revenues in respect of each Wakala Distribution Period are at least equal to the expected return to be generated by the Wakala Portfolio on a periodic basis and shall record such Wakala Portfolio Revenues in the Collection Accounts in accordance with the terms of the Service Agency Agreement;

- (i) it shall maintain the Collection Accounts in accordance with the terms of the Service Agency Agreement;
- (j) it shall obtain all necessary licences, authorisations and consents in connection with any of the Wakala Assets and its obligations under or in connection with the Service Agency Agreement;
- (k) if any Wakala Asset comprised in the Wakala Portfolio of the relevant Series ceases to be an Eligible Asset (the occurrence of such event or circumstance being an "Impaired Wakala Asset Event"), it shall:
  (i) notify the Trustee of such event and provide details of the relevant Impaired Wakala Assets; and (ii) notify the Trustee of the availability (if any), together with all necessary details, of any Eligible Assets available for sale to the Trustee in replacement of the relevant Impaired Wakala Asset(s), to enable the Trustee to exercise its right under the Purchase Undertaking in respect of such Impaired Wakala Asset(s), provided that any such substitution shall otherwise be undertaken in accordance with, and subject to, the conditions of the Service Agency Agreement and the Purchase Undertaking; and
- (1) it shall carry out any incidental matters relating to any of the above.

The Service Agent shall provide the Services in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets and shall service the Wakala Portfolio relating to each Series in accordance with *Shari'a* principles as laid down by the Fatwa and Shari'a Supervisory Board of the Bank.

Upon receipt of the notification from the Service Agent referred to in paragraph (d) above, the Trustee shall pay, or procure the payment by the Service Agent of, the New Wakala Asset Purchase Price to, or to the order of, the Bank against the sale, transfer, assignment and conveyance to, or for the benefit of, the Trustee of all of the Bank's rights, title, interests, benefits and entitlements, present and future, in, to and under the New Wakala Assets. Such New Wakala Assets so acquired by or on behalf of the Trustee shall form part of the Wakala Portfolio, in respect of which the Bank and the Service Agent shall provide certain representations and warranties on the date of such acquisition as set out in the Service Agency Agreement. It is acknowledged and agreed by the Trustee, the Service Agent and the Bank that such acquisition of such New Wakala Assets is conditional upon the Bank being able to make the representations and warranties as set out in the Service Agency Agreement. Each of the Trustee, the Service Agent and the Bank agrees that the payment of the New Wakala Asset Purchase Price referred to above shall be effected by the creation of a ledger entry by the Service Agent (on behalf of the Trustee) debiting the amount of the New Wakala Asset Purchase Price from the Principal Collection Account which shall satisfy in full the Trustee's obligation under the relevant provision of the Service Agency Agreement.

The acquisition of New Wakala Assets pursuant to the above will be effected by way of a purchase agreement substantially in the form of the Supplemental Purchase Agreement.

The Service Agent undertakes, in relation to each Series, that it shall keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all amounts due in respect of the Wakala Portfolio Revenues.

The Service Agent undertakes, in relation to each Series, that it shall at all times during the Wakala Ownership Period (i) maintain actual or constructive possession, custody or control of all of the Wakala Assets comprising the Wakala Portfolio in accordance with the terms of the relevant Asset Contract and (ii) ensure the Wakala Portfolio is comprised of at least one Wakala Asset.

The Service Agent shall also be deemed to represent and warrant to the Trustee on each Issue Date that none of the Asset Contracts relating to the Wakala Assets comprising the relevant Wakala Portfolio contain any terms that restrict the Bank from maintaining actual or constructive possession, custody or control of the relevant Wakala Assets.

The parties to the Service Agency Agreement have agreed and confirmed that the Service Agent shall have no investment agency responsibilities and shall not undertake any investment activities (including any discretionary investment responsibilities with respect to monies received by it pursuant to the Transaction Documents or any discretionary substitution of a Wakala Asset), and shall not undertake any investment activities, in each case with respect to its appointment as agent of the Trustee under the Service Agency Agreement and is not permitted to trade in the Wakala Assets save, in all cases, as provided for in the Transaction Documents.

The Service Agent shall be entitled to receive a fee for acting as Service Agent which will comprise a fixed fee of U.S.\$100 (the receipt and adequacy of which will be acknowledged by the Service Agent under the Service Agency Agreement) and may also receive incentive payments as described below.

In relation to each Series, the Service Agent will maintain the Income Collection Account, the Principal Collection Account and the Reserve Account in its books (each of which shall be denominated in the Specified Currency) in which all Wakala Portfolio Revenues will be recorded. All Wakala Portfolio Revenues in relation to each Series will be recorded:

- (a) to the extent that any such amounts comprise Wakala Portfolio Income Revenues, in the Income Collection Account; and
- (b) to the extent that any such amounts comprise Wakala Portfolio Principal Revenues, in the Principal Collection Account.

Amounts standing to the credit of the Income Collection Account relating to each Series will be applied by the Service Agent on each "Wakala Distribution Determination Date" (being the Payment Business Day immediately prior to the relevant Periodic Distribution Date under the Certificates of the relevant Series) in the following order of priority:

- (a) *first*, in repayment to the Bank or any relevant third party of any amounts advanced by it to the Trustee by way of a Liquidity Facility;
- (b) second, in payment to the Service Agent of any due but unpaid Service Agency Liabilities Amounts in respect of the Wakala Distribution Period ending immediately before the immediately following "Wakala Distribution Date" (being the date which corresponds with the relevant Periodic Distribution Date under the Certificates of the relevant Series) and (if applicable) any Service Agency Liabilities Amounts for any previous Wakala Distribution Period that remain unpaid;
- (c) third, in payment into the relevant Transaction Account of an amount equal to the lesser of the Required Amount payable on the immediately following Periodic Distribution Date and the balance of the Income Collection Account; and
- (d) fourth, in the case of any amounts still standing to the credit of the Income Collection Account immediately following payment of all of the above amounts by debiting from the Income Collection Account and crediting to the Reserve Account such amounts.

If, there is a shortfall on a Wakala Distribution Determination Date (after payment into the Transaction Account of the relevant amount as described above) between (i) the amount standing to the credit of the Transaction Account; and (ii) the Required Amount payable on the immediately following Periodic Distribution Date (the difference between such amounts being referred to as a "Shortfall"), amounts standing to the credit of the Reserve Account (if any) shall be applied by the Service Agent by payment into the Transaction Account of an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of the Reserve Account). If, following payment of amounts standing to the credit of the Reserve Account as described above, a Shortfall remains on any Wakala Distribution Determination Date, the Bank may either (A) provide *Shari'a* compliant

funding to the Trustee itself, or (B) procure the provision to the Trustee of *Shari'a* compliant funding from a third party, in each case, to the extent necessary to ensure that the Trustee receives, on each Wakala Distribution Determination Date, the Required Amount payable by it in accordance with the Conditions of the relevant Series on the immediately following Periodic Distribution Date, by payment of the same into the Transaction Account and on terms that such funding is to be settled (i) from Wakala Portfolio Income Revenues, or (ii) on the relevant Dissolution Date (such funding in relation to a Series, a "Liquidity Facility").

The Service Agent has agreed in the Service Agency Agreement that all payments by it under the Service Agency Agreement must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind. If there is any such withholding, retention or deduction, the Service Agent will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Service Agent has undertaken in the Service Agency Agreement that any payment obligations of the Service Agent under the Service Agency Agreement will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Service Agent and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Service Agent from time to time outstanding.

# **Purchase Undertaking**

The Purchase Undertaking will be executed as a deed on 6 July 2022 by the Bank in favour of the Trustee and the Delegate and will be governed by English law.

In relation to each Series, the Bank will irrevocably grant to the Trustee and the Delegate (in each case, for and on behalf of the Certificateholders) each of the following rights:

- (a) provided that a Dissolution Event has occurred and is continuing, to require the Bank to purchase on the Dissolution Event Redemption Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (b) to require the Bank to purchase, on the Scheduled Dissolution Date, all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice:
- (c) provided that (i) Certificateholder Put Right is specified as applicable in the applicable Final Terms (and Optional Dissolution Right is specified as not applicable in each applicable Final Terms) and (ii) one or more Certificateholders have exercised the Certificateholder Put Right in accordance with the Conditions, to require the Bank to purchase on the Certificateholder Put Right Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the applicable portion of the Wakala Assets at the Certificateholder Put Right Exercise Price specified in the relevant Exercise Notice;
- (d) provided that (i) a Tangibility Event has occurred and (ii) one or more Certificateholders have exercised the Tangibility Event Put Right in accordance with the Conditions, to require the Obligor to purchase on the Tangibility Event Put Right Date all of the Trustee's rights, title, interests, benefits and entitlements,

- present and future, in, to and under the Tangibility Event Put Right Wakala Assets at the Tangibility Event Put Right Exercise Price specified in the relevant Exercise Notice; and
- (e) provided that the Trustee has received notice, or otherwise becomes aware, of the occurrence of an Impaired Wakala Asset Event in accordance with the terms of the Purchase Undertaking or the Service Agency Agreement, to require the Bank to assign, sell, transfer and convey to the Trustee on the substitution date all of the Bank's rights, title, interests, benefits and entitlements, present and future, in, to and under the new Wakala Assets against the assignment, transfer and/or conveyance to the Bank of all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Impaired Wakala Assets, subject to certain conditions set out in the Purchase Undertaking,

in each case, on an "as is" basis but free and clear of any Adverse Claim (without any warranty express or implied and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Purchase Undertaking.

The Bank has covenanted and undertaken in the Purchase Undertaking that, in relation to each Series:

- (a) if, at the time of delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, Warba Bank K.S.C.P. is in actual or constructive possession, custody or control of all or any part of the Wakala Assets comprising the Wakala Portfolio, the Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets, as the case may be; and
- (b) if, following delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever,

the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the Certificateholder Put Right Date or the Tangibility Event Put Right Date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Put Right Exercise Price, as the case may be. Payment of an amount equal to the relevant Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Put Right Exercise Price, as the case may be, into the Transaction Account in accordance with the Purchase Undertaking shall (i) evidence the acceptance by the Bank of the Exercise Notice delivered in accordance with the provisions of the Purchase Undertaking and the conclusion of the transfer of the Trustee's title, rights, benefits and entitlements, present and future, in, to and under the Wakala Assets comprising the Wakala Portfolio, the Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets and (ii) constitute full discharge of the obligation of the Bank to pay the Exercise Price or the Certificateholder Put Right Exercise Price, as the case may be, to the Trustee (for the benefit of the Certificateholders).

The Bank has agreed in the Purchase Undertaking that all payments by it under the Purchase Undertaking must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind. If there is any such withholding, retention or deduction, the Bank will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Bank has undertaken in the Purchase Undertaking that any payment obligations of the Bank under the Purchase Undertaking are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (Obligor Negative Pledge)) unsecured obligations of the Bank and shall

(save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Bank from time to time outstanding.

# Sale and Substitution Undertaking

The Sale and Substitution Undertaking will be executed as a deed on 6 July 2022 by the Trustee in favour of the Bank and will be governed by English law.

In relation to each Series, the Trustee will irrevocably grant to the Bank each of the following rights:

- (a) provided that a Tax Event has occurred, to require the Trustee to sell, assign, transfer and convey to the Bank on the Early Tax Dissolution Date specified in the Exercise Notice all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (b) provided that Optional Dissolution Right is specified as applicable in each applicable Final Terms (and Certificateholder Put Right is specified as not applicable in each applicable Final Terms), to require the Trustee to sell, assign, transfer and convey to the Bank on the Optional Dissolution Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the applicable portion of the Wakala Assets at the Optional Dissolution Exercise Price specified in the relevant Exercise Notice;
- (c) following delivery of the Registered Certificate(s) representing the cancelled Certificates to the Registrar for cancellation pursuant to Condition 9(h) (*Cancellation*), to require the Trustee to assign, transfer and convey to the Bank on the cancellation date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the cancellation Wakala Assets subject to certain conditions set out in the Sale and Substitution Undertaking;
- (d) to require the Trustee to assign, transfer and convey to the Bank on the substitution date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under, the substituted Wakala Assets against the sale, assignment, transfer and conveyance to the Trustee of all of the Bank's rights, title, interests, benefits and entitlements, present and future, in, to and under, the new Wakala Assets subject to certain conditions set out in the Sale and Substitution Undertaking; and
- (e) if 75 per cent. or more of the aggregate face amount of Certificates of a Series have been redeemed pursuant to Condition 9(e) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), to require the Trustee to sell, assign, transfer and convey to the Bank on the Clean Up Call Dissolution Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice,

in each case, on an "as is" basis but free and clear of any Adverse Claim (without any warranty express or implied and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale and Substitution Undertaking and provided the Bank irrevocably, unconditionally and fully accepts, and shall not dispute or challenge in any way, all or any interest (including ownership interests) the Trustee may have in the relevant Wakala Assets, Optional Dissolution Wakala Assets, cancellation Wakala Assets or substituted Wakala Assets, as applicable, as acquired by the Trustee.

# Master Murabaha Agreement

The Master Murabaha Agreement will be entered into on 6 July 2022 between the Trustee (in its capacity as seller, the "Commodity Seller"), the Bank (in its capacity as buyer, the "Commodity Buyer") and the Delegate and will be governed by English law.

Pursuant to the Master Murabaha Agreement, and in connection with each relevant Tranche of Certificates, the Commodity Seller may enter into a Commodity Murabaha Investment with the Commodity Buyer using a portion of the issue proceeds of the relevant Tranche as specified in the applicable Final Terms (being no more than 45 per cent. of the aggregate face amount of the Certificates of that Tranche). In accordance with the Master Murabaha Agreement, on receipt of a duly completed Notice of Request to Purchase from the Commodity Buyer, the Commodity Seller (acting through the Commodity Agent) may purchase the relevant Commodities on the relevant Issue Date from a commodity supplier on a spot basis at the relevant Commodity Purchase Price.

Upon completion of the purchase of the Commodities by the Commodity Seller and the Commodity Seller gaining title thereto and (actual or constructive) possession thereof, the Commodity Seller may deliver to the Commodity Buyer a duly completed Offer Notice by no later than 1.00 p.m. (London time) (or such other time as may be agreed in writing by the Commodity Buyer and the Commodity Seller) on the relevant Issue Date.

Provided that the Commodity Buyer has received the Offer Notice delivered to it in accordance with the terms of the Master Murabaha Agreement and wishes to enter into a Murabaha Contract, the Commodity Buyer will accept the terms of, countersign and deliver to the Commodity Seller such Offer Notice and purchase the relevant Commodities acquired by the Commodity Seller for the relevant Deferred Payment Price, in each case no later than 2.00 p.m. (London time) (or such other time as may be agreed between the Commodity Buyer and the Commodity Seller) on the relevant Issue Date.

As soon as the Commodity Buyer has accepted the Commodity Seller's offer by countersigning the relevant Offer Notice, a Murabaha Contract shall be created between the Commodity Seller and the Commodity Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement and ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Commodity Buyer, together with all rights and obligations relating thereto.

The Commodity Buyer will agree in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind and, in such case, the Commodity Buyer will pay all additional amounts as will result in the receipt by the Commodity Seller of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Commodity Buyer has undertaken in the Master Murabaha Agreement that any payment obligations of the Commodity Buyer under the Master Murabaha Agreement will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Commodity Buyer and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Commodity Buyer from time to time outstanding.

# **Trust Deed**

The Master Trust Deed will be entered into on 6 July 2022 between the Bank, the Trustee and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties shall be entered into on the Issue Date of each Tranche and shall also be governed by English law.

Upon issue of a Series of Certificates, the Master Trust Deed as supplemented by each relevant Supplemental Trust Deed shall together constitute the Trust declared by the Trustee in relation to such Series (the Master Trust Deed as supplemented by each relevant Supplemental Trust Deed for each Series being referred to herein as the "Trust Deed").

The Trust Assets in respect of each Series shall comprise:

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

Pursuant to the relevant Trust Deed, the Trustee will, in relation to each Series of Certificates, amongst other things, hold the relevant Trust Assets on trust absolutely for the Certificateholders of such Series *pro rata* according to the face amount of Certificates of that Series held by each Certificateholder and act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the relevant Trust Deed. Pursuant to the Master Trust Deed, the Trustee will, by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders under the relevant Trust Deed, irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed to:

- (a) execute, deliver and perfect all documents; and
- (b) exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed and the Certificates,

that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights, powers, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Conditions and the Trust Deed (together the "Delegation" of the "Relevant Powers"), provided that (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation); (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, authority or discretion to dissolve the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee has undertaken in the Master Trust Deed to ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of its powers pursuant to the Delegation.

The Delegation is to be made by the Trustee to the Delegate for the benefit of the Delegate and the Certificateholders, subject to the terms of the Conditions and the Trust Deed.

In addition to the Delegation of the Relevant Powers, certain powers, rights, authorities and discretions under the Master Trust Deed will be vested solely in the Delegate, including, amongst other things, the power to call and conduct meetings at the request of Certificateholders, to determine whether a certain event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates so as to qualify as a Trustee Event or Obligor Event, and the powers set out in Condition 13 (*Dissolution Events*) to decide, pursuant to the provisions therein, whether the Certificates should become immediately due and payable subject to and in accordance with Condition 13 (*Dissolution Events*) and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee, in each case as more particularly described in the Master Trust Deed.

The Bank has covenanted and undertaken in the Master Trust Deed, among other things, as follows:

- (a) to comply with and perform and observe all provisions of the Conditions which are expressed to be applicable to it including, without limitation, the negative pledge provisions described in Condition 7 (Obligor Negative Pledge);
- (b) to comply with and perform and observe all provisions of the Transaction Documents to which it is a party which are expressed to be binding on it; and
- (c) that it shall forthwith notify the Delegate and the Trustee in writing of any Dissolution Event (and the steps, if any, being taken to remedy it) and/or Potential Dissolution Event and Tangibility Event (and provide a description of such Tangibility Event), in each case promptly upon becoming aware of its occurrence.

The Bank has acknowledged in the Master Trust Deed that the Obligor Events applicable to it are set out in full in the Conditions, that it is fully aware of and understands the terms thereof and that the occurrence thereof shall constitute a Dissolution Event for the purposes of the Conditions.

The Bank has also covenanted and undertaken in the Master Trust Deed that:

- (a) if, at the time of delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, Warba Bank K.S.C.P. is in actual or constructive possession, custody or control of all or any part of the Wakala Assets comprising the Wakala Portfolio, the Certificateholder Put Right Wakala Assets, the Tangibility Event Put Right Wakala Assets or the Optional Dissolution Wakala Assets, as the case may be; and
- (b) if, following delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, the relevant Exercise Price, Certificateholder Put Right Exercise Price, Tangibility Event Put Right Exercise Price or Optional Dissolution Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking (as the case may be) for any reason whatsoever,

the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates, the Certificateholder Put Right Certificates or the Tangibility Event Put Right Certificates or the Optional Dissolution Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price or the Optional Dissolution Exercise Price, as the case may be.

Payment of an amount equal to the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price or the Optional Dissolution Exercise Price, as the case may be, into the Transaction Account in accordance with the Purchase Undertaking or the Sale and Substitution Undertaking, as

the case may be, shall (i) evidence the acceptance by the Bank of the Exercise Notice delivered in accordance with the provisions of the Purchase Undertaking and the conclusion of the transfer of the Trustee's title, rights, benefits and entitlements in, to and under the Wakala Assets comprising the Wakala Portfolio, the Certificateholder Put Right Wakala Assets, the Tangibility Event Put Right Wakala Assets or the Optional Dissolution Wakala Assets, as the case may be, and (ii) constitute full discharge of the obligation of the Bank to pay the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price or the Optional Dissolution Exercise Price, as the case may be, to the Trustee (for the benefit of the Certificateholders).

The Bank has also covenanted and undertaken in the Master Trust Deed that if, in relation to a Murabaha Contract, the outstanding Deferred Payment Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Master Murabaha Agreement for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify (on an after Tax basis) the Trustee for the purpose of redemption of the outstanding Certificates of such Series, and the amount payable under any such indemnity claim will equal the Commodity Purchase Price.

In addition, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 11 (*Taxation*), the Bank has covenanted and undertaken in the Master Trust Deed that it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any withholding, retention or deduction for or on account of tax) equals any and all additional amounts required to be paid by it in respect of the Certificates pursuant to Condition 11 (*Taxation*).

If and to the extent the Trustee has exercised its rights under Condition 19 (*Further Issues*) to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so created and issued, declaring that the relevant Additional Assets (as defined in the relevant Declaration of Commingling of Assets) and the Wakala Assets comprised in the Wakala Portfolio as in existence immediately prior to the creation and issue of such additional Certificates and, if applicable, each Commodity Murabaha Investment made pursuant to the Master Murabaha Agreement (and all rights arising under or with respect thereto) in respect of the relevant Series, are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

## **Agency Agreement**

The Agency Agreement will be entered into on 6 July 2022 in relation to the Certificates between, amongst others, the Trustee, the Bank, the Delegate, the Principal Paying Agent and the Registrar. The Agency Agreement will govern the arrangements between the Trustee and the agents named therein for the issuance of Certificates and the making of payments in respect thereof. The Agency Agreement will be governed by English law.

# Shari'a Compliance

Each Transaction Document to which it is a party provides that each of Warba Sukuk Limited and Warba Bank K.S.C.P. agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Shari'a*;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

### For these purposes:

- "Adverse Claim" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or arrangement having a similar effect or other right or claim of any person (in all cases, other than any right in favour of the Bank);
- "Asset Contract" means a Financing Contract and/or any other contract, agreement, or document evidencing or otherwise related to or associated with a Wakala Asset, as the case may be;
- "Asset Obligor" means a Lessee, an Other Tangible Asset Obligor and/or any other person that is a party to an Asset Contract (other than Bank or any party acting on behalf of the Bank) and who is obliged to make payments thereunder, as the context so requires;
- "Certificateholder Put Right Exercise Price" means, in relation to each Series, an amount equal to the aggregate of:
- (a) the aggregate face amount of the relevant Certificates to be redeemed on the Certificateholder Put Right Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificates; plus
- (c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) due but unpaid Service Agency Liabilities Amounts; plus
- (d) without double counting, if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to all amounts due but unpaid to the Delegate pursuant to paragraph (i) of Condition 5(b) (Application of Proceeds from Trust Assets)); plus
- (e) without double counting, any other amounts payable in relation to the relevant Certificates as specified in the applicable Final Terms; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the applicable portion of the aggregate amounts of Deferred Payment Price outstanding on the Certificateholder Put Right Date which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

### "Eligible Asset" means a Financing Asset or an Other Tangible Asset:

- (a) in respect of which (i) the Bank is generating cashflows under the related Asset Contract relating to an activity which does not conflict with the principles of *Shari'a*; and (ii) the relevant Asset Obligor under the related Asset Contract is not in breach of its payment obligations in respect of that Asset Contract;
- (b) which is held or owned by or on behalf of the Seller in a manner consistent with its usual credit and origination and/or investment policies as approved by the Fatwa and Shari'a Supervisory Board of the Seller;
- (c) in respect of which the obligations contained in the related Asset Contract entered into by the Asset Obligor thereof constitute legal, valid, binding and (subject to the laws of bankruptcy and other laws affecting the rights of creditors generally) enforceable obligations of the Asset Obligor under the governing law of that Asset Contract and any related transaction documents and in the jurisdiction in which such Asset Obligor is located;
- (d) in respect of which the Seller is entitled to receive all payments due;
- (e) in respect of which there has not occurred an event of default, any acceleration or analogous event under the related Asset Contract;
- (f) in respect of which there has not occurred any expropriation, total loss event or total destruction; and
- (g) at the time of the transfer of the relevant Financing Asset or Other Tangible Asset to form part of the Wakala Portfolio, in respect of which the Seller's rights, title, interests, benefits and entitlements, present and future, therein are capable of being sold, transferred and assigned by the Seller to the Purchaser in accordance with all applicable laws, its own terms and the terms set out in the Master Purchase Agreement;

### "Exercise Price" means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the Certificates then outstanding on the relevant Dissolution Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates; plus
- (c) to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) due but unpaid Service Agency Liabilities Amounts; plus
- (d) without double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to all amounts due but unpaid to the Delegate pursuant to paragraph (i) of Condition 5(b) (Application of Proceeds from Trust Assets)); plus
- (e) without double counting, any other amounts payable on redemption of the Certificates as specified in the applicable Final Terms; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the aggregate amounts of Deferred Payment Price outstanding on the relevant Dissolution Date which have been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

"Financing Asset" means a Real Estate Financing Asset or a Non-Real Estate Financing Asset, as the case may be;

"Financing Contract" means a Real Estate Financing Contract or a Non-Real Estate Financing Contract, as the case may be;

"Kuwait Business Day" means a day (other than a Friday or Saturday) on which commercial banks are open for business in Kuwait;

"Lessee" means a Real Estate Financing Lessee or a Non-Real Estate Financing Lessee, as the case may be;

"Non-Real Estate Financing Asset" means a tangible asset, other than a Real Estate Financing Asset, in relation to which the Bank or any person on its behalf has entered into a Non-Real Estate Financing Contract; provided, however, that such tangible asset is in existence on the date on which it becomes part of the relevant Wakala Portfolio;

"Non-Real Estate Financing Contract" means (a) an ijara contract entered into by the Bank or any person on its behalf (the "Non-Real Estate Financing Lessor") and another person (the "Non-Real Estate Financing Lessee") pursuant to which the Non-Real Estate Financing Lessor leases a tangible asset (other than a real estate asset) to the Non-Real Estate Financing Lessee, and in respect of which lease payments are due from the Non-Real Estate Financing Lessee to the Non-Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (b) any arrangement similar in economic effect to that described in item (a);

"Other Tangible Asset" means any tradable (including from a *Shari'a* perspective) *Shari'a* compliant incomegenerating asset (including, without limitation, any Tradable Sukuk), other than a Financing Asset, an equity security or a real estate asset not located in Kuwait, that has associated with it underlying tangible assets or asset portfolios and is originated, held or owned by the Seller in accordance with *Shari'a* principles as laid down by the Fatwa and Shari'a Supervisory Board of the Seller;

"Optional Dissolution Exercise Price" means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the relevant Certificates to be redeemed on the Optional Dissolution Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificates; plus
- (c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) due but unpaid Service Agency Liabilities Amounts; plus
- (d) without double counting, if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to all amounts due but unpaid to the Delegate pursuant to paragraph (i) of Condition 5(b) (Application of Proceeds from Trust Assets)); plus
- (e) without double counting, any other amounts payable in relation to the relevant Certificates as specified in the applicable Final Terms; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the applicable portion of the aggregate amounts of Deferred Payment Price outstanding on the Optional Dissolution Date which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

"Optional Dissolution Wakala Assets" means the Wakala Assets specified as such in the relevant Exercise Notice:

"Real Estate Financing Asset" means a real estate asset located in Kuwait in relation to which the Bank or any person on its behalf has entered into a Real Estate Financing Contract (and includes that Real Estate Financing

Contract and all rights of the Real Estate Financing Lessor under such Real Estate Financing Contract); provided, however, that such real estate asset is in existence on the date on which it becomes part of the relevant Wakala Portfolio;

"Real Estate Financing Contract" means (a) an ijara contract entered into by the Bank or any person on its behalf (the "Real Estate Financing Lessor") and another person (the "Real Estate Financing Lessee") pursuant to which the Real Estate Financing Lessor leases a real estate asset located in Kuwait to the Real Estate Financing Lessee, and in respect of which payments are due from the Real Estate Financing Lessee to the Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (b) any arrangement similar in economic effect to that described in item (a) (and the term "Real Estate Financing Lessor" shall be construed accordingly);

"Tangibility Event Put Right Exercise Price" means, in relation to each relevant Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the Tangibility Event Put Right Certificates; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Tangibility Event Put Right Certificates; plus
- (c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) due but unpaid Service Agency Liabilities Amounts; plus
- (d) without double counting, if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to all amounts due but unpaid to the Delegate pursuant to paragraph (i) of Condition 5(b) (Application of Proceeds from Trust Assets)); plus
- (e) without double counting, any other amounts payable in relation to the Tangibility Event Put Right Certificates as specified in the relevant Pricing Supplement; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the Tangibility Event Put Right Proportion of the aggregate amounts of Deferred Payment Price outstanding on the Tangibility Event Put Right Date which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

"Tradable Sukuk" means sukuk or trust certificates which are tradable in accordance with AAOIFI *Shari'a* Standards, as interpreted by the Fatwa and Shari'a Supervisory Board of the Seller;

"Wakala Distribution Period" means, in relation to a Series, the period beginning on (and including) the Issue Date of the first Tranche of such Series and ending on (but excluding) the first Wakala Distribution Date and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date, each such period also being a Periodic Distribution Period; and

"Wakala Ownership Period" means, in relation to each Series, the period commencing on the Issue Date of the first Tranche of such Series and ending on the date on which all of the Certificates of that Series are redeemed in full.

## **TAXATION**

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere, nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

# **Cayman Islands**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on Certificates to be issued will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax. The Trustee has obtained an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions 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 Base Prospectus. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT may alter and affect this summary.

### Income tax

Under the Taxation Laws, income tax (at a flat rate of 15 per cent.) is levied on, *inter alia*, the net income and capital gains realised by any corporate entity (interpreted by the DIT to mean any form of company or

partnership), wherever incorporated, that conducts business in Kuwait. However, the DIT to date has granted a concession to such corporate entities incorporated in Kuwait or in any other GCC country (being referred to in this Base Prospectus as "GCC corporate entities") and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Base Prospectus as "non-GCC corporate entities") which, for the avoidance of doubt, include shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in Kuwait. Pursuant to the Regulations, income generated from the lending of funds inside Kuwait is considered to be income realised from the conducting of business in Kuwait, and is therefore subject to income tax. The following paragraphs are therefore only applicable to non-GCC corporate entities.

Pursuant to Article 150 (bis), yields of securities, bonds, finance sukuk and all other similar securities regardless of the issuer thereof shall be exempted from taxation. Article 150 (bis) was acknowledged by the Administrative Resolution.

However, see "Risk Factors – Risks Relating to Taxation – The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Certificates which are "non–GCC corporate entities" may become subject to the Kuwaiti income tax regime in certain limited circumstances".

Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

#### Retention

Under the Regulations, a Kuwaiti-based party making a payment (being referred to in this section as the payer) to any other party (being referred to in this section as the payee), wherever incorporated, is obliged to deduct five per cent. of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. Unlike with withholding tax, the payer is not required to transfer directly the deducted amount to the DIT immediately, but instead retains such amount and releases it either: (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realised a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand.

According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include payments by the Bank to the Trustee under the Transaction Documents to which it is a party. Given that neither Article 150 (bis) nor the Administrative Resolution address the issue of whether or not there remains an obligation, as described above, to make a deduction, a payer (such as the Bank) could be required to deduct five per cent. from every payment made by it to a payee (such as the Trustee), which amount would be released by the payer upon presentation to it by the payer of a tax clearance certificate from the DIT.

In the event of any such deduction, the Transaction Documents provide that the Obligor will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no such deduction had been made.

# Other taxes

Save as described above, all payments in respect of the Certificates and the Transactions Documents may be made without withholding, retention or deduction for, or on account of, present taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Kuwait.

No stamp, registration or similar duties or taxes will be payable in Kuwait by holders of Certificates in connection with the issue or any transfer of the Certificates.

# Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Certificates (as described under "Terms and Conditions of the Certificates—Further Issues") that are not distinguishable from previously issued Certificates are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Certificates, including the Certificates offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

# SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the "**Programme Agreement**") dated 6 July 2022, agreed with the Trustee and the Bank a basis upon which they or any of them may from time to time agree to purchase Certificates.

Any such agreement will extend to those matters stated under "Terms and Conditions of the Certificates". In accordance with the terms of the Programme Agreement, each of the Trustee and the Bank has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **United States**

The Certificates have not been and will not be registered under the Securities Act, and may not be offered or sold 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. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme 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 the Certificates, 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 forth 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 of 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 that is not participating in the offering may violate the registration requirements of the Securities Act.

# Public Offer Selling Restriction under the Prospectus Regulation

In relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State, except that it may make an offer of such Certificates to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and the Bank for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Certificates referred to above shall require the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision the expression an offer of Certificates to the public in relation to any Certificates in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

## **United Kingdom**

Public Offer Selling Restriction under the UK Prospectus Regulation

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in the United Kingdom except, that it may make an offer of such Certificates to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and the Bank for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Certificates referred to above shall require the Trustee, the Bank or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- (a) the expression "an offer of Certificates to the public" in relation to any Certificates means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates; and
- (b) the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Certificates which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the

- purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Bank; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the UK.

# **Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in the Cayman Islands.

## 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it 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 applicable laws, regulations and ministerial guidelines of Japan.

# **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority rulebook (the "DFSA Rulebook"); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

# Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates, except on a private placement basis, to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### Kingdom of Saudi Arabia

Each Dealer has represented and agreed, and any Saudi Investor who acquires any Certificate pursuant to an offering should note, that (i) no action has been or will be taken in the Saudi Arabia that would permit a public offering of the Certificates (ii) the Certificates will not be offered or sold to a Saudi Investor other than to 'institutional and qualified clients' under Article 8(a)(1), or by way of a limited offer under Article 9, of the Offer of Securities Rules and, in each case, Article 10 of the Offer of Securities Rules.

Each offer of the Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the Offer of Securities Rules, but will be subject to the restrictions on secondary market activity under Article 14 of the Offer of Securities Rules.

## **State of Qatar (including the Qatar Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Base Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

#### State of Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no Certificates will be marketed, offered and/or sold in Kuwait, except through a licensed person duly authorised to undertake such activity pursuant to 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 any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing and/or sale, of the Certificates.

# Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- 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 "CWUMPO") or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under the SFO.

### Malaysia

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

# Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined

in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B(1)(c) of the SFA and the CMP Regulations 2018, unless otherwise specified in the applicable Final Terms, the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

#### General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Certificates or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, the Bank, the Delegate and any other Dealer shall have any responsibility therefor.

None of the Trustee, the Bank, the Delegate and any of the Dealers represents that (i) Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale or (ii) or (ii) any action has been, or will be taken in any jurisdiction that would permit a public offering of any Certificates, or possession or distribution of this Base Prospectus or any other offering material or any applicable Final Terms, in any country or jurisdiction where action for that purpose is required. Persons into whose

possession this Base Prospectus or any Certificates may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of Certificates.

#### **GENERAL INFORMATION**

# **Listing of the Certificates**

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Regulation. Such approval relates only to the Certificates which are to be admitted to trading on the Euronext Dublin Regulated Market or any other MiFID Regulated Market or which are to be offered to the public in any EU Member State. The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation.

Application has been made to Euronext Dublin for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the Official List and admitted to trading on the Euronext Dublin Regulated Market. It is expected that each Tranche of Certificates which is to be admitted to the Official List and to trading on the Euronext Dublin Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Certificate representing the Certificates of such Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by Euronext Dublin in accordance with its rules. Transactions on the Euronext Dublin Regulated Market will normally be effected for delivery on the third working day after the day of the transaction. However, Certificates may be issued pursuant to the Programme which will not be listed on Euronext Dublin or any other stock exchange or which will be listed on such stock exchange as the Trustee and the relevant Dealer may agree.

This Base Prospectus has been approved by DFSA under Rule 2.6 of the Markets Rules and is therefore an approved prospectus for the purposes of Article 14 of the Markets Law. Application has also been made to the DFSA for Certificates issued under the Programme to be admitted to the DFSA Official List. An application may be made for any Tranche of Certificates to be admitted to trading on Nasdaq Dubai.

#### Authorisation

Each of the Trustee and the Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the entry into and performance of the Transaction Documents to which it is a party. The establishment of the Programme was authorised by a resolution of the board of directors of the Trustee dated 8 July 2019, a resolution of the board of directors of the Bank dated 10 April 2019 and a resolution of the shareholder of the Bank dated 20 March 2019. The update of the Programme was authorised by a resolution of the board of directors of the Trustee dated 17 June 2022, a resolution of the board of directors of the Bank dated 27 May 2021 and a resolution of the shareholders of the Bank dated 30 March 2022.

# Significant or Material Change

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

There has been no significant change in the financial performance or position of the Bank or the Group since 31 March 2022 and there has been no material adverse change in the financial position or prospects of the Bank or the Group since 31 December 2021.

# Litigation

Neither the Trustee nor the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened

of which the Trustee or the Bank is aware) in the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Trustee, the Bank or the Group.

# **Clearing Systems**

Certificates are expected to be accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Tranche of Certificates will be set out in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

#### **Documents Available**

For the period of 12 months following the date of this Base Prospectus, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available for inspection in electronic form at https://www.warbabank.com/english/about-warba/investor-relations:

- (a) each Final Terms and the other Transaction Documents in relation to each Series (save that such documents relating to a Series which is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of the relevant Certificate and identity); and
- (b) the constitutional documents of the Trustee and the Bank.

This Base Prospectus and each Final Terms will also be available for viewing on (i) the website of Euronext Dublin (https://live.euronext.com/) and (ii) the website of Nasdaq Dubai (http://www.nasdaqdubai.com).

### **Auditors**

The auditors of the Bank are Ernst & Young Kuwait and KPMG Kuwait. The business address of Ernst & Young Kuwait is P.O. Box 74, 18 – 21st Floor, Baitak Tower, Ahmed Al Jaber Street, Safat Square 13001, Kuwait and the business address of KPMG Kuwait is Al Hamra Tower, 25th Floor, Abdulaziz Al Saqr Street, Kuwait. Each of Ernst & Young Kuwait and KPMG Kuwait is regulated in Kuwait by the CMA and is a registered auditor licensed to act as an auditor in Kuwait by the Kuwaiti Ministry of Commerce and Industry.

Ernst & Young Kuwait and KPMG Kuwait have audited, without qualification, each of the consolidated financial statements of the Bank as at and for the years ended 31 December 2021 and 31 December 2020 in accordance with the International Standards on Auditing, as stated in their reports incorporated by reference herein.

Ernst & Young Kuwait and KPMG Kuwait have also reviewed the interim condensed consolidated financial information of the Bank as at and for the three months ended 31 March 2022 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as stated in their report incorporated by reference herein.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

# Dealers transacting with the Bank

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Bank and its affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Bank and their affiliates, including, without limitation, the Certificates. Certain of the Dealers or their affiliates that have a financing relationship with the Trustee, the Bank and their affiliates may routinely hedge their credit exposure to the Trustee, the Bank and their affiliates consistent with their customary risk-management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the hedging arrangements or the creation of certain positions in securities, including potentially any Certificates issued under the Programme. Any such long and/or other positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **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.

### THE TRUSTEE

### Warba Sukuk Limited

c/o MaplesFS Limited P.O. Box 1093 Queensgate House Grand Cayman KY1-1102 Cayman Islands

### THE BANK AND OBLIGOR

#### Warba Bank K.S.C.P.

26th – 28th Floor Sanabil Tower Abdullah Al Ahmed St. – Sharq P.O. Box 1220 Al Safat 13013 Kuwait

# **DELEGATE**

# Citibank N.A., London Branch

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# PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

# Citibank N.A., London Branch

Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom

# AUDITORS TO THE BANK

### KPMG Safi Al-Mutawa & Partners

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# Ernst & Young Al Aiban, Al Osaimi & Partners

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#### LEGAL ADVISORS

To the Trustee as to Cayman Islands law

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Dubai
United Arab Emirates

To the Bank as to English law

Dentons & Co

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To the Bank as to Kuwaiti law

**International Counsel Bureau** 

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To the Arranger and Dealers as to English law

**Linklaters LLP** 

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ASAR - Al-Ruwayeh & Partners

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To the Delegate as to English law

Linklaters LLP

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#### ARRANGER

## **Standard Chartered Bank**

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### **DEALERS**

Emirates NBD Bank P.J.S.C.

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