BURGAN BANK K.P.S.C.

(*incorporated as a public shareholding company in the State of Kuwait*)

U.S.$500,000,000 Tier 2 Subordinated Notes due 2031

Issue Price: 100.00 per cent.

The U.S.$500,000,000 Tier 2 Subordinated Notes due 2031 (the **Subordinated Notes**) shall be issued by Burgan Bank K.P.S.C. (the **Issuer** or the **Bank**) on 15 December 2020 (the **Issue Date**). The Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer and shall rank *pari passu* and without any preference among themselves, as more particularly described in Condition 3 (*Status of the Subordinated Notes and Subordination*) of the "*Terms and Conditions of the Subordinated Notes*" (the **Conditions**, and references to a numbered **Condition** should be read accordingly).

If a Non-Viability Event (as defined herein) occurs, a Write-down (as defined herein) shall occur on the relevant Non-Viability Event Write-down Date (as defined herein), as more particularly described in Condition 8 (*Write-down at the Point of Non-Viability*). In such circumstances, the Noteholders' rights to payment of any amounts under or in respect of the Subordinated Notes shall, as the case may be, be cancelled or written-down *pro rata* among the Noteholders. See "*Risk Factors – Noteholders' right to receive repayment of the principal amount of the Subordinated Notes and/or interest on the Subordinated Notes may be written-down in whole or in part upon the occurrence of a Non-Viability Event*".

Interest Payment Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the Conditions on the outstanding principal amount of the Subordinated Notes from (and including) the Issue Date to (but excluding) 15 December 2026 (the **Reset Date**) at a rate of 2.750 per cent. per annum. If the Subordinated Notes are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the Reset Date, Interest Payment Amounts shall be payable from (and including) the Reset Date subject to and in accordance with the Conditions at the Reset Interest Rate (as defined in the Conditions). Interest Payment Amounts will be payable semi-annually in arrear on 15 June and 15 December in each year, commencing on 15 June 2021 (each, an **Interest Payment Date**). Payments on the Subordinated Notes will be made without deduction for, or on account of, taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of the Relevant Jurisdiction (as defined in the Conditions) (the **Taxes**), except as required by law, all as more fully described in Condition 9 (*Taxation*).

Unless previously redeemed or purchased and cancelled, the Subordinated Notes will be redeemed on the Maturity Date (as defined in the Conditions). The Subordinated Notes may, at the option of the Issuer, subject to the prior approval of the Central Bank of the State of Kuwait (the **Financial Regulator**, which term shall include any successor entity having primary bank supervisory authority with respect to the Issuer in the State of Kuwait), be redeemed at par (in whole but not in part) (i) on any day falling in the period commencing on (and including) 15 September 2026 and ending on (and including) the Reset Date, or (ii) on any Interest Payment Date thereafter. In addition, the Subordinated Notes may, in the event of a Tax Event or Capital Event (each as defined in the Conditions), be redeemed at any time (in whole but not in part), subject to the prior approval of the Financial Regulator and to satisfaction of the other Redemption Conditions (as defined in the Conditions).

An investment in the Subordinated Notes involves certain risks. For a discussion of these risks, see "*Risk Factors*".

The Subordinated Notes may only be offered, sold or transferred in registered form in minimum nominal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Delivery of the Subordinated Notes in book-entry form will be made on the Issue Date. The Subordinated Notes will be represented upon issue by interests in a global certificate in registered form (the **Global Certificate**) deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depositary (the **Common Depositary**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Certificates (as defined in the Conditions) evidencing holdings of interests in the Subordinated Notes will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus has been approved by the Central Bank of Ireland (the **CBI**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The CBI only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval by the CBI should not be considered as an endorsement of the Issuer or of the quality of the Subordinated Notes. Investors should make their own assessment as to the suitability of investing in the Subordinated Notes. Such approval relates only to the Subordinated Notes, which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (**MiFID II**). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Subordinated Notes to be admitted to the official list (the **Official List**) and to trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II. References in this Prospectus to Subordinated Notes being **listed** (and all related references) shall mean that such Subordinated Notes have been admitted to the Official List and have been admitted to trading on the regulated market of Euronext Dublin. This Prospectus will be valid until the date of admission of the Subordinated Notes to trading on the Regulated Market. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when the Prospectus is no longer valid.

The Issuer has a long term rating of BBB+ and a short term rating of A-2 from S&P Global Ratings Europe Limited (**S&P**); a long term rating of A3 and a short term rating of P-2 by Moody's Investors Service Ltd. (**Moody's**); and a long-term rating of A+ and a short-term rating of F1 from Fitch Ratings Ltd (**Fitch**). The Subordinated Notes have been assigned a rating of A- by Fitch. Each of S&P, Moody's and Fitch is established in the European Union (**EU**) or the United Kingdom (**UK**) and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of S&P, Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

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

The Subordinated Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or other otherwise made available to retail clients in the EEA or in the UK, as defined in MiFID II, as amended or replaced from time to time. Prospective investors are referred to the section headed "Prohibition of Sales to Retail Investors" below for further information.

Amounts payable on the Subordinated Notes following the Reset Date (as defined in the Conditions) will be calculated by reference to one or more U.S. Treasury rates. As at the date of this Prospectus, the administrator(s) of the relevant U.S. Treasury rate(s) are not included in the register of administrators of ESMA under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the administrator(s) of the relevant U.S. Treasury rate(s) are not currently required to obtain authorisation/registration (or, if located outside the EU, recognition, endorsement or equivalence).

The Subordinated Notes have not been, nor will 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 and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Subordinated Notes may be offered or sold solely to persons who are not U.S. Persons outside the United States in reliance on Regulation S. Each purchaser of the Subordinated Notes is hereby notified that the offer and sale of Subordinated Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Global Coordinators

Citigroup	**Standard Chartered Bank**

Joint Lead Managers

Bank ABC	**Citigroup**	**Emirates NBD Capital**
First Abu Dhabi Bank	**HSBC**	**J.P. Morgan**
Kamco Invest	**Mizuho Securities**	**MUFG**
NBK Capital		**Standard Chartered Bank**

The date of this Prospectus is 10 December 2020.

IMPORTANT NOTICE

This Prospectus comprises a prospectus for the purposes of Article 8 of the Prospectus Regulation. When used in this Prospectus, **Prospectus Regulation** means Regulation (EU) 2017/1129.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect the import of such information.

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

Certain information contained in "*Description of the Bank*" and "*Overview of Kuwait*" (as indicated therein) has been extracted from the following independent, third party sources: Kuwait's Central Statistical Bureau (**CSB**), the Central Bank of Kuwait (the **CBK**), the Organization of the Petroleum Exporting Countries (**OPEC**), the International Monetary Fund (the **IMF**), the World Bank, Kuwait's Ministry of Finance, the Economist Intelligence Unit, the Central Bank of Iraq and publically available annual reports of various Kuwaiti banks published on their respective websites, and, in each case, the relevant source of such information is specified where it appears under those headings.

The Issuer confirms that all third party information contained in this Prospectus has been accurately reproduced and that, as far as it is aware and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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 Prospectus refers does not form part of this Prospectus. Any website referred to in this document has not been scrutinised or approved by the CBI.

None of the Joint Lead Managers nor any of their directors, affiliates, advisers, agents, nor the Agents (as defined in the Agency Agreement) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers: (i) as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the issuance of the Subordinated Notes; or (ii) for any acts or omissions of the Issuer or any other person (other than the relevant Joint Lead Managers or their respective directors, affiliates, advisers, agents or Agents) in connection with this Prospectus or the issue and offering of the Subordinated Notes.

To the fullest extent permitted by law, the Joint Lead Managers and the Agents accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Joint Lead Manager or any Agent or on its behalf in connection with the Issuer or the issue and offering of the Subordinated Notes. Each Joint Lead Manager and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised either by the Issuer, the Agents or the Joint Lead Managers to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the issuance of the Subordinated Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Agents or any of the Joint Lead Managers. None of the Joint Lead Managers, nor any of their respective directors, affiliates, advisers, agents nor the Agents or any of their respective affiliates make any

representation or warranty or accept any liability as to the accuracy or completeness of the information contained in this Prospectus.

Neither this Prospectus nor any other information supplied in connection with the issuance of the Subordinated Notes: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the issuance of the Subordinated Notes should purchase any Subordinated Notes. Each investor contemplating purchasing any Subordinated Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the issuance of the Subordinated Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Subordinated Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Subordinated Notes shall in any circumstances constitute a representation or create any implication that the information contained in it is correct at any time subsequent to its date or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Issuer since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Subordinated Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the issuance or to advise any investor in the Subordinated Notes of any information coming to their attention.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Subordinated Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

No comment is made, or advice given by, the Agents, the Issuer or the Joint Lead Managers or, any of their respective directors, affiliates, advisers or agents in respect of taxation matters relating to the Subordinated Notes or the legality of the purchase of the Subordinated Notes by an investor under applicable or similar laws.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy Subordinated Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Joint Lead Managers, the Agents nor the Issuer makes any representation to any investor in the Subordinated Notes regarding the legality of its investment under any applicable laws. Any investor in the Subordinated Notes should be able to bear the economic risk of an investment in the Subordinated Notes for an indefinite period of time.

The distribution of this Prospectus and the offering, sale or delivery of Subordinated Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, or the Agents represent that this Prospectus may be lawfully distributed, or that any Subordinated Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Lead Managers or any of their directors, affiliates, advisers, agents or the Agents which is intended to permit a public offering of any Subordinated Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, no Subordinated Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any

jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Subordinated Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of any Subordinated Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of any Subordinated Notes in the United States, the EEA, the United Kingdom, Hong Kong, Japan, Singapore, the United Arab Emirates (the **UAE**) (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Kuwait (**Kuwait**), the Kingdom of Saudi Arabia, the Kingdom of Bahrain (**Bahrain**) and the State of Qatar (**Qatar**) (see "*Subscription and Sale*").

Each potential investor in the Subordinated Notes must determine the suitability of that investment in light of its own circumstances.

The Subordinated Notes are of high risk and may not be a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Subordinated Notes to investors (including retail investors). There are risks inherent in the holding of the Subordinated Notes, including the risks relating to their subordination and the circumstances in which a potential investor may suffer loss as a result of holding the Subordinated Notes. For a discussion of these risks, see "*Risk Factors*".

Each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes, the merits and risks of investing in the Subordinated Notes and the information contained in this Prospectus;

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

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes, including where the currency for payments of principal or distributions is different from the potential investor's currency;

(d) understands thoroughly the terms of the Subordinated Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(e) is able to evaluate possible scenarios for economic, distribution rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Subordinated Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Subordinated Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Subordinated Notes will perform under changing conditions, the resulting effects on the value of the Subordinated Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Subordinated Notes are legal investments for it; (b) the Subordinated Notes can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any Subordinated

Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Subordinated Notes under any applicable risk based capital or similar rules.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

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

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

Solely for the purposes of the manufacturers' product approval process, the target market assessment in respect of the Subordinated Notes has led to the conclusion that: (i) the target market for the Subordinated Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Subordinated Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Subordinated Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Subordinated Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

STABILISATION

In connection with the issue of the Subordinated Notes, Standard Chartered Bank (the **Stabilisation Manager**) (or persons acting on behalf of the Stabilisation Manager) may over-allot Subordinated Notes or effect transactions with a view to supporting the market price of the Subordinated Notes 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 date on which adequate public disclosure of the terms of the offer of the Subordinated Notes is made 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 Subordinated Notes and 60 days after the date of the allotment of the Subordinated Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

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

NOTICE TO THE RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

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

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Prospectus does not and is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Stock Exchange or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar. The Subordinated Notes are not and will not be traded on the Qatar Stock Exchange.

NOTICE TO RESIDENTS OF KUWAIT

Unless all necessary approvals from the Kuwait Capital Markets Authority (the **CMA**) pursuant to Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and the Regulating of Securities Activities and its executive bylaws (each as amended) (the **CMA Rules**), and the various resolutions, regulations, directives and instructions and announcements issued from time to time pursuant thereto, or in connection therewith (regardless of nomenclature), have been given in relation to the marketing of, and sale of, the Subordinated Notes, the Subordinated Notes may not be offered for sale, nor sold, in Kuwait. Neither this Prospectus nor any of the information contained herein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

This Prospectus is not for general circulation to the public in Kuwait nor will the Subordinated Notes be sold by way of a public offering in Kuwait. In the event that the Subordinated Notes 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 CMA Rules. Investors from Kuwait acknowledge that the CMA and all other regulatory bodies in Kuwait assume no responsibility whatsoever for the contents of this Prospectus or verify the validity and accuracy thereof. Prior to purchasing any Subordinated Notes, it is recommended that a prospective holder of any Subordinated Notes seeks professional advice from its advisors in respect to the contents of this Prospectus so as to determine the suitability of purchasing the Subordinated Notes.

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

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Subordinated Notes 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).

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*", "*Selected Financial Information*", "*Description of the Bank* – Strategy" and other sections of this Prospectus. The Issuer has based these forward looking statements on its current view with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, events relating to the Issuer and the Issuer's actual results may be materially different from those expected, estimated or predicted.

The risks and uncertainties referred to above include, but are not limited to:

- the Issuer's ability to realise the benefits it expects from its existing operations;
- risks arising as a result of the Issuer's lending base and/or deposit base concentrations or its ability to manage liquidity risk;
- the Issuer's ability to successfully restructure non-performing loans with debtors in financial distress or to manage higher levels of customer or counterparty defaults;
- the Issuer's exposure to unexpected fluctuations in market interest rates or foreign exchange movements;
- the ability or willingness of the Issuer's major shareholders to continue to support the Issuer through future injection of capital or deposits; and
- changes in political, social, regulatory or economic conditions in the markets in the Middle East and North Africa region (**MENA**) or Turkey (together with MENA, **MENAT**).

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward looking statements contained in this Prospectus speak only as at the date of this Prospectus.

Without prejudice to any requirements under applicable laws and regulations (including, without limitation, the CBI's and Euronext Dublin's rules and regulations regarding ongoing disclosure obligations), the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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 Prospectus relating to the Bank and its subsidiaries (collectively, the **Group**) has been derived:

- in the case of the unaudited financial information as at and for the nine months ended 30 September 2020 and for the nine months ended 30 September 2019, from the unaudited interim condensed consolidated financial information as at and for the nine months ended 30 September 2020 together with the notes thereto and the review report thereon (the **2020 Interim Financial Statements**);

- in the case of the financial information as at and for the year ended 31 December 2019 and as at and for the year ended 31 December 2018, from the audited consolidated financial statements as at and for the year ended 31 December 2019 together with the notes thereto and the audit report thereon (the **2019 Annual Financial Statements**); and

- in the case of the financial information as at and for the year ended 31 December 2017, from the audited consolidated financial statements as at and for the year ended 31 December 2018 together with the notes thereto and the audit report thereon (the **2018 Annual Financial Statements**, and together with the 2019 Annual Financial Statements, the **Annual Financial Statements** and together with the 2020 Interim Financial Statements, the **Financial Statements**).

Basis of Preparation for 2020 Interim Financial Statements

The 2020 Interim Financial Statements, which are incorporated by reference herein, were prepared in accordance with IAS 34: Interim Financial Reporting, except as noted below.

The accounting policies used in the preparation of the 2020 Interim Financial Statements are consistent with those used in the 2019 Annual Financial Statements, except for the amendments to the IFRS (as defined below) which are effective for annual accounting periods starting from 1 January 2020, and accounting for modification loss in response to Covid-19 in accordance with instructions issued by the Central Bank of Kuwait (the **CBK**) and government grants. Further, during the period ended 30 September 2020, the CBK extended their regulations to require that modification gains or losses of financial assets arising from payment holidays provided to customers in response to the economic impact of Covid-19 are to be recognised in retained earnings instead of profit or loss.

Basis of Preparation for 2019 Annual Financial Statements

The 2019 Annual Financial Statements, which are incorporated by reference herein, were prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted for use by Kuwait pursuant to regulations for financial services institutions published by the CBK. These regulations require expected credit loss (**ECL**) to be measured at the higher of the ECL on credit facilities computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by CBK instructions, the consequent impact on related disclosures, and the adoption of all other requirements of IFRS as issued by the International Accounting Standards Board (**IASB**) (as adopted for use by the State of Kuwait). The Group has adopted IFRS 16: Leases, effective from 1 January 2019. From 2019, the reporting date of subsidiaries is a date not earlier than one month from the Group reporting date. For further information see note 2 of the 2019 Annual Financial Statements.

Basis of Preparation for 2018 Annual Financial Statements

The accounting policies used in the preparation of the 2018 Annual Financial Statements are consistent with those used in the 2019 Annual Financial Statements (except for IFRS 16: Leases, which was adopted effective from 1 January 2019).

The Group adopted IFRS 15: Revenue from Contracts with Customers, effective from 1 January 2018. The Group also adopted IFRS 9: Financial Instruments, effective from 1 January 2018, except for the requirement of ECL on credit facilities which is measured at the higher of the ECL on credit facilities computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by CBK instructions and the consequential disclosure requirement.

The 2019 Annual Financial Statements have been jointly audited by Ernst & Young (Al Aiban, Al Osaimi & Partners) (**EY Kuwait**) and RSM (Albazie & Co.) (**RSM Kuwait**) as stated in their report incorporated by reference herein. The 2018 Annual Financial Statements have been jointly audited by EY Kuwait and Deloitte & Touche (Al-Wazzan & Co.) (**Deloitte Kuwait**) as stated in their report incorporated by reference herein. The 2020 Interim Financial Statements have been jointly reviewed by EY Kuwait and RSM Kuwait, 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.

The Bank publishes its financial statements in Kuwaiti dinars (**KD**). As at 30 September 2020, the Kuwaiti dinar was valued at KD 0.306200 to one U.S. dollar and the U.S. dollar was valued at 3.265839 to one KD.

Currency

The financial information of the Bank's subsidiaries has been presented in this Prospectus in Algerian dinar (**DZD**), Iraqi dinar (**IQD**), U.S. dollars (**U.S.$**) and Turkish lira (**TRY**). The table below shows the profit and loss rate and the statement of financial position rate for each of the above currencies to the Kuwaiti dinar for the periods indicated below. The profit and loss rate is the average exchange rate over the respective year ended 31 December or nine month period ended 30 September 2020 for each of the relevant currencies. The statement of financial position rate is the exchange rate at the end of the relevant period for the relevant currencies.

	As at / nine months ended 30 September	**As at / year ended 31 December**		
	2020	**2019**	**2018**	**2017**
Rates for DZD to KD				
Profit and loss	0.002430	0.002543	0.002589	0.002732
Statement of Financial Position	0.002370	0.002546	0.002562	0.002625
Rates for IQD to KD				
Profit and loss	0.000257	0.000255	0.000254	0.000259
Statement of Financial Position	0.000257	0.000254	0.000254	0.000253
Rates for U.S.$ to KD				
Profit and loss	0.306678	0.303617	0.302029	0.303167
Statement of Financial Position	0.306200	0.303050	0.303300	0.301750
Rates for TRY to KD				

	As at / nine months ended 30 September	As at / year ended 31 December		
	2020	**2019**	**2018**	**2017**
Profit and loss	0.045440	0.053971	0.064352	0.083389
Statement of Financial Position	0.039572	0.051299	0.057909	0.079195

Non-GAAP measures

This Prospectus also includes certain references to measures which are not calculated through generally accepted accounting principles (**Non-GAAP measures**), such as the Group's capital base and risk weighted assets. The Bank uses these Non-GAAP measures to evaluate its performance, and this additional financial information is presented in this Prospectus. This information is not prepared in accordance with IFRS and should be viewed as supplemental to the consolidated financial statements. Investors are cautioned not to place undue reliance on this information and should note that the capital base and risk weighted assets, as calculated by the Bank may differ materially from similarly titled measures reported by other banks, including the Bank's competitors. See also "*Presentation of alternative performance measures*" below.

Certain conventions

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

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; 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. These percentages are calculated based on the amounts reported in the Bank's or its subsidiaries' financial statements. In this Prospectus, unless otherwise specified or the context otherwise requires, references to **U.S. dollars**, **U.S.$**, **USD** and **United States dollars** are to the lawful currency of the United States of America, its territories and possessions and references to **KD** and **Kuwaiti dinars** are to the lawful currency of Kuwait.

PRESENTATION OF ALTERNATIVE PERFORMANCE MEASURES

In this Prospectus, the Bank uses the following metrics in the analysis of its business and financial position. These metrics constitute alternative performance measures (**APMs**) as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the **ESMA Guidelines**). For further information, see "*Selected Financial Information*".

APMs are presented in this Prospectus because the Bank considers them an important supplemental measure of the Bank's operating performance and financial position and the Bank believes these may be used by securities analysts, investors and other interested parties in the evaluation of banks in the banking industry.

Metric	**Definition and method of calculation**	**Rational for inclusion**
Return on average assets	Profit for the year or annualised profit for the period attributable to equity holders of the Bank divided by average total assets (calculated as a simple average of the opening and closing balances of total assets for the relevant year or period).	Performance measure. The ratio shows how many KD of earnings the Bank derives from each KD of assets it controls.

Metric	Definition and method of calculation	Rational for inclusion
Return on average equity	Profit for the year or annualised profit for the period attributable to equity holders of the Bank divided by average equity (calculated as a simple average of the opening and closing balances of total equity attributable to the equity holders of the Bank for the relevant year or period).	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 growth.
Net interest margin	Net interest income for the year or annualised net interest income for the period divided by average interest earning assets[1].	Performance measure. A positive figure denotes that the Bank's returns on interest earning assets exceed its interest expenses.
Net interest spread	Yield (interest income for the year or annualised interest income for the period / average interest earning assets[1]) less cost of funds (interest expenses for the year or annualised interest expenses for the period / average interest bearing liabilities[2]).	Performance measure. A positive figure denotes that the Bank's lending rates exceed its borrowing rates.
Cost to income	Total operating expenses (being the sum of staff expenses and other expenses) divided by operating income.	Performance measure. A lower percentage indicates that operating expenses are low relative to operating income.
Total operating expenses to average total assets	Total operating expenses (being the sum of staff expenses and other expenses) for the year or annualised total operating expenses for the period divided by average total assets (calculated as a simple average of the opening and closing balances of total assets for the relevant year or period).	Performance measure. A lower percentage indicates that operating expenses are low relative to the Bank's average assets during the financial year or period.
Non-performing loans to cash exposure	Non-performing loans divided by cash exposure[3].	Asset quality measure.
Risk provision to non-performing loans	Provisions for credit losses divided by non-performing loans.	Asset quality measure. The ratio shows total provisions which the Bank has built in respect of its non-performing loans.

1 Interest earning assets comprise all assets excluding other assets, property and equipment and intangible assets. Average interest earning assets is calculated as a simple average of the opening and closing balances of interest earning assets for the relevant year or period.

2 Interest bearing liabilities comprises due to banks, due to other financial institutions, deposits from customers and other borrowed funds. Average interest bearing liabilities is calculated as a simple average of the opening and closing balances of interest bearing liabilities for the relevant year or period.

3 Cash exposure comprises cash credit facilities to customers, other financial institutions (**OFIs**) and banks (excluding placements).

Metric	Definition and method of calculation	Rational for inclusion
Non-performing loans net of collateral to cash exposure	Non-performing loans (net of collateral) divided by cash exposure[3].	Asset quality measure.
Non-performing assets to total exposure	Non-performing assets divided by total exposure[4].	Asset quality measure.
Risk provision to non-performing assets	Provisions for credit losses divided by non-performing assets.	Asset quality measure. The ratio shows total provisions which the Bank has built in respect of its non-performing assets.
Non-performing assets net of collateral to total exposure	Non-performing assets (net of collateral) divided by total exposure[4].	Asset quality measure.
Coverage Ratio	Provisions for credit losses divided by non-performing assets (net of collateral).	Asset quality measure. The ratio shows total provisions which the Bank has built in respect of its non-performing assets (net of collateral).
Cost of Credit	Provision for credit losses for the year or annualised provision for credit losses for the period divided by gross loans and advances to customers.	Asset quality measure.
Loans to customer deposits	Loans and advances to customers divided by customer deposits.	Liquidity measure. The loan to deposit ratio is used to assess the liquidity position of the Bank. A ratio of less than one implies that the Bank has relied on funds deposited by customers to make loans and advances. A ratio of more than one implies that the Bank has extended loans and advances from funds borrowed by it in addition to deposits.
Loans to total assets	Loans and advances to customers divided by total assets.	Liquidity measure. A high percentage indicates that the Bank is highly leveraged and its liquidity is low.
Total assets to total equity	Total assets divided by total equity attributable to the equity holders of the Bank.	Liquidity measure. A high percentage indicates that the Bank is highly leveraged and its liquidity is low.

[4] Total exposure comprises cash and non-cash credit facilities to customers, OFIs and banks (excluding placements).

Metric	Definition and method of calculation	Rational for inclusion
Total liabilities to total equity	Total liabilities divided by total equity attributable to the equity holders of the Bank.	Liquidity measure. A high percentage indicates that the Bank is highly leveraged and its liquidity is low.
Liquidity ratio	The sum of cash and cash equivalents, treasury bills and bonds with CBK and others, and due from banks and other financial institutions divided by total assets.	Liquidity measure. A high percentage indicates higher liquidity.

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

These APMs relate to the reporting periods described in this Prospectus and are not intended to be predictive of future results. In addition, other entities, including those in the banking industry, may calculate similarly titled APMs differently from the Bank. Because entities do not calculate these APMs in the same manner, the Bank’s presentation of such APMs may not be comparable to other similarly titled APMs used by other entities.

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RISK FACTORS

The Bank believes that the following factors may affect its ability to fulfil its obligations under the Subordinated Notes. All of these factors are contingencies which may or may not occur.

In addition, factors which are material for the purpose of assessing the market risks associated with the Subordinated Notes are also described below.

The Bank believes that the factors described below represent the principal risks inherent in investing in the Subordinated Notes, but the inability of the Bank to pay interest, principal or other amounts on or in connection with any Subordinated Notes may occur for other reasons and the Bank makes no representation that the statements below regarding the risks of holding any Subordinated Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in "Terms and Conditions of the Subordinated Notes" shall have the same meanings in this section.

FACTORS THAT MAY AFFECT THE BANK'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE SUBORDINATED NOTES

The Bank may experience a higher level of customer and counterparty defaults arising from adverse changes in credit and recoverability that are inherent in the Bank's business

Risks arising from a deterioration in the credit quality and the recoverability of amounts due from borrowers and counterparties are inherent in banking businesses. While the Bank has detailed policies to deal with overdue loans, there can be no assurance that these policies will result in the full or partial recovery of its overdue loans. As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017 non-performing loans (net of collateral) amounted to 1.2 per cent., 0.4 per cent., 0.7 per cent. and 0.6 per cent., respectively, of the Bank's cash exposure. A substantial increase in loan losses would have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Credit risks could also arise from a deterioration in the credit quality of specific borrowers and counterparties of the Bank or from adverse changes in global and regional economic conditions, or adverse changes which arise from systemic risks in the financial systems, which could affect the recovery and value of the Bank's assets and require an increase in the Bank's provisions. Adverse fluctuations in the factors mentioned above, amongst others, could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Economic, political and related considerations

The Bank's operations are focused on the Middle East, North Africa and Turkey (**MENAT**) region. The Bank's primary operations are based in Kuwait and it also operates through banking subsidiaries in Algeria, Iraq, Tunisia and Turkey. The Bank's operations are thus exposed to geo-political risks associated with the relatively unstable MENAT region which could adversely affect its performance. The demand for services provided by the Bank and its subsidiaries is particularly susceptible to adverse changes in economic and market conditions in the MENAT region.

Kuwait's economy remains vulnerable to both external and internal shocks, including volatility in oil prices, political, economic and related developments in Kuwait, the other Gulf Cooperation Council (**GCC**) countries (i.e. Bahrain, Oman, Qatar, Saudi Arabia and the UAE) and the MENAT region, but also resulting from political and economic instability in surrounding countries such as Iran and Iraq. These risks include,

but are not limited to, external acts of warfare, civil clashes, terrorist activity, natural disasters, and regulatory, taxation and legal structure changes.

In June 2017, three GCC member states, namely the Kingdom of Saudi Arabia, the UAE, and Bahrain, together with other states in the MENA region, such as Egypt, cut diplomatic ties as well as trade and transport links with Qatar. The measures imposed included a blockade of land, sea, and air access, as well as the expulsion of Qatari officials, residents, and visitors from, those countries. Kuwait and Oman, the remaining two member states of the GCC, have maintained ties with Qatar. The impact of this dispute on the Kuwaiti economy has been limited to date, but the future impact is unknown and the dispute could have a material adverse effect on the Bank and its subsidiaries' business and financial condition, results of operations or prospects and the market price of the Subordinated Notes.

The oil sector is the principal contributor to Kuwait's economy and oil revenues account for the majority of the Kuwaiti government's (the **Government**) total revenues and export earnings. According to the CSB, the oil sector (including refining) accounted for 60.0 per cent., 57.3 per cent. and 56.7 per cent. of Kuwait's GDP added in 2016, 2017 and 2018, respectively. The oil sector continues to be the main contributor to Kuwait's annual revenues, accounting for 89.3 per cent. of total Government revenues for the fiscal year ended 31 March 2020, according to the Kuwait Ministry of Finance. Accordingly, Kuwait's economy is significantly impacted by, and is dependent upon, international oil prices.

The OPEC Reference Basket price has fallen significantly since January 2020. In early March 2020, OPEC officials proposed a plan to the members of OPEC, including Kuwait, and other non-OPEC member countries, including Russia, to cut global production by 1.5 per cent. No agreement was reached, ending a three-year partnership between OPEC and major non-OPEC oil exporters. This also resulted in 'OPEC plus' failing to extend the agreement of cutting 2.1 million barrels per day that was set to expire at the end of March 2020. In March 2020, Saudi Arabia announced that it would raise oil output and discount its oil in April 2020. However, in early April 2020, 'OPEC plus' announced that it had reached an agreement to cut production by 9.7 million barrels a day, however this action failed to support sufficiently the oil market with prices falling in the days following that announcement. This agreement was extended further in July 2020. As a result of the above factors and the COVID-19 outbreak weakening the demand for oil, the OPEC Reference Basket price fell significantly. Furthermore, certain oil prices turned negative during April 2020 (with the West Texas Intermediate benchmark falling as low as minus U.S.$37.63 a barrel), as weakened demand, as a result of the COVID-19 outbreak, led to buyers being paid to take oil due to storage capacity concerns. As at 30 September 2020, the OPEC Reference Basket price had risen to U.S.$40.65.

Based on statistics published by the CSB, Kuwait's nominal gross domestic product (**GDP**) fell by 4.1 per cent. in 2016 before growing by 10.8 per cent. in 2017 and 16.0 per cent. in 2018 whilst its real GDP grew by 2.9 per cent in 2016, fell by 4.7 per cent. in 2017 and grew by 1.2 per cent. in 2018. Kuwait's current account balance was also impacted, recording a deficit of KD 1.5 billion in 2016 before recovering to surpluses of KD 2.9 billion in 2017, KD 6.0 billion in 2018 and 6.7 billion in 2019, according to the CBK. The Kuwaiti Government also recorded fiscal deficits in each fiscal year from and including 2015/16 to and including 2019/2020, according to the Kuwait Ministry of Finance. The official Kuwaiti budget for 2020/2021, as published by the Kuwait Ministry of Finance, projects a deficit of KD 14.1 billion, although this is based upon an oil price assumption of U.S.$30 per barrel.

Any sustained period of low crude oil prices will negatively affect Kuwait's economy. For example, the Government has reduced, and may continue to reduce, Government expenditure in light of the budgetary pressures caused by low or falling oil prices. The Government has undertaken a process of rationalisation of its subsidy framework, fully removing kerosene and diesel subsidies in January 2015, introducing new electricity and water tariff structures to reduce the related subsidies and partially removing gasoline subsidies in September 2016. The subsidy structure may be further reviewed in light of the drop in oil prices in 2020 due to the COVID-19 pandemic and Government spending overall could fall. In addition, ancillary industrial activities related to oil and gas exploration and production are also negatively affected by low oil prices. Furthermore, sectors that are dependent on Government consumption may be adversely affected by lower

levels of economic activity that may result from reduced Government revenue from oil and gas production. Additionally, although the CBK has the ability to adjust the components of the undisclosed weighted basket of international currencies of Kuwait's major trade and financial partner countries (the **Kuwaiti Dinar Basket**) against which the KD is pegged, there can be no assurance that the CBK will maintain the Kuwaiti Dinar Basket at its current level, which could lead to higher inflation, and negatively affect confidence in the Kuwaiti economy.

See "*Risks relating to Kuwait, Turkey and the MENA region – The Bank's subsidiaries are located in a region that is subject to ongoing political and security concerns*" below for further details on how developments in the operating environments of the Bank's subsidiaries may adversely affect its performance.

The business and results of operations of the Bank and its subsidiaries and the market price of the Subordinated Notes are influenced by economic and market conditions in Kuwait and the jurisdictions in which the Bank's subsidiaries are located and, to a varying degree, economic and market conditions in the global markets generally. Developments in the subsidiaries' operating environments could have a material adverse effect on the Bank and its subsidiaries' business, financial condition, results of operations or prospects. Additionally, global financial crises and volatility in the emerging markets in the past have adversely affected market prices in the world's securities markets for companies that operate in developing economies. Even if the Kuwaiti economy, and/or the economies of the jurisdictions in which the Bank's subsidiaries are located, remain relatively stable, financial turmoil in emerging markets and globally could have a material adverse effect on the Bank and its subsidiaries' business, financial condition, results of operations or prospects and the market price of the Subordinated Notes.

Additionally, the ongoing outbreak of the coronavirus COVID-19 may affect investment sentiment, result in sporadic volatility in global capital markets and impact financial markets, which may have a material adverse effect on the global economy, slow national economic development and impact the Group's results. The duration, impact and severity of the outbreak on financial markets may be significant.

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

The practice of pledging assets (such as share portfolios and real estate assets) to obtain a bank loan is subject to certain limitations and administrative restrictions under Kuwaiti law. In particular, such security may not be enforced without a court order. As a result, security over certain pledged assets may not be enforced in Kuwaiti courts. Accordingly, the Bank may have difficulty foreclosing on collateral (including any real estate collateral) or enforcing guarantees or other third-party credit support arrangements when debtors default on their loans.

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

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

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

Lending base concentration risk

A substantial proportion of the Bank's total loan portfolio constitutes loan exposures to related parties, see "*Ownership concentration and related party exposures*" below. As at 30 September 2020 and 31 December 2019, the Bank's top 10 largest loans accounted for 24.9 per cent. and 24.2 per cent., respectively, of its "gross loans and advances to customers plus due from other financial institutions". Of these loans, 83.1 per cent. and 82.1 per cent., as at 30 September 2020 and 31 December 2019, respectively, (representing 20.7 per cent. and 19.9 per cent. of "gross loans and advances to customers plus due from other financial institutions" as at 30 September 2020 and 31 December 2019, respectively) were made to related parties. In addition, the Bank has a high concentration of loans provided within Kuwait and has substantial exposure to the real estate sector, mainly in Kuwait, which as at 31 December 2019, 31 December 2018 and 31 December 2017 accounted for 21.4 per cent., 17.6 per cent. and 20.3 per cent., respectively, of "gross loans and advances to customers plus due from other financial institutions".

The Bank has cash exposure to local investment companies, as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017 of 1.0 per cent., 1.1 per cent., 1.2 per cent. and 1.3 per cent., respectively, of "gross loans and advances to customers plus due from other financial institutions".

As at 31 December 2019, retail loans made up 8.8 per cent. and corporate loans made up 91.2 per cent. of the Bank's aggregate loan portfolio, 71.8 per cent. of which comprises loans issued to individuals or corporates in Kuwait.

If Kuwait experiences adverse economic or geopolitical conditions generally or any crisis in the real estate sector more specifically, then this may affect the repayment ability of a large proportion of the Bank's borrowers, which could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Deposit base concentration risk

As at 30 September 2020 and 31 December 2019, the Bank received 85.3 per cent. and 79.6 per cent. (KD 5,147.2 million and KD 4,702.5 million), respectively, of its total funding[5] from deposits (retail, corporate, government and non-bank financial institutions). As at 30 September 2020 and 31 December 2019, the Bank's top 10 largest deposits accounted for 32.9 per cent. and 34.9 per cent., respectively, of these deposits. As at 30 September 2020 and 31 December 2019, the Bank's top depositor represented 10.3 per cent. and 10.6 per cent., respectively, of these deposits.

The Bank's funding includes institutional, government and quasi-governmental entities' deposits in Kuwait which are contracted on a commercial basis. As at 30 September 2020 and 31 December 2019 the Bank's total funding from deposits by government and quasi-governmental entities accounted for 7.0 per cent. and 4.2 per cent., respectively, of its total deposits in Kuwait (or 5.2 per cent. and 3.2 per cent. of the Group's total deposits as at 30 September 2020 and 31 December 2019, respectively). These funds have been a stable source of funding to the Kuwaiti banking sector for many years but there can be no assurance that deposits from government and quasi-governmental entities will be available at the current level in the future. The loss of a significant source of funding could increase the Bank's cost of funding by requiring it to seek funding from other expensive sources and have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

As at the date of this Prospectus, the CBK guarantees all banks' retail and corporate customer deposits in Kuwait.

[5] Total funding refers to total liabilities excluding, in 2019, liabilities directly associated with the disposal group held for sale as at 31 December 2019.

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its obligations, including funding commitments, as they fall due. This could arise from, amongst other factors, the inability of the Bank to anticipate and provide for an unforeseen decrease or changes in funding sources.

In common with other banks in Kuwait and the MENAT region, the Bank has historically relied substantially on customer deposits to meet most of its funding needs. Such deposits are subject to fluctuation due to certain factors outside the Bank's control, such as any possible loss of confidence and competitive pressures, which could result in a significant outflow of deposits within a short period of time. If such outflows of deposits were to occur, it could cause liquidity difficulties for the Bank, which in turn could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The Bank's liquidity may also be adversely affected by a number of factors, including significant unforeseen changes in interest rates, ratings downgrades, maturity mismatches between the Bank's funding and assets, higher than anticipated losses on investments and disruptions in the financial markets generally which in turn may result in the Bank not being able to access the markets from which it raises funds at favourable rates.

Should any of the abovementioned factors materialise, they could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Changes in interest rate levels may affect the Bank's net interest margins and borrowing costs, and the value of assets sensitive to interest rates and spread changes may be adversely affected

The Bank is exposed to unexpected fluctuations in market interest rates. An increase in interest rates generally may decrease the value of the Bank's fixed rate loans and raise the Bank's funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in the Bank's securities portfolio. Volatility in interest rates may result in a pricing gap between the Bank's interest-rate sensitive assets and its liabilities. As a result, the Bank may incur additional costs in raising and maintaining capital. Interest rates react to many factors beyond the Bank's control, including, for example, the policies of central banks, political factors and domestic and international economic conditions. Any adverse effects of future interest rate fluctuations could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Deterioration in the market value of the Bank's securities portfolio may affect the values of the Bank's investment and trading portfolios. The Bank's income from securities operations depends on numerous factors beyond its control, such as overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. The Bank also engages, to a limited extent, in foreign currency transactions and maintains open currency positions in relation to a number of currencies, which give rise to currency risks.

Future changes in foreign currency and interest rate risks may have a material adverse effect on the Bank's business, financial condition, results of operations or prospects. See "*Description of the Bank – Risk Management – Market Risk*".

If the Bank is unable to effectively control the level of, or successfully restructure, its non-performing loans with debtors in financial distress, or its provision for credit losses are insufficient to cover loan losses the Bank's financial condition and results of operations could be adversely affected

The Bank's asset quality deteriorated during the nine months ended 30 September 2020 as compared to the years ended 31 December 2019, 31 December 2018 and 31 December 2017. Non-performing assets (net of collateral) were 1.0 per cent. of total exposure as at 30 September 2020 as compared to 0.4 per cent., 0.7 per

cent. and 0.6 per cent. of total exposure as at 31 December 2019, 31 December 2018 and 31 December 2017, respectively. Current levels of non-performing assets may not be indicative of future trends.

The Bank's coverage ratio declined to 475.0 per cent. as at 30 September 2020 as compared to 961.3 per cent., 563.3 per cent. and 599.7 per cent. as at 31 December 2019, 31 December 2018 and 31 December 2017, respectively. There can be no assurance that the coverage ratio will increase in the future and affect the financial results of the Bank. Any further decrease in the coverage ratio may have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

As at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017 non-performing loans amounted to 4.4 per cent., 2.5 per cent., 2.7 per cent. and 2.7 per cent., respectively, of the Bank's cash exposure before provision for credit losses.

The Bank has significant 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 credit to its customers. Although these commitments are contingent, they nonetheless subject the Bank to both credit and liquidity risks. As at 30 September 2020 and 31 December 2019, respectively, the Bank had KD 1,693.6 million and KD 1,792.3 million in such contingent liabilities and commitments outstanding, equal to 27.9 per cent. and 29.5 per cent. of its combined loans and advances to customers and contingent liabilities.

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 could have an adverse effect on its financial condition and results of operations.

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

Against a backdrop of potential constraints on liquidity and high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions that became most evident following the bankruptcy of Lehman Brothers in 2008, the 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 condition, results of operations and prospects.

A downgrade in the Bank's credit ratings

The Bank's credit ratings by the major credit rating agencies are intended to measure the probability of its ability to meet its debt obligations as they mature and thus are an important factor in determining the Bank's cost of borrowing funds and the amount of funding it could raise. The cost of funding of the Bank's

borrowings is partly dependent on its credit ratings. As at the date of this Prospectus, the Bank had the following ratings:

- Standard & Poor's: BBB+ for long-term issuer credit, A-2 for short-term counterparty credit, with a stable outlook;
- Moody's: A3 for long-term bank deposits and P-2 for short-term debt deposits, with a stable outlook; and
- Fitch: A+ for long-term issuer default with a stable outlook and F1 for short-term issuer default.

Further increases in non-performing loans or a deterioration in the Bank's balance sheet could cause a downgrade in the Bank's credit ratings or cause the Bank to be placed on a negative ratings watch. A downgrade of the Bank's credit ratings, or being placed on a negative ratings watch, may increase its cost of borrowing which could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects and its relationship with creditors.

Furthermore, in determining the Bank's credit rating, the credit rating agencies consider anticipated support from the Government. If the Government's credit rating is downgraded or is placed on a negative ratings watch or there is a change in anticipated support from the Government for the Bank, this may have a consequential impact on the Bank's own credit rating.

Any potential future downgrade of the Bank's credit ratings (or announcement of a negative ratings watch) may also limit its or its subsidiaries' ability to raise capital. Moreover, actual or anticipated changes in the Bank's credit ratings may affect the market price of the Subordinated Notes. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

The Bank's risk management and internal controls may leave it exposed to unidentified or unanticipated risks, which could result in material losses

In the course of its business activities, the Bank is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk and operational risk. See "*Description of the Bank – Risk Management*". Investors should note that any failure to adequately control these risks could result in material adverse effects on the Bank's business, results of operations, financial condition and prospects, as well as its general reputation in the market.

The Bank's risk management techniques may not be fully effective or consistently implemented in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Bank's methods of managing risk are based upon its use of historical market behaviour. These methods may not always predict future risk exposures, which could be significantly greater than such historical measures indicate. Other risk management practices, including "know your client" practices, depend upon the 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 the Bank. As such practices are less developed in the GCC than they are in other markets and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up-to-date or properly evaluated in all cases.

There can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect the Bank against, all credit, liquidity, market and other risks. In addition, certain risks could be greater than the Bank's empirical data would otherwise indicate. The Bank also cannot give assurance that all of its staff have adhered or will adhere to its risk policies and procedures.

The Bank is susceptible to, amongst other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record-keeping errors, or errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders. The Bank's risk management and internal control capabilities are also limited by the information tools and technologies available to it. Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Neither the Government nor the Kuwaiti Investment Authority is under any obligation to invest in, or otherwise engage in business with, the Bank

In response to the global economic crisis, the Government and the CBK introduced a number of measures to provide support to the Kuwaiti economy (see "*Banking Industry and Regulation in Kuwait – Central Bank of Kuwait" and "– Financial Stability Law and Deposit Guarantee Law*"). In addition, the Kuwaiti Investment Authority (the **KIA**), in 2009, acquired a 16 per cent. stake in Gulf Bank (K.S.C.) (**Gulf Bank**) as part of a rescue plan after the bank posted heavy losses from derivatives trading in the previous year.

More recently, in April 2020, the CBK announced a regulatory stimulus package for local banks to counter the repercussions of the Covid-19 pandemic. The CBK adjusted its regulatory instructions and macro-prudential policy tools to enhance the ability of the Kuwaiti banks to provide financing to productive economic sectors and offer liquidity to help businesses continue operations (see "*Banking Industry and Regulation in Kuwait – Bank Supervision"*).

Although the Government, the CBK and the KIA have supported the domestic banking industry during the global economic crisis of 2008 and 2009 and the Covid-19 pandemic of 2020, there can be no assurance that such support will be provided to the Bank or the domestic banking industry generally if another major economic disruption were to occur in the future.

Foreign exchange movements

The Bank maintains its accounts and reports its results in KD. Since May 2007, the KD has been pegged to an undisclosed weighted basket of international currencies. The undisclosed weighted basket of currencies is calculated using various national currencies, reflecting the foreign trade and financial relations of Kuwait. However, with the removal of the previous peg to the U.S. dollar, relative flexibility has been achieved in exchange rate determination.

The Bank is exposed to the potential impact of any alteration to, or abolition of, this foreign exchange "peg" as well as potential volatility of the constituent basket currencies.

Ownership concentration and related party exposures

The Bank's shares are listed on the Boursa Kuwait (previously known as the Kuwait Stock Exchange). As at 30 September 2020, Kuwait Projects Company Holding K.S.C.P. (**KIPCO**) held a direct shareholding interest of 41.2 per cent. in the Bank and a consolidated effective interest (including shares held through other KIPCO group companies) of 62.7 per cent. in the Bank, Public Institute for Social Security held 7.6 per cent. and the remainder of the shares were publicly held.

While KIPCO has a controlling interest in a diversified range of financial services and media companies in the GCC region, there is no assurance that KIPCO will maintain the existing levels of its shareholding in the Bank, nor that KIPCO will continue its support of the Bank through future injections of capital or deposits with the Bank where necessary. Any change in the controlling interest by KIPCO may have an adverse effect on the business, financial condition, results of operations and prospects of the Bank.

While the Bank does not have any loan exposure to KIPCO or its other main shareholder, it does have exposures to other members of the KIPCO group and other related parties of the KIPCO group. As at 30 September 2020, the aggregate of loan exposures to such related parties represented 21.1 per cent. of the total loan portfolio (excluding banks and other financial institutions (**OFIs**) within the KIPCO group). Related party transactions could create conflicts of interest for the Bank and its affiliates, which could potentially impact the Bank's business.

By virtue of its controlling interest, KIPCO has the ability to influence the Bank's business significantly through its ability to control actions which require shareholder approval and to nominate the majority of the board of directors of the Bank (the **Board**). The interests of KIPCO may be different from those of the Bank's creditors (including the Noteholders). If the interests of shareholders, including those of the majority shareholder, KIPCO, conflict with the interests of the Noteholders, decisions may be made that advantage shareholders of the Bank, leaving the Noteholders at a disadvantage.

Small branch network and limited retail franchise

As at 30 September 2020, the Bank operated 29 branches and 150 ATMs in Kuwait. Among the Bank's banking subsidiaries, as at 30 September 2020, Burgan Bank A.Ş.-Turkey (**BBT**) operated 33 branches and 33 ATMs in Turkey, Tunis International Bank S.A. (**TIB**) operated three branches and one representative office in Libya and had no ATMs in Tunisia, Gulf Bank Algeria S.A. (**AGB**) operated 61 branches and 104 ATMs in Algeria and Bank of Baghdad P.J.S.C. (**BoB**) operated 35 branches and 59 ATMs in Iraq and one branch and one ATM in Lebanon. Due to its small branch network and limited retail franchise, the Bank may not be able to capitalise fully on opportunities or developments in the MENAT retail banking sector. Any potential inability to capitalise on these opportunities may affect the Bank's competitive advantage or the implementation of its expansion strategy.

The Bank's growth strategy depends on its ability to successfully manage its growth

The Bank has adopted a multi-dimensional growth strategy which aims to strength its position in its existing markets through organic growth. Challenges that may result from this strategy include the Bank's inability to:

- increase market share in its core market of Kuwait;
- fully integrate strategic investments in line with its strategy;
- expand its digital footprint in line with global trends;
- align its current information technology systems adequately with those of the wider Group;
- manage efficiently the operations and employees of the existing businesses;
- maintain its existing customer base; and
- apply its risk management policy effectively to the wider Group.

The Bank may be unable to achieve any or all of these strategic objectives which could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

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 ability to maintain and grow its business will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The Bank is likely to face challenges in recruiting qualified personnel to manage its business. In common with other banks in the GCC,

the Bank may also experience a shortage of qualified employees residing in Kuwait, which requires it to recruit from outside Kuwait. In addition, even after hiring its employees, the Bank has faced and may face future challenges in retaining such employees due to the continued recruitment efforts of its competitors.

In recent years, the Kuwaiti 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 64 per cent. of a bank's total personnel should consist of Kuwaiti nationals. The Bank's Kuwaitisation level as at 30 September 2020 was 76 per cent. If the Bank is not able to meet or exceed the Kuwaiti Government's minimum threshold for Kuwaiti employees, it may be subject to certain penalties, including an exclusion from participation in certain Kuwaiti 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.

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 impact the Group in the implementation of its strategies.

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

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 (both conventional and Islamic), in addition to the Kuwaiti branches of non-Kuwaiti banks, and such competition may increase.

The Kuwaiti banking sector comprises five local conventional commercial banks and branches of 11 other non-Kuwaiti banks. In addition, there is a specialised bank and five banks operating according to the provisions of Islamic Shari'a. The domestic consumer banking sector is dominated by Kuwaiti banks in terms of market share.

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

The Bank's business is dependent on its information and technology systems which are subject to potential cyber-attacks

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

RISKS RELATING TO LEGAL, REGULATORY, COMPLIANCE, ACCOUNTING AND CORPORATE GOVERNANCE ISSUES

The Bank is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations or a change in the capital treatment of the Bank's instruments could have an adverse impact on the Bank's business

Capital adequacy and leverage regulations

The Basel Committee on Banking Regulation and Supervisory Practices (the **Basel Committee**) has set international standards for the capital adequacy of banks. The minimum capital adequacy ratio recommended by the 1988 Basel Committee guidelines is 8.0 per cent. Pursuant to its Basel III reforms, the Basel Committee recommended a minimum total capital adequacy ratio of 8.0 per cent., which can rise to 10.5 per cent. after factoring in the capital conservation buffer over a period of time. However, the CBK, as the banking regulator in Kuwait, requires Kuwaiti commercial banks to maintain a capital adequacy ratio based on the final instructions entitled "*Implementing Capital Adequacy Standards – Basel III – for conventional banks*" issued by the CBK on 24 June 2014, as may be amended or superseded from time to time (the **Instructions**). Pursuant to the Instructions, Kuwaiti commercial banks are required to maintain a capital adequacy ratio of 13.0 per cent. Additionally, all commercial banks are required to maintain additional capital (0.5 per cent. to 2.0 per cent. depending on the bank's size and complexity, as determined by CBK) in the form of a domestic systemically important bank (**D-SIB**) charge.

However, as a temporary measure to mitigate the impact of the Covid-19 pandemic on Kuwait's domestic economy and the banking sector, the CBK reduced the minimum capital adequacy requirement from 13.0 per cent. to 10.5 per cent. by releasing the capital conservation buffer of 2.5 per cent. with effect from 1 April 2020. According to the CBK, the amendment will be in effect until the end of 2020, when it will be reviewed again.

The Bank's capital adequacy ratio under the CBK guidelines, based on the Basel III guidelines, was 16.0 per cent. as at 30 September 2020, 16.8 per cent. as at 31 December 2019, compared to 17.4 per cent. as at 31 December 2018 and 16.2 per cent. as at 31 December 2017. The Bank's Tier 1 capital adequacy ratio was 13.1 per cent. as at 30 September 2020, 14.0 per cent. as at 31 December 2019, compared to 14.4 per cent. as at 31 December 2018 and 13.5 per cent. as at 31 December 2017, based on Basel III guidelines. The Bank's CET 1 ratio under CBK guidelines, based on Basel III regulations, was 10.7 per cent. as at 30 September 2020, 11.5 per cent. as at 31 December 2019, compared to 11.9 per cent. as at 31 December 2018 and 10.9 per cent. as at 31 December 2017, based on Basel III guidelines.

As mentioned above, the capital adequacy level maintained by the Bank currently exceeds the minimum requirements set out by the CBK, based on the Basel III regulations. However, if the Bank's loan portfolio continues to grow significantly, or if the level of loan impairments increases, and the Bank fails to generate a sufficient level of profits to ensure consistent growth in equity through retained earnings, or if any of the Bank's instruments lose their capital treatment as a result of a change in the guidelines on capital adequacy issued by the Basel Committee, or corresponding implementing measures as implemented by the CBK, the Bank may need to raise new capital to maintain the minimum capital adequacy ratios set by the CBK. Such capital, whether in the form of debt financing or additional equity, may not be available on attractive terms, or at all.

Any failure by the Bank to maintain certain capital adequacy ratios could lead to the imposition of sanctions by the CBK, such as limitations on the Bank's ability to pay dividends, the issuance by the CBK of a directive to increase capital and/or sell or reduce assets, the imposition of fines, as well as to an increase of the cost of funding. Any of these outcomes could have an adverse effect on the Bank's business, financial condition, results of operations or prospects (see "*Risks Relating to Legal, Regulatory, Compliance, Accounting and Corporate Governance Issues – The regulatory framework of the CBK*" below).

Credit risk regulations

With effect from October 2016, Kuwaiti banks are restricted by the CBK from lending amounts in excess of 90 per cent. of qualifying deposits, irrespective of the maturity profile of the relevant qualifying deposit. As at 30 September 2020, the Bank is in compliance with this regulation.

However, as a temporary measure to mitigate the impact of the Covid-19 pandemic on Kuwait's domestic economy and the banking sector, the CBK has increased the prescribed percentage to 100 per cent. with effect from 1 April 2020. According to the CBK, this amendment will be in effect until the end of 2020, when it will be reviewed again.

Concentration risk regulations

Subject to certain exceptions or where prior CBK approval has been obtained, the total credit liabilities of any single customer (including its legally or economically associated entities) to a bank may not exceed 15 per cent. of the bank's regulatory capital. As at 30 September 2020, the Bank is in compliance with this regulation.

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. As at 30 September 2020, the Bank is in compliance with this regulation.

Interest rate cap regulations

The CBK's resolutions issued in respect of interest rate ceilings provide that the maximum limits for interest rates on KD-denominated loans to corporates should not exceed: (i) 2.5 per cent. over the CBK's discount rate in the case of commercial loans with a maturity of one year or less; and (ii) 4 per cent. over the CBK's discount rate in the case of commercial loans exceeding one year. As at 30 September 2020, the CBK's discount rate available to banks in Kuwait was 1.5 per cent. and, in the period between 4 October 2012 and 30 September 2020, has fluctuated between 1.5 per cent. and 3.0 per cent. As a preventive measure to reduce the impact of the Covid-19 pandemic on economic growth, the CBK reduced the discount rate from 2.75 per cent. as at 31 December 2019 to 1.5 per cent. in March 2020.

Each of the regulations described above may limit the Bank's ability to increase its loan portfolio or may increase the Bank's cost of doing business. Any further 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.

If the Bank fails to comply with applicable anti-money laundering, anti-terrorism financing, OFAC sanctions and other related regulations, it could face fines and damage to its reputation

The Bank is required to comply with applicable anti-money laundering (**AML**) laws, anti-terrorism financing laws, Office of Foreign Assets (**OFAC**) sanctions and other regulations. These laws and regulations require the Bank, among other things, to adopt and enforce "know your customer" (**KYC**) policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. The Bank has adopted KYC/AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments. To the extent the Bank may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Bank. In addition, the Bank's business and reputation could suffer if customers use the Bank for money laundering or illegal purposes.

Legal and regulatory systems may create an uncertain environment for investment and business activities

Kuwait is in the process of developing governing institutions and legal and regulatory systems, which are not yet as firmly established as they are in Western Europe and the United States. Kuwait, along with other countries within the GCC region, has enacted measures to promote greater efficiency and certainty within their legal and regulatory systems. Among those measures, Kuwait and countries within the GCC region have assumed obligations under the General Agreement on Tariffs and Trade (**GATT**) (as administered by the World Trade Organisation (**WTO**)) and Kuwait has already enacted legislation, *inter alia*, to extend foreign ownership. 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 Bank's business.

The legal system in Kuwait may not provide the same degree of protection or require the levels of disclosure of information that would be the case in Western Europe or the United States. No assurance can be given that the Government will not implement regulation or fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting expropriation, nationalisation, taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

The regulatory framework of the CBK

As the Bank is a regulated entity, changes in applicable laws or regulations, the interpretation or enforcement of such laws or regulations, or the Bank's failure to comply with such laws or regulations, could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects. The supervisory and regulatory rules and activities of the CBK, and other relevant central banks in respect of the Bank's subsidiaries, cover in greater detail than in many other countries matters such as capital adequacy requirements, liquidity, the rationalisation and organisation of credit policy, the policy for the classification of credit facilities and the calculation of relevant provisions, credit concentration, the organisation of investment policy, internal control systems, risk measurement and management systems, rules and regulations concerning the required experience of banks' board members and executive officers, and the combating of money laundering, suspicious operations and the financing of terrorism.

These regulations may limit banks' activities (including those of the Bank and its subsidiaries) while changes by any of the relevant central banks in their supervision and regulation policies and practices could affect, to varying degrees, each bank's business, the products or services that it offers or may offer, the value of its assets, the costs of doing business and its 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. Management must exercise judgement in selecting and applying many of these accounting policies and methods so they comply with IFRS, as adopted for use by Kuwait. These judgements and estimates include, for example, the determination of when assets may be impaired, the classification of financial assets, the determination of provisions for credit losses and provisions for investment securities.

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

RISKS RELATING TO KUWAIT AND THE MENAT REGION

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 the Subordinated Notes, will not be affected negatively by events elsewhere, especially in emerging markets.

The economies of most of the countries in the MENA region are mainly driven by revenues from oil exports and therefore exposed to volatility in oil prices. The national economies of most of the countries in the MENA region have expanded significantly in recent years, in large part as a result of historically high oil prices, which has led to increased financial activity by banks in the region. A sustained deterioration in the economies of these countries or political upheaval in the region could have a material adverse effect on the Bank and its subsidiaries' business, financial condition, results of operations or prospects.

In addition, although economic conditions are different in each country in the MENAT region, investors' reactions to developments in one country may affect the price of securities of issuers in other countries in the MENAT region, including Kuwait. Accordingly, the market price of the Subordinated Notes may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Bank and its subsidiaries.

In respect to Turkey, the country saw significant growth in the years prior to 2018. However, real GDP growth decelerated to 0.7 per cent. in 2019 compared to 3.2 per cent. in 2018, due to economic imbalances and political uncertainty. Growth in 2019 was mainly driven by a 6.1 per cent. increase in the fourth quarter that was fuelled by greater domestic consumption (given lower inflation and interest rates), and higher exports. By the end of 2019, the lira depreciated by 12.5 per cent. on average against the U.S. dollar. In 2020, political tensions and the Covid-19 pandemic are expected to result in a 3.9 per cent. fall in real GDP. In 2020, the Central Bank of Turkey continued to decrease interest rates, however, at a moderate pace (source: Central Bank of Turkey, Economic Intelligence Unit and TURKSTAT).

No assurance can be given that the government of Turkey will not implement regulations or fiscal or monetary policies, including policies or new regulations or new legal interpretations of existing regulations or exchange controls, or otherwise take actions which could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects or which could adversely affect the market price and liquidity of the Subordinated Notes. Further, no assurance can be given on any outcome due to the volatility of the Turkish Lira versus other major currencies.

In Iraq, there is currently significant uncertainty in the market due to recent political instability.

Specific risks in Kuwait and the MENAT region that could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects include, without limitation, the following:

- political, economic or social instability;
- external acts of warfare, civil clashes or other hostilities or conflict;
- domestic unrest or violence;
- increases in inflation and the cost of living;
- change in tax regimes and tax laws, including the imposition of taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions;

- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- 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;
- currency fluctuations; and
- logistical and communications challenges.

Accordingly, prospective investors should exercise particular care in evaluating the risks involved with investing in the Subordinated Notes and must determine for themselves whether, in light of those risks, an investment in the Subordinated Notes is appropriate.

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

The Bank's subsidiaries are located in a region that is subject to ongoing political and security concerns

Although Kuwait generally enjoys domestic political stability, and healthy international relations, a number of countries located in the MENAT region are either experiencing, or have in the past experienced, political and social instability, domestic turmoil, violence, and armed conflict. For example, there has been significant political change in Iraq, Tunisia, and Egypt and social and political unrest and/or armed conflict and related activities in Libya, Syria and a number of other countries in the MENAT region. The situation has caused significant disruption to the economies of affected countries, and has had a destabilising effect on oil and gas prices. Furthermore, the recent dispute between Qatar and various governments in the MENAT region (see "*Risks relating to the Bank – Economic, political and related considerations*") may cause further disruption to the economies of the region. These recent and ongoing developments, along with terrorist acts, acts of maritime piracy, and other forms of instability in the MENAT region, such as tensions between the United States and Iran, that may or may not directly involve Kuwait, could have an adverse effect on Kuwait's economy, and its ability to engage in international trade which, in turn, could have an adverse effect on the Bank's business, financial condition, results of operations and prospects.

As the first country to undergo the "Arab Spring" uprising in 2011, Tunisia has undergone significant political changes in recent years. However, it has taken significant steps towards regaining stability, such as by approving a new constitution at the start of 2014. In 2019, election-related uncertainties hampered growth and, as a result, GDP growth decelerated to 1.0 per cent in 2019 from 2.7 per cent. in 2018 (source: Economist Intelligence Unit). Significant macroeconomic challenges remain, and the country is expected to continue to face social, political, and economic challenges over the medium term. The newly elected cabinet is expected to face political gridlocks in addressing key economic policy challenges. The fiscal deficit is expected to widen in the short-run as the new government eases on austerity efforts, however over time the fiscal deficit is expected to narrow as the government adopts IMF recommended measures (i.e. reduction in fuel subsidies and government's wage bill) (source: Economist Intelligence Unit). In addition, the Covid-19 containment measures adopted in 2020 has negatively impacted Tunisia’s tourism and transport sectors, and consequently slowed down economic activity in the country. The Tunisian Central Bank is expected to continue to reduce its level of intervention in the currency market, focus on stabilising the banking system, and work towards the adoption of an inflation-targeting framework. See "*Description of the Bank - Key*

Subsidiaries - Tunis International Bank S.A. (TIB) - Business Environment" for further details in respect of the business environment in which the Bank, and TIB operate.

In Iraq, over the last few years the economy has been gradually recovering from the impact of the civil war. The Iraqi government has put in place a comprehensive reconstruction package, with the immediate goal being to stabilise the economy and to put in place a long-term growth vision. However, the success of the reconstruction package is in part dependent on resolving the ongoing dispute with the Kurdistan Regional Government. Political tensions and the Covid-19 pandemic are expected to result in a 7.5 per cent. fall in real GDP in 2020 (source: Economist Intelligence Unit). Political uncertainty, and sectarian violence, could have a material adverse effect on BoB's business, financial condition, results of operations and prospects, particularly if it were to spread to the city of Baghdad. See *"Description of the Bank – Key Subsidiaries – Bank of Baghdad P.J.S.C. (BoB) – Business Environment"* for further details in respect of the business environment in which the Bank and BoB operate.

Algeria is one of the countries in the region that remained relatively stable during the "Arab Spring" uprising. The government maintained stability largely through public sector expenditure, and minimal political reforms. However, in recent years it has experienced a continuous period of social and domestic instability. It is also under continuous threat of terrorist attacks in certain areas of the country. In 2019, there were protests against the plans of President Abdelaziz Bouteflika to run for a fifth presidential term. On 2 April 2019, Mr. Bouteflika resigned as president, after being pressured by the military to step down immediately. The military has dominated post-Bouteflika politics and in the December elections, the previous Prime Minster Abdelmadjid Tebboune – a loyalist of the ousted leader – won, as many members of the opposition boycotted the poll. Mass demonstrations have continued and uncertainty over the post-election government has delayed economic reforms. The short-term political outlook of Algeria remains highly uncertain and such risks, combined with government measures (including a ban on all forms of gathering in early March 2020) to contain the Covid-19 outbreak, has discouraged tourism and foreign investments. Furthermore, Algeria's economy is facing a severe and likely long-lasting external shock as a result of the collapse in oil prices which has exposed longstanding vulnerabilities in a state-led economy that is significantly dependent on hydrocarbons. See "*Description of the Bank – Key Subsidiaries – Algeria Gulf Bank S.P.A. – Business Environment*" for further details in respect of the business environment in which the Bank and AGB operate.

In Turkey, in addition to the threat imposed on the Bank's international growth by the instability of Turkey's neighbouring countries in the MENAT region, particularly Syria and Iraq, it is also susceptible to economic instability as a result of domestic political tensions, volatile international relations and uncertain economic policies. In 2015, efforts by Turkey's dominant party to form a new coalition government officially failed, and calls for a new election were made. Until such new elections took place, an interim government was in position at a time when the threat from Islamic State was rising. In May 2016, Ahmet Davutoğlu resigned as prime minister of Turkey over differences with the Turkish president Recep Tayyip Erdoğan – following which an ally of the president, Binali Yildirim, was appointed as prime minister to form a new government. In July 2018, having won the presidential elections, Turkish president Recep Tayyip Erdoğan began to formally transform Turkey's parliamentary system into a presidential system. Turkey has continued to experience problems with domestic terrorist, and ethnic separatist groups, such as the group "People's Congress of Kurdistan", formerly known as the PKK (which has been listed as a terrorist group by several countries, including Turkey and the United States). Recently, escalating violence in Idlib has fuelled tensions between Turkey and Russia, and the risk of Turkey being drawn into an all-out war with the Syrian regime has risen. Turkey has recently been involved in political and military disputes over gas discovery in the Eastern Mediterranean, and the Azerbaijan-Armenia conflicts. Instability, regional conflicts and threats of terrorism have not as yet had a major impact on Turkey's economy; however, there is a risk of it negatively impacting the country's level of tourism, foreign investments, and capital markets (in addition to the global economic slowdown caused by Covid-19), which may in turn negatively impact the Bank's operations in the country.

Furthermore, other world events could have an impact on Kuwait's political and security situation. Since the Gulf War in 1990, Kuwait and the United States have enjoyed close economic and strategic ties. A shift in the relationship between Kuwait and the U.S. or changing U.S. political interests in the Gulf region, could have a material adverse effect on Kuwait's economic, political or financial condition – which in turn, could have a material adverse effect on the Bank's ability to perform its obligations under the Subordinated Notes.

Kuwait's economy and growth could be affected by Kuwaiti political considerations

Relations between the Government and Kuwait's parliament (the **National Assembly**) have been tumultuous in the past. Because all legislation must be approved by National Assembly vote, measures requiring legislation that are proposed by the Council of Ministers (the **Council of Ministers**) can also be stalled indefinitely before being sent to the Emir for assent and ratification. See "*Overview of Kuwait — Government, Political and Legal System*".

Recent years have seen a series of National Assembly sessions that have not lasted through a full term with the Emir dissolving sessions multiple times, citing a number of different reasons. On 26 November 2016, following dissolution of the National Assembly, the Government held its seventh National Assembly elections since 2006. In the previous National Assembly, opposition candidates won 24 out of 50 seats. Many of these candidates have expressed displeasure with existing Government policies and the opposition is likely to pose resistance to many aspects of the "New Kuwait Plan" (the "New Kuwait 2035" strategy announced by the Government on 30 January 2017), including those relating to reductions in subsidies and the imposition of taxes. However, the opposition is highly fragmented in Kuwait between Islamists, secularists and independents whose priorities and interests frequently diverge. Therefore, there is the possibility of political gridlock that could stall the Government's proposed fiscal and economic measures as well as other reform initiatives that are currently in place.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE RISKS ASSOCIATED WITH THE SUBORDINATED NOTES

The Subordinated Notes are subordinated and unsecured obligations of the Issuer

Prospective investors should note that the payment obligations of the Issuer under the Subordinated Notes are subordinated to Senior Obligations (as defined in the Conditions), rank *pari passu* with all other Pari Passu Obligations (as defined in the Conditions) and rank in priority only to Junior Obligations (as defined in the Conditions). Accordingly, the payment obligations of the Issuer under the Subordinated Notes rank and will rank junior to all present and future unsubordinated payment obligations of the Issuer (including depositors of the Issuer in respect of their due claims) and all (if any) present and future subordinated payment obligations of the Issuer to which the payment obligations under the Subordinated Notes rank, or are expressed to rank, junior, and *pari passu* and without preference amongst themselves and with all subordinated payment obligations of the Issuer which rank or are expressed to rank *pari passu* with the payment obligations under the Subordinated Notes.

Further, the payment obligations of the Issuer under the Subordinated Notes are unsecured, no collateral is or will be given by the Issuer in relation thereto, and by virtue of holding any Subordinated Note or any interest therein each holder will waive any rights of set off, counterclaim, abatement or similar remedy which it might otherwise have in respect of its Subordinated Note(s).

Enforcement rights in respect of the Subordinated Notes are limited

A holder of the Subordinated Notes may exercise its enforcement rights in relation to the Subordinated Notes only in the manner provided in Condition 11 (*Enforcement Event*). These provide, in particular, that any amounts in respect of the Subordinated Notes shall only be capable of acceleration in the event of a winding-up, liquidation or dissolution of the Issuer, and the Noteholders' claims in any such winding-up, liquidation or dissolution will be subordinated as described above.

If the Issuer were to be wound up, liquidated or dissolved, the Issuer's liquidator would apply the assets of the Issuer to satisfy all claims of creditors in respect of Senior Obligations in priority to the claims of the holders of the Subordinated Notes and *pari passu* with creditors whose claims are in respect of the Pari Passu Obligations. In such case, there may not be sufficient assets to satisfy the claims of the holders of the Subordinated Notes in full or at all.

There are few limitations on the Issuer issuing senior or pari passu securities; subordination

Other than the limitations in relation to the issue of Tier 2 Capital (as defined in the Conditions) by the Issuer as set out in Condition 4 (*Other Issues*) which limits the circumstances in which Tier 2 Capital of the Issuer can be issued that ranks senior to the Subordinated Notes, there is no restriction on the Issuer incurring additional indebtedness or on issuing securities or creating any guarantee or contractual support arrangement which would rank senior to or *pari passu* with the Subordinated Notes and therefore constitute Senior Obligations or Pari Passu Obligations, respectively. The issue of or the creation of any such Senior Obligations and/or Pari Passu Obligations may reduce the amount recoverable by holders of the Subordinated Notes on a winding up or liquidation of the Issuer. Accordingly, in the winding up or liquidation of the Issuer and after payment of the claims of creditors in respect of Senior Obligations, there may not be a sufficient amount to satisfy the amounts owing to the holders of the Subordinated Notes and the holders of Pari Passu Obligations in full or at all. See also "– *The Subordinated Notes are subordinated and unsecured obligations of the Issuer*" above.

Although the Subordinated Notes may pay a higher rate of interest than securities which are not subordinated, there is a substantial risk that investors in the Subordinated Notes will lose all or some of the value of their investment should the Issuer become insolvent.

Noteholders have no right to require the redemption of the Subordinated Notes prior to the Maturity Date

The Subordinated Notes mature on 15 December 2031. Holders of the Subordinated Notes have no ability to require the Issuer to redeem their Subordinated Notes at any time prior to maturity, except in the limited circumstances, and in the manner, expressly provided for in Condition 11 (*Enforcement Event*). The Issuer has the option to redeem the Subordinated Notes in certain circumstances as more particularly described in Condition 7 (*Redemption and Purchase*), although there is no assurance that it will do so and any such redemption or purchase shall be subject to approval of the Financial Regulator and to the satisfaction of the other Redemption Conditions.

This means that the holders of the Subordinated Notes have no ability to cash in their investment, except:

(a) if the Issuer exercises any of its options to redeem the Subordinated Notes in accordance with Condition 7 (*Redemption and Purchase*);

(b) upon the occurrence of an Enforcement Event (in the manner expressly provided for in Condition 11 (*Enforcement Event*)); or

(c) by selling their Subordinated Notes to a willing market purchaser (if any such purchaser is available) at a price agreed between the investors and the purchaser (which may be less than the face value of the Subordinated Notes and the amount paid by the Noteholder for the Subordinated Notes.

Accordingly, investors in the Subordinated Notes should be prepared to hold their investment for an extended period. Further, the exercise of (or perceived likelihood of exercise of) any such redemption feature of the Subordinated Notes may limit their market value, which is unlikely to rise substantially above the price at which the Subordinated Notes can be redeemed.

There can be no assurance that holders of the Subordinated Notes will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Subordinated

Notes. Further, there can be no assurance that a holder of Subordinated Notes will receive the full amount of their investment if they sell their Subordinated Notes or if, upon the occurrence of an Enforcement Event, they petition for, or make a claim in the winding-up or dissolution of the Issuer.

Noteholders' right to receive repayment of the principal amount of the Subordinated Notes and/or interest on the Subordinated Notes may be written-down in whole or in part upon the occurrence of a Non-Viability Event

If a Non-Viability Event occurs at any time, the principal amount of the Subordinated Notes then outstanding will be written-down in whole or in part on a *pro rata* basis, in each case, as solely determined by the Financial Regulator and all accrued and unpaid interest amounts in respect of the Subordinated Notes will be cancelled in whole or in part, whether or not the same have fallen due for payment. See "– *The circumstances triggering a Write-down are unpredictable*". Pursuant to a Write-down, the Subordinated Notes will be cancelled (in the case of a Write-down in whole) or written-down in part on a *pro rata* basis (in the case of a Write-down in part) and all rights of any Noteholder for payment of any amounts under or in respect of the Subordinated Notes (including, without limitation, any amounts due upon maturity of the Subordinated Notes or upon any earlier redemption thereof at the Issuer's option, and amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event) shall, as the case may be, be cancelled or written-down *pro rata* among the Noteholders and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto and even if the Non-Viability Event has ceased. Further, whilst it is intended by the Issuer that the Ordinary Shares and Tier 1 Capital of the Issuer should absorb losses prior to the Subordinated Notes, a Write-down in full or in part of the Subordinated Notes could occur prior to the Ordinary Shares and/or Tier 1 Capital of the Issuer absorbing losses in full or even in part. A Write-down shall not constitute an Enforcement Event. As a result, Noteholders may lose the entire amount or, as the case may be, a material amount, of their investment in the Subordinated Notes.

Furthermore, although the Conditions provide that the Financial Regulator may require a Write-down in whole or in part upon the occurrence of a Non-Viability Event, the current stated position of the Financial Regulator is that a Write-down in whole will apply in all such cases save only in certain circumstances as determined by the Financial Regulator in its sole discretion.

In cases in which a Write-down in part is required by the Financial Regulator, a Write-down may occur on one or more occasions as solely determined by the Financial Regulator provided, however, that the face amount of a Subordinated Notes shall never be reduced to below nil.

Furthermore, upon the occurrence of any Write-down in part pursuant to Condition 8 (*Write-down at the Point of Non-Viability*), Interest Payment Amounts will accrue thereafter only on the reduced face amount of the Subordinated Notes. Also, any amounts arising as a result of, or due and payable upon the occurrence of, an Enforcement Event or upon redemption of the Subordinated Notes on the Maturity Date, or on any earlier redemption at the option of the Issuer (a) on (i) any day falling in the period commencing on (and including) 15 September 2026 and ending on (and including) the Reset Date, or (ii) any Interest Payment Date thereafter or (b) upon the occurrence of a Tax Event or a Capital Event, will be by reference to such reduced face amount of the Subordinated Notes.

Noteholders will lose all or some of their investment in the Subordinated Notes as a result of a Write-down. Investors should also be aware that the application of a non-viability loss absorption feature as contained in Condition 8 (*Write-down at the Point of Non-Viability*) has not been tested in Kuwait.

The Issuer's current and future outstanding Junior Obligations or Pari Passu Obligations might not include Write-down or similar features comparable to those of the Subordinated Notes. As a result, it is possible that the Subordinated Notes will be subject to a Write-down, while certain Junior Obligations and/or Pari Passu Obligations remain outstanding and continue to receive payments and, as such, Noteholders may be subject to losses ahead of holders of certain Junior Obligations and/or Pari Passu Obligations.

The circumstances triggering a Write-down are unpredictable

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside the Issuer's control.

The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Financial Regulator in its complete discretion regarding, among other things, the viability of the Group in circumstances that may be beyond the control of the Issuer and with which the Issuer or the Noteholders may not agree.

Due to the inherent uncertainty regarding the determination as to whether a Non-Viability Event has occurred, it will be difficult to predict when, if at all, a Write-down will occur. Accordingly, the trading behaviour of the Subordinated Notes is not necessarily expected to follow the trading behaviour of other types of subordinated securities. Any indication that the financial condition of the Issuer is heading towards a condition that could result in the occurrence of a Non-Viability Event can be expected to have an adverse effect on, and/or increase volatility in, the market price of the Subordinated Notes.

The exercise (or perceived likelihood of exercise) of any such power by the Financial Regulator or any suggestion of such exercise could materially adversely affect the value of the Subordinated Notes and/or materially increase volatility in the market price of the Subordinated Notes, and could lead to the Noteholders losing some or all of their investment in the Subordinated Notes.

The financial viability of the Issuer will also depend in part on decisions made by the Issuer in relation to its business and operations, including the management of its capital position. In making such decisions, the Issuer expects to have regard to the interests of all its stakeholders. The interests of its other stakeholders will not necessarily be aligned to the interests of Noteholders, and the Issuer may determine that the interests of its other stakeholders, or its stakeholders as a whole, may need to be prioritised in a manner which is not favourable to the Noteholders. There can be no assurance in any such circumstances that the interests of the Issuer, its shareholders and the Financial Regulator will be aligned with those of the Noteholders.

The Subordinated Notes may be subject to early redemption at the option of the Issuer. Such early redemption features may limit the market value of the Subordinated Notes and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

The Issuer may, at its option and subject to obtaining the consent of the Financial Regulator and to compliance with the other Redemption Conditions, elect to redeem the Subordinated Notes (in whole but not in part):

(i) on any day falling in the period commencing on (and including) 15 September 2026 and ending on (and including) the Reset Date, or on any Interest Payment Date thereafter; or

(ii) at any time upon the occurrence of a Tax Event or a Capital Event,

in accordance with Condition 7.2 (*Redemption at the Option of the Issuer*), Condition 7.3 (*Redemption for Regulatory Reasons*) and Condition 7.4 (*Redemption for Taxation Reasons*) (as applicable).

Any early redemption of the Subordinated Notes is subject to the Redemption Conditions, including obtaining the prior approval of the Financial Regulator. The Capital Regulations (as defined in the Conditions), as in force from time to time, may oblige the Issuer to demonstrate to the satisfaction of the Financial Regulator that (among other things) the Capital Event was not reasonably foreseeable at the Issue Date. There can be no guarantee that the approval of the Financial Regulator will be received on time or at all.

In addition, if the Issuer has elected to redeem the Subordinated Notes, and prior to the redemption, a Non-Viability Event occurs, the relevant redemption notice will be automatically rescinded and will be of no force and effect. Further, no notice of redemption shall be given in the period following the giving of a Non-Viability Notice and prior to the relevant Non-Viability Event Write-down Date.

There is no assurance that the holders of the Subordinated Notes will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Subordinated Notes.

In addition, during any period when the Issuer may redeem, or is perceived to be able to redeem, the Subordinated Notes, the market value of the Subordinated Notes generally will not rise substantially above the price payable upon redemption of the Subordinated Notes. Potential investors should consider the re-investment risk in light of other investments available at that time.

Modification

The conditions of the Subordinated Notes contain provisions which may permit their modification without the consent of all investors.

The Conditions contain provisions for calling meetings of holders of the Subordinated Notes to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all holders of the Subordinated Notes including holders of the Subordinated Notes who did not attend and vote at the relevant meeting or, as the case may be, did not sign the relevant written resolution or give their consent electronically, and including those holders of the Subordinated Notes who voted in a manner contrary to the majority.

The Conditions also provide that the Fiscal Agent and the Issuer may agree, without the consent of Noteholders and without regard to the particular interests of any individual Noteholder, to any modification of the Subordinated Notes in the circumstances specified in Condition 14.2 (*Modification*).

Trading in the clearing systems

As the denominations of the Subordinated Notes are U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, it is possible that such Subordinated Notes may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$200,000. In such a case a holder of Subordinated Notes who, as a result of trading such amounts, holds an amount which is less than U.S.$200,000 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 principal amount of Subordinated Notes such that its holding amounts to at least U.S.$200,000 in order to be eligible to receive a Definitive Certificate.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Subordinated Notes will be represented upon issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearsteam, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Subordinated Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Subordinated Notes are represented by a Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

In addition, while the Subordinated Notes are represented by the Global Certificate, the Issuer will discharge its payment obligation under the Subordinated Notes by making payment to, or to the order of, the nominee for the common depository for the clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive its share of the relevant payments under the relevant Subordinated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate.

Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Subordinated Notes 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.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk and credit risk:

The value of the Subordinated Notes may be adversely affected by movements in market interest rates

The interest rate on the Subordinated Notes is fixed until the Reset Date (with a reset of the initial interest rate on the Reset Date as set out in the Conditions). The current investment return rate in the capital markets (the **market return rate**) typically changes on a daily basis. As the market return rate changes, the market value of the Subordinated Notes may also change, but in the opposite direction. If the market return rate increases, the market value of the Subordinated Notes would typically decrease. If the market return rate falls, the market value of the Subordinated Notes would typically increase. Holders of the Subordinated Notes should be aware that movements in these market return rates can adversely affect the market value of the Subordinated Notes and can lead to losses for the holders of the Subordinated Notes if they sell the Subordinated Notes.

The Subordinated Notes have a fixed rate of interest which will reset on the Reset Date

The Subordinated Notes will accrue interest at a fixed rate of interest, which will be reset on the Reset Date. The interest rate following the Reset Date may be less than the Initial Interest Rate (as defined in the Conditions), which would affect the amount of any interest payments under the Subordinated Notes and may adversely affect the yield and/or the market value of the Subordinated Notes.

An active secondary market in respect of the Subordinated Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Subordinated Notes

There is no assurance that a secondary market for the Subordinated Notes will develop or, if it does develop, that it will provide the holders of the Subordinated Notes with liquidity of investment or that it will continue for the life of the Subordinated Notes. The Subordinated Notes generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities, including (without limitation) given their subordination and the risk that they become subject to permanent write-down, in whole or in part, upon the occurrence of a Non-Viability Event (See "*Risk Factors – Noteholders' right to receive repayment of the principal amount of the Subordinated Notes and/or interest on the Subordinated Notes may be written-down in whole or in part upon the occurrence of a Non-Viability Event*").

Application has been made for the Subordinated Notes to be admitted to the Official List of Euronext Dublin and for such Subordinated Notes to be admitted to trading on the regulated market of Euronext Dublin. However, there can be no assurance that any such listing will occur or will enhance the liquidity of the Subordinated Notes.

Illiquidity may have an adverse effect on the market value of the Subordinated Notes. Accordingly, a holder of the Subordinated Notes may not be able to find a buyer to buy its Subordinated Notes readily or at prices

that will enable the holder of the Subordinated Notes to realise a desired yield. The market value of the Subordinated Notes may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Subordinated Notes. Accordingly, the purchase of Subordinated Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Subordinated Notes and the financial and other risks associated with an investment in the Subordinated Notes.

If an investor holds Subordinated Notes which are not denominated in the investor's home currency, such investor will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Subordinated Notes could result in an investor not receiving payments on those Subordinated Notes

The Issuer will pay principal and interest on the Subordinated Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (a) the Investor's Currency-equivalent yield on the Subordinated Notes; (b) the Investor's Currency-equivalent value of the principal payable on the Subordinated Notes; and (c) the Investor's Currency-equivalent market value of the Subordinated Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Subordinated Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit ratings may not reflect all risks associated with an investment in the Subordinated Notes

In addition to the rating of A- assigned by Fitch, one or more independent credit rating agencies may assign credit ratings to the Subordinated Notes on an unsolicited basis. Any ratings of either the Issuer or the Subordinated Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Subordinated Notes. There is no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be lowered or withdrawn entirely if circumstances in the future so warrant. Nevertheless, real or anticipated changes in the Issuer’s credit ratings or the ratings of the Subordinated Notes generally will affect the market value of the Subordinated Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the United Kingdom and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Subordinated Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Subordinated Notes may have a different regulatory treatment. This may result in European regulated investors selling the Subordinated Notes which may impact the value of the Subordinated Notes and any secondary market. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency

and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Taxation risks on payments

Payments made by the Issuer in respect of the Subordinated Notes could become subject to taxation. Condition 9 (*Taxation*) requires the Issuer to pay additional amounts in certain circumstances in the event that any withholding, deduction or retention for, or on account of, any present or future taxes, levies, imports, fees, duties, assessments or governmental charges of whatever nature is imposed, levied, collected, withheld or assessed by or on behalf of Kuwait or any authority therein or thereof having power to tax in respect of payments under the Subordinated Notes such that net amounts received by the holders of the Subordinated Notes after such withholding, deduction or retention shall equal the respective amounts of principal and distributions which would otherwise have been receivable in respect of the Subordinated Notes in the absence of such withholding, deduction or retention.

The circumstances described above may entitle the Issuer to redeem all (but not some only) of the Subordinated Notes.

The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Subordinated Notes 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, (which was introduced pursuant to Law No. 22 of 2015) (**Article 150 (bis)**), provides that, without prejudice to the exemptions prescribed on capital gains tax arising from the disposal of securities issued by companies listed on the Boursa Kuwait, the returns from bonds, financial sukuk and all other similar securities, regardless of the nature of the issuer, are exempt from Kuwaiti tax.

However, the Ministry of Finance's Department of Income Tax (**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 Subordinated Notes, or to a particular holder of the Subordinated Notes, such Noteholder or the Noteholders which are non-GCC corporate entities may become subject to income tax in Kuwait (see "*Taxation — Kuwait*" for further details).

In addition, neither Article 150 (bis) nor Ministry of Finance Administrative Order No. 2028 of 2015 endorsing the provisions thereof addressed the issue of whether or not there remains an obligation (as described under "*Taxation — Kuwait*") to deduct 5 per cent. of the amount of any payments made by the Issuer directly to the holders of the Subordinated Notes. Accordingly, there is a possibility that the deduction of the 5 per cent. obligation may be applied in certain circumstances, pending resolution of their tax position. The deducted 5 per cent. would be released by the Issuer upon presentation to it by the holders of the Subordinated Notes of a tax clearance certificate from the DIT. In any event, any deducted amounts would be required to be grossed up by the Issuer pursuant to the provisions of the Conditions (See Condition 9 (*Taxation*)) and accordingly, in practice, a holder would not need to present such a tax clearance certificate.

To date there has been no official statement made publicly by the DIT regarding its interpretation of Article 150 (bis) and/or its application. Similarly, the Kuwaiti Courts (who will be the final arbiters on the matter) have not been required to interpret such provision to date. Therefore, it is not possible to state definitively how the DIT and/or the Kuwaiti Courts may implement or enforce the Taxation Laws (as defined in "*Taxation — Kuwait*") including Article 150(bis) in practice.

Prospective purchasers of the Subordinated Notes 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 Subordinated Notes and receiving payments under the Subordinated Notes.

See "*Taxation — Kuwait*" for further details.

Value Added Tax

As at the date of this Prospectus, Kuwait does not impose value added tax (**VAT**) on the sale of goods and services. However, investors should be aware that the GCC states, including Kuwait, have agreed to the implementation of a GCC-wide VAT framework, to be introduced at a rate of 5 per cent. (the **VAT Framework**). The national legislation in Kuwait implementing the VAT Framework has yet to be promulgated and no Kuwait-specific details of the regime have been released as at the date of this Prospectus. Therefore, it is impossible to state with any accuracy if, and when, VAT will be introduced in Kuwait. Further, due to the wide discretion conferred to each GCC member state under the VAT Framework, the terms and conditions of the VAT regime, if introduced, are not known as at the date of this Prospectus.

Enforcement under Kuwaiti Law

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.

In the event of the Issuer's insolvency, Kuwaiti bankruptcy law will apply and such law may adversely affect the Issuer's ability to perform its obligations under the Subordinated Notes, and obtaining a final bankruptcy judgment in Kuwait may take several years. There is little precedent to predict how any claims by holders of the Subordinated Notes against the Issuer would be resolved in the event of the Issuer's insolvency and therefore there can be no assurance that holders of the Subordinated Notes 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 Agency Agreement and the Subordinated Notes (the **Documents**) each contains a provision to the effect that disputes arising under the Documents will be referred to arbitration under the London Court of International Arbitration Rules (the **LCIA 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 Documents, notwithstanding that the Documents provide that the parties have agreed that any disputes arising thereunder shall be referred to arbitration. 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. In addition to the foregoing, Article 173 of the Code provides that the Kuwaiti Courts have no jurisdiction to hear disputes which have been validly agreed to be referred to arbitration, provided that the party raising the existence of an arbitration provision does so before taking any substantive steps in the proceedings, or any other act or omission which would be considered a waiver of the right to seek arbitration.

Enforcing arbitral awards in Kuwait

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 which 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, (f) the judgment must not contain anything in conflict with the general morals or public order of Kuwait.

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. The requirement to establish reciprocal enforcement under Articles 199 and 200 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.

As noted above, enforcement of a foreign arbitral award or foreign judgment 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 or foreign judgments 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 Articles 199 and 200 of the Code have been analysed.

Change in law

The Conditions are governed by English law, except for Condition 3 (*Status of the Subordinated Notes and Subordination*) which is governed by the laws of Kuwait. No assurance can be given as to the impact of any possible change to English or Kuwait law after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Subordinated Notes and any such change could materially adversely impact the value of any Subordinated Notes affected by it.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the unaudited interim condensed consolidated financial information for the three and nine months ended 30 September 2020 of the Group together with the review report thereon (an electronic copy of which is available at https://www.burgan.com/aboutus/Documents/Investor/Financial%20Statements/BBGEnglishFS.pdf<https://www.burgan.com/aboutus/Documents/Investor/Financial%20Statements/BBGEnglishFS.pdf);

(b) the consolidated financial statements for the year ended 31 December 2019 of the Group together with the audit report thereon (an electronic copy of which is available at https://www.burgan.com/aboutus/Documents/Investor/Financial%20Statements/BurganBank31Dec2019Enfs.pdf); and

(c) the consolidated financial statements for the year ended 31 December 2018 of the Group together with the audit report thereon (an electronic copy of which is available at http://www.burgan.com/aboutus/Documents/Investor/Financial%20Statements/FS%20FY%202018%20English.pdf).

Between the date of the publication of this Prospectus and the date of the admission of the Subordinated Notes to trading on the Regulated Market a supplement may be prepared by the Issuer and approved by the CBI 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 Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London.

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

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

OVERVIEW OF THE ISSUANCE

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision to invest in the Subordinated Notes should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "*Terms and Conditions of the Subordinated Notes*" shall have the same meanings in the following description.

Issuer:	Burgan Bank K.P.S.C.
Issuer Legal Entity Identifier (LEI):	558600NC81HKXMFSTY52
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Subordinated Notes. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Subordinated Notes and risks relating to the structure of the Subordinated Notes. See "*Risk Factors*".
Description:	U.S.$500,000,000 Tier 2 Subordinated Notes due 2031
Global Coordinator:	Citigroup Global Markets Limited and Standard Chartered Bank
Joint Lead Managers:	Arab Banking Corporation (B.S.C.), Citigroup Global Markets Limited, Emirates NBD Bank PJSC, First Abu Dhabi Bank P.J.S.C., HSBC Bank plc, J.P. Morgan Securities plc, Kamco Investment Company K.S.C.P. (Kamco Invest), Mizuho International plc, MUFG Securities EMEA plc, Standard Chartered Bank and Watani Investment Company K.S.C.C. (NBK Capital)
Fiscal Agent and Calculation Agent:	HSBC Bank plc
Registrar and Transfer Agent:	HSBC Bank plc
Issue Date:	15 December 2020
Issue Price:	100.00 per cent. of the aggregate principal amount of the Subordinated Notes.
Maturity Date	15 December 2031
Interest Payment Dates:	Interest will be payable semi-annually in arrear on 15 June and 15 December in every year, commencing on 15 June 2021.
Interest Rate:	Interest will be payable at the rate of 2.750 per cent. per annum up to (but excluding) the Reset Date and, subject to Condition 7.2 (*Redemption at the Option of the Issuer*), thereafter, at the Reset Interest Rate (each as defined in the Conditions), calculated in accordance with Condition 5.3 (*Reset Interest Rate*)

Form of Subordinated Notes:	The Subordinated Notes will be issued in registered form. The Subordinated Notes will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Certificates evidencing holding of Subordinated Notes will be issued in exchange for interests in the Global Certificate only in limited circumstances.
Clearance and Settlement:	Noteholders must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.
Denomination:	The Subordinated Notes will be issued in registered form in nominal amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Status of the Subordinated Notes:	The Subordinated Notes will constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and will rank *pari passu* and without preference among themselves. The payment obligations of the Issuer under the Subordinated Notes will (a) rank junior to all Senior Obligations of the Issuer, (b) rank *pari passu* with all Pari Passu Obligations of the Issuer, and (c) rank senior to all Junior Obligations of the Issuer (each as defined in the Conditions).
No set-off:	Each Noteholder will unconditionally and irrevocably waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Subordinated Notes.
Other issues:	So long as any of the Subordinated Notes remain outstanding, the Issuer will not, and will procure that none of its Subsidiaries will, issue, guarantee or provide other contractual support arrangements for, any securities which constitute issued Tier 2 Capital of the Issuer if claims in respect of such securities, guarantee or other contractual support arrangements would rank (as regards distributions on a return of assets on a winding up or in respect of interest, distribution or payment of dividends and/or any other amounts thereunder) senior to the Issuer's obligations in respect of the Subordinated Notes, subject to certain exceptions, all as more fully described in Condition 4 (*Other Issuer*).
Redemption at Maturity:	Unless redeemed or repurchased and cancelled earlier, the Subordinated Notes will be redeemed on 15 December 2031 (the **Maturity Date**).

Early Redemption at the Option of the Issuer	Pursuant to Condition 7.2 (*Redemption at the Option of the Issuer*), the Issuer may, subject to satisfaction of the Redemption Conditions (as defined in the Conditions), elect to redeem all, but not some only, of the Subordinated Notes on: (i) any date during the period from (and including) 15 September 2026 to (and including) the Reset Date; or (ii) any Interest Payment Date after the Reset Date, in each case at their outstanding principal amount together with any accrued and unpaid interest thereon to but excluding the date of redemption, on giving not fewer than 10 nor more than 15 days' notice to the Noteholders and to the Fiscal Agent.
Early redemption at the Option of the Issuer upon a Capital Event	Pursuant to Condition 7.3 upon the occurrence and continuation of a Capital Event, the Subordinated Notes may, at the option of the Issuer but subject to satisfaction of the Redemption Conditions (as defined in the Conditions), be redeemed at any time, in whole but not in part, at their outstanding principal amount together with any accrued and unpaid interest thereon to (but excluding) the date of redemption, on giving not fewer than 10 nor more than 15 days' notice to the Noteholders and to the Fiscal Agent (which notice shall, subject as provided in Condition 7.3, be irrevocable). See Condition 7.3 (*Redemption for Regulatory Reasons*).
Early redemption at the Option of the Issuer upon a Tax Event	Pursuant to Condition 7.4, upon the occurrence of a Tax Event which cannot be avoided by the Issuer taking reasonable measures available to it, the Subordinated Notes may, at the option of the Issuer but subject to satisfaction of the Redemption Conditions (as defined in the Conditions), be redeemed at any time, in whole but not in part, at their outstanding principal amount together with any accrued and unpaid interest thereon to (but excluding) the date of redemption, on giving not fewer than 10 nor more than 15 days' notice to the Noteholders and to the Fiscal Agent (which notice shall, subject as provided in Condition 7.4, be irrevocable). See Condition 7.4 (*Redemption for Taxation Reasons*).
Non-Viability Event:	If a Non-Viability Event occurs, a Write-down shall occur on the relevant Non-Viability Event Write-down Date, as more particularly described in Condition 8 (*Write-down at the Point of Non-Viability*). In such circumstances, the Noteholders' rights to payment of any amounts under or in respect of the Subordinated Notes shall, as the case may be, be cancelled or written-down *pro rata* among the Noteholders.
Enforcement Events:	The Noteholders' rights of enforcement in respect of the Issuer's payment obligations under the Subordinated Notes will be limited to instituting proceedings for the winding-up, dissolution or liquidation of the Issuer and proving and/or claiming in any winding-up, dissolution or liquidation, as further provided in

	Condition 11 (*Enforcement Event*). In no event shall the Issuer be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it under or in respect of the Subordinated Notes, except in a winding up, liquidation or dissolution.
Withholding Tax:	All payments in respect of the Subordinated Notes by or on behalf of the Issuer, shall be made free and clear of, and without withholding deduction or retention 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 the Relevant Jurisdiction unless the withholding, deduction or retention of such taxes, duties, assessments or governmental charges is required by law. In such event, the Issuer shall pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after such withholding, deduction or retention shall equal the respective amounts which would have been receivable in respect of the Subordinated Notes in the absence of the withholding, deduction or retention subject to certain exceptions, all as described in Condition 9 (*Taxation*).
Modification:	The Conditions contain provisions for calling meetings of holders of the Subordinated Notes to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all holders of the Subordinated Notes including holders of the Subordinated Notes who did not attend and vote at the relevant meeting or, as the case may be, did not sign the relevant written resolution or give their consent electronically, and including those holders of the Subordinated Notes who voted in a manner contrary to the majority. The Conditions also provide that the Fiscal Agent and the Issuer may agree, without the consent of Noteholders and without regard to the particular interests of any individual Noteholder, to any modification of the Subordinated Notes in the circumstances specified in Condition 14.2 (*Modification*).
Ratings:	The Issuer has a long-term rating of BBB+ and a short-term rating of A-2 from S&P; a long-term rating of A3 and a short-term rating of P-2 from Moody's; and a long-term rating of A+ and a short-term rating of F1 from Fitch. The Subordinated Notes will be rated by A- by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed

	and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation).
Listing and Admission to Trading:	Application has been made to Euronext Dublin for the Subordinated Notes to be admitted to the Official List and to trading on Euronext Dublin's regulated market.
Governing Law and Dispute Resolution:	The Subordinated Notes (except for Condition 3 (*Status of the Subordinated Notes and Subordination*)) and any non-contractual obligations arising out of or in connection with the Subordinated Notes will be governed by, and shall be construed in accordance with, English law. Condition 3 (*Status of the Subordinated Notes and Subordination*) will be governed by the laws of Kuwait. The Subscription Agreement and the Agency Agreement and any non-contractual obligations arising out of, or in connection with the Subscription Agreement and the Agency Agreement will be governed by, and shall be construed in accordance with, English law. In respect of any dispute, claim, difference or controversy under the Subordinated Notes, the Subscription Agreement and the Agency Agreement, the Issuer has consented to arbitration in accordance with the LCIA Rules.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Subordinated Notes in the United States, the EEA, the United Kingdom, Hong Kong, Japan, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Kuwait, the Kingdom of Saudi Arabia, Kingdom of Bahrain and the State of Qatar and such other restrictions as may be required in connection with the offering and sale of the Subordinated Notes. See "*Subscription and Sale*". Regulation S, Category 2; TEFRA not applicable.
MiFID II product governance / PRIIPs:	**MiFID II professionals / ECPs-only / No PRIIPs KID** – Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document (KID) has been prepared as not available to retail in European Economic Area or the United Kingdom.
ISIN / Common Code:	XS2265369491 / 226536949

TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

The following is the text of the Conditions of the Subordinated Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Subordinated Notes:

The U.S.$500,000,000 Tier 2 Subordinated Notes due 2031 (the **Subordinated Notes**) of Burgan Bank K.P.S.C. (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated the Issue Date (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, HSBC Bank plc as registrar (the **Registrar**) and as transfer agent (the **Transfer Agent**), HSBC Bank plc as fiscal agent (the **Fiscal Agent** and, together with the other initial paying agents named in the Agency Agreement, the **Paying Agents**) and as calculation agent (the **Calculation Agent**, and together with the Fiscal Agent, the Registrar, the Transfer Agent and the other Paying Agents, the **Agents**). Copies of the Agency Agreement are available for inspection and/or collection during normal business hours by the Noteholders (as defined below) at the specified office for the time being of the Fiscal Agent, being at 10 December 2020 at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents, the Transfer Agents, the Calculation Agent and the Agents shall include any successor appointed under the Agency Agreement.

*The owners shown in the records of Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) of book-entry interests in Subordinated Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.*

1. Form, Denomination and Title

1.1 Form and Denomination

The Subordinated Notes are issued in registered form in the amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (referred to as the **principal amount** of a Subordinated Note). A subordinated note certificate (each a **Certificate**) will be issued to each Noteholder in respect of its registered holding of Subordinated Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar.

The Subordinated Notes are not issuable in bearer form.

1.2 Title

Title to the Subordinated Notes passes only by registration in the register of Noteholders. The holder of any Subordinated Note will (except as otherwise required by law) 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 or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions **Noteholder** and (in relation to a Subordinated Note) **holder** means the Person in whose name a Subordinated Note is registered in the register of Noteholders.

2. Transfers of Subordinated Notes and issue of Certificates

2.1 Transfers

A Subordinated Note may be transferred by depositing the Certificate issued in respect of that Subordinated Note, with the form of transfer on the back duly completed and executed, at the specified office of the Registrar or any of the Transfer Agents.

2.2 Delivery of new Certificates

Each new Certificate to be issued upon transfer of Subordinated Notes will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the duly completed and executed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Subordinated Note to the address specified in the form of transfer. For the purposes of this Condition 2.2, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Registrar or the relevant Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein (see "*The Global Certificate*"), owners of interests in the Subordinated Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Subordinated Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.

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

2.3 Formalities free of charge

Registration of transfer of Subordinated Notes will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer or the Registrar or any Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Subordinated Note to be registered during the period of 15 days ending on (and including) the due date for any payment of principal, premium or interest on that Subordinated Note.

2.5 Regulations

All transfers of Subordinated Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfers of Subordinated Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. Status of the Subordinated Notes and Subordination

The Subordinated Notes constitute direct, unconditional, subordinated (as described below) and unsecured obligations of the Issuer and rank *pari passu* and without preference among themselves.

The payment obligations of the Issuer under the Subordinated Notes (the **Obligations**) will: (a) rank junior to all Senior Obligations of the Issuer; (b) rank *pari passu* with all other Pari Passu Obligations of the Issuer; and (c) rank senior to all Junior Obligations of the Issuer.

Each Noteholder unconditionally and irrevocably waives 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 Subordinated Note. No collateral is or will be given for the Obligations and any collateral that may have been or may in the future be given in connection with other indebtedness of the Issuer shall not secure the Obligations.

4. Other Issues

The Issuer agrees that, so long as any of the Subordinated Notes remain outstanding, the Issuer will not, and will procure that none of its Subsidiaries will, issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or on a consolidated basis) issued Tier 2 Capital of the Issuer if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Obligations. This prohibition will not apply if at the same time or prior thereto, these Conditions and (to the extent applicable) the Agency Agreement is amended to ensure that these Conditions have the benefit of such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Obligations rank *pari passu* with, and contain substantially similar rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

5. Interest

5.1 Interest Rate and Interest Payment Dates

The Subordinated Notes bear interest on their outstanding principal amount:

(a) from and including the Issue Date to but excluding the Reset Date at the rate of 2.750 per cent. per annum (the **Initial Interest Rate**) payable semi-annually in arrear on 15 June and 15 December in each year (each an **Interest Payment Date**), commencing on 15 June 2021 (the **First Interest Payment Date**); and

(b) thereafter, at the Reset Interest Rate, payable semi-annually in arrear on each Interest Payment Date.

5.2 Calculation of broken interest

When interest is required to be calculated in respect of a period of less than a full Interest Period, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5.3 Reset Interest Rate

The Calculation Agent has agreed in the Agency Agreement that, on the Reset Determination Date at approximately 11.00 a.m. (New York time), it will determine the Reset Interest Rate for the Reset Period.

5.4 Publication of Reset Interest Rate

The Calculation Agent shall cause notice of the Reset Interest Rate to be given to the Issuer, to any stock exchange or other relevant authority on which the Subordinated Notes are at the relevant time listed (by no later than the first day of the Reset Period) and, in accordance with Condition 13, to the Noteholders as soon as possible after the determination thereof, and in no event later than the second Business Day thereafter. The Reset Interest Rate so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of manifest error.

5.5 Notifications, etc., to be final

All communications, notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and all Noteholders and (in the absence of wilful default or bad faith) no liability to the Issuer or the Noteholders shall be attached to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 5.

6. Payments

6.1 Payments in respect of the Subordinated Notes

Payment of principal and premium (if any) and interest will be made by credit or transfer to the registered account of the Noteholder. Payments of principal and premium (if any) and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest Payment Amounts due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the **record date**) being the fifteenth day before the due date for the relevant Interest Payment Date.

For the purposes of this Condition 6, a Noteholder's **registered account** means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the register of Noteholders at the close of business, in the case of principal and premium (if any), on the second Business Day before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

*Whilst the Subordinated Notes are represented by the Global Certificate and such Global Certificate is registered in the name of a nominee for Euroclear and Clearstream, Luxembourg, the **record date** will instead be close of business on the **business day** (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date (see "The Global Certificate – Payments").*

6.2 Payments subject to Applicable Laws

Payments in respect of principal, premium (if any) and interest on the Subordinated Notes are subject in all cases to (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal

Revenue Code of 1986, as amended (the **Code**), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

6.3 No Commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

6.4 Payment on Business Days

Where payment is to be made by credit or transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the Business Day preceding the due date for payment or, in the case of a payment of principal and premium (if any) or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to further interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

6.5 Partial Payments

If the amount of principal, premium (if any) or interest which is due on the Subordinated Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal, premium (if any) or interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint replacement agents as additional or other Agents provided that:

(a) there will at all times be a Fiscal Agent, a Registrar and a Calculation Agent; and

(b) so long as the Subordinated Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

Notice of any variation, termination, appointment or change in Paying Agents, or any of their respective specified offices, will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

7. Redemption and Purchase

7.1 Final Redemption

Unless previously redeemed or purchased and cancelled as provided in this Condition 7 (*Redemption and Purchase*), the Subordinated Notes shall be finally redeemed at their outstanding principal amount, together with accrued and unpaid interest thereon, on the Maturity Date.

7.2 Redemption at the Option of the Issuer

Subject to the Redemption Conditions, the Issuer may, having given not fewer than 10 nor more than 15 days' notice to the Fiscal Agent and to the Noteholders in accordance with Condition 13 (which notice, subject to Condition 7.5, shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Subordinated Notes on (i) any date during the period from (and including) 15 September 2026 to (and including) the Reset Date or (ii) any Interest Payment Date after the Reset Date at their outstanding principal amount together with any accrued and unpaid interest thereon to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that all conditions precedent to the redemption of the Subordinated Notes pursuant to this Condition 7.2 (other than the notice described above) have been satisfied, and the Fiscal Agent shall accept the certificate without any further enquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

For the avoidance of doubt, the Issuer shall not do anything which creates an expectation that the Redemption at the Option of the Issuer will be exercised.

7.3 Redemption for Regulatory Reasons

Subject to the Redemption Conditions, the Issuer may, if a Capital Event has occurred and is continuing, having given not fewer than 10 nor more than 15 days' notice to the Fiscal Agent and to the Noteholders in accordance with Condition 13 (which notice, subject to Condition 7.5, shall be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Subordinated Notes at any time at their outstanding principal amount together with any accrued and unpaid interest thereon to (but excluding) the date of redemption, without any requirement for consent or approval of the Noteholders.

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

Prior to the publication of any notice of redemption pursuant to this Condition 7.3, the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that: (A) a Capital Event has occurred and is continuing as at the date of the certificate; and (B) all other conditions precedent to the redemption of the Subordinated Notes pursuant to this Condition 7.3 (other than the notice described above) have been satisfied, and the Fiscal Agent shall accept the certificate without any further enquiry as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

A **Capital Event** is deemed to have occurred if the Issuer is notified in writing by the Financial Regulator to the effect that the outstanding principal amount of the Subordinated Notes is excluded (in full or in part) from the consolidated Tier 2 Capital of the Issuer (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital).

7.4 Redemption for Taxation Reasons

Subject to the Redemptions Conditions, if a Tax Event has occurred, and that Tax Event cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may at its option, having given not fewer than 10 nor more than 15 days' notice to the Noteholders in accordance with Condition 13 (which notice, subject to Condition 7.5, shall be irrevocable and shall specify the date fixed for redemption) redeem all (but not some only) of the Subordinated Notes at any time at their outstanding principal amount together with any accrued and unpaid interest thereon to (but

excluding) the date of redemption, without any requirement for consent or approval of the Noteholders.

The Capital Regulations, as in force from time to time, may oblige the Issuer to demonstrate to the satisfaction of the Financial Regulator that (among other things) the change in, or amendment to, the laws or regulations giving rise to a right to redeem pursuant to this Condition 7.4 was not reasonably foreseeable at the Issue Date.

Prior to the publication of any notice of redemption pursuant to this Condition 7.4, the Issuer shall deliver to the Fiscal Agent: (A) a copy of the opinion of a recognised independent tax adviser to the effect that a Tax Event has occurred; and (B) a certificate signed by two directors of the Issuer stating that (i) the relevant Tax Event has occurred and cannot be avoided by the Issuer taking reasonable measures available to it; and (ii) that all other conditions precedent to the redemption of the Subordinated Notes pursuant to this Condition 7.4 (other than the notice described in paragraph above) have been satisfied, and the Fiscal Agent shall be entitled to accept the opinion and certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders.

For this purpose, a **Tax Event** means that the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws, published practice or regulations of the Relevant Jurisdiction, or any change in the application or official interpretation of such laws, published practice or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective (or, in the case of application or official interpretation, is announced) on or after the Issue Date provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or the Issuer would be obliged to make such withholding, deduction or retention if a payment in respect of the Subordinated Notes was then due.

7.5 No redemption following delivery of a Non-Viability Notice

If the Issuer has elected to redeem the Subordinated Notes and prior to the redemption of the Subordinated Notes a Non-Viability Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Issuer shall give notice thereof to the Noteholders (in accordance with Condition 13), the Fiscal Agent and the Registrar as soon as practicable. Further, no notice of redemption shall be given in the period following the giving of a Non-Viability Notice and prior to the relevant Non-Viability Event Write-down Date.

7.6 Purchases

Subject to the Issuer: (a) obtaining the prior approval of the Financial Regulator (except to the extent that the Financial Regulator no longer so requires); and (b) being in compliance with the Applicable Regulatory Capital Requirements, the Issuer or any of its Subsidiaries may, in those circumstances permitted by Applicable Regulatory Capital Requirements, purchase the Subordinated Notes in any manner and at any price.

7.7 Cancellations

All Subordinated Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of the Issuer's Subsidiaries will forthwith be cancelled, and accordingly may not be reissued or resold.

8. Write-down at the Point of Non-Viability

If a Non-Viability Event occurs, on the third Business Day following the occurrence of such Non-Viability Event, the Issuer will notify the Noteholders thereof in accordance with Condition 13 (a **Non-Viability Notice**). Upon provision of such Non-Viability Notice, a Write-down of the Subordinated Notes shall take place on the Non-Viability Event Write-down Date.

Following any Write-down of the Subordinated Notes in accordance with this Condition 8: (a) references in these Conditions to the **principal amount** or **outstanding principal amount** of the Subordinated Notes shall be construed accordingly; (b) the principal amount so written-down (the **Write-down Amount**) will be cancelled and interest will continue to accrue only on the outstanding principal amount following such reduction; and (c) the Write-down Amount may not be restored under any circumstances, including where the relevant Non-Viability Event is no longer continuing.

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

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

9. Taxation

9.1 Payment without Withholding

All payments in respect of the Subordinated Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding, deduction or retention for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction (as defined below) unless the withholding, deduction or retention of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after the withholding, deduction or retention shall equal the respective amounts which would have been receivable in respect of the Subordinated Notes in the absence of the withholding, deduction or retention; except that no additional amounts shall be payable in relation to any payment in respect of any Subordinated Note:

(a) held by or on behalf of a holder which is liable to the Taxes in respect of the Subordinated Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Subordinated Note; or

(b) where the relevant Subordinated Note is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Subordinated Notes by or on behalf of the Issuer will be made net of any deduction or withholding

imposed or 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, (or any regulations thereunder or official interpretations thereof), or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a **FATCA Withholding**). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

9.2 Interpretation

In these Conditions:

(a) **Relevant Date** means the date on which the payment first becomes due, except that, if the full amount of the money payable has not been duly received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13; and

(b) **Relevant Jurisdiction** means Kuwait or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Subordinated Notes.

9.3 Additional Amounts

Any reference in these Conditions to any amounts payable in respect of the Subordinated Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9.

10. Prescription

Subject to applicable law, claims in respect of principal, premium (if any) and interest shall be prescribed and become void unless made within 10 years from the Relevant Date, as defined in Condition 9.

11. Enforcement Event

11.1 Enforcement Event

An **Enforcement Event** shall occur if:

(a) default is made in the payment of any principal, premium (if any) or interest due under the Subordinated Notes or any of them and the default continues for a period of seven days in the case of principal or premium and 14 days in the case of interest; or

(b) any one or more of the following events shall occur and be continuing:

(i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer (save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders); or

(ii) any event occurs which under the laws of Kuwait or any other jurisdiction has an analogous effect to any of the events referred to in paragraph (i) above.

In the case of (a) above, the holder of any Subordinated Note may institute proceedings for the winding up, liquidation or dissolution of the Issuer in Kuwait and may claim or prove in such winding up, liquidation or dissolution in respect of its Subordinated Notes as provided below, but may take no other action in respect of such default.

In the case of (b) above (for the avoidance of doubt, including (but not limited to) any winding up, liquidation or dissolution initiated by a Noteholder under the preceding paragraph), the holder of any Subordinated Note may give written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Subordinated Note is due and payable, whereupon the same shall become forthwith due and payable at its outstanding principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date of repayment without presentation, demand, protest or other notice of any kind, and may claim or prove in such winding up, liquidation or dissolution in respect of such amounts, such claim being subordinated as provided in Condition 3.

A Noteholder may at its discretion institute such steps, actions or proceedings against the Issuer to enforce any term or condition binding on the Issuer. However, in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it (except in a winding up, liquidation or dissolution of the Issuer as provided above).

11.2 No Other Remedies

No remedy against the Issuer, other than petitioning for the winding up, liquidation or dissolution of the Issuer, the proving or claiming in any winding up, dissolution or liquidation of the Issuer and the remedies referred to in Condition 11.1, shall be available to the Noteholders whether for the recovering of amounts owing in respect of the Subordinated Notes or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Subordinated Notes.

12. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. Notices

13.1 Notices to the Noteholders

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Subordinated Notes are for the time being listed. Any notice shall be deemed to have been given on the fourth day 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. In addition, for so long as any Subordinated Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

13.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relevant Certificate, with the Fiscal Agent or, if the Certificates are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

14. Meetings of Noteholders and Modification

14.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, or to pass resolutions in writing or through the use of electronic consents, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate outstanding principal amount of the Subordinated Notes. The quorum at any meeting for passing an Extraordinary Resolution will be one or more Persons holding or representing not less than 50 per cent. of the aggregate outstanding principal amount of the Subordinated Notes or, at any adjourned meeting, one or more Persons present whatever the principal amount of the Subordinated Notes so held or represented, except that at any meeting the business of which includes the consideration of certain proposals (including (i) reduction or cancellation of the principal amount of or any premium payable in respect of any redemption of the Subordinated Notes, (ii) reduction or cancellation of the amount payable or modification of the payment date in respect of any interest or other distributions in respect of the Subordinated Notes or the provisions concerning subordination of the Subordinated Notes contained in Condition 3, (iii) modification of the currency of payment or denomination of the Subordinated Notes, (iv) reducing the rate of interest in respect of the Subordinated Notes or varying the method or basis of calculating the rate of interest in respect of the Subordinated Notes, (v) modification of the provisions concerning the quorum requested at any meeting of Noteholders or majority required to pass an Extraordinary Resolution; (vi) the sanctioning of any scheme or proposal described in subparagraph 20(f) of Schedule 3 of the Agency Agreement, or (vii) amending the above list or the proviso to paragraph 8 of Schedule 3 to the Agency Agreement), the quorum will be one or more persons holding or representing not less than two thirds or at any adjourned such meeting not less than one third, of the aggregate outstanding principal amount of the Subordinated Notes. The agreement or approval of the Noteholders shall not be required in the case of reduction of the outstanding principal amount in accordance with Conditions 7 and 8.

In addition, a resolution in writing signed, or approved by way of electronic consents given, by or on behalf of the holders of not less than 75 per cent. of the aggregate outstanding principal amount of the Subordinated Notes will take effect as if it were an Extraordinary Resolution passed at a meeting of Noteholders 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 Noteholders.

An Extraordinary Resolution passed at any meeting of the Noteholders or in writing or through electronic consents will be binding on all Noteholders, whether or not they are present at the meeting or, as the case may be, whether or not they signed the written resolution or gave their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

14.2 Modification

These Conditions and the Agency Agreement may be amended or modified without the consent of the Noteholders where such amendment or modification is (i) of a formal, minor or technical nature, or is made to correct a manifest error or to comply with mandatory provisions of the law, or (ii) does not concern modifications in respect of which an increased quorum is required (as mentioned above)

and is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

15. Currency Indemnity

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

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. Governing Law and Dispute Resolution

16.1 Governing Law

The Agency Agreement, these Conditions (including the remaining provisions of this Condition 16) and the Subordinated Notes and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law, save that Condition 3 shall be governed by the laws of Kuwait.

16.2 Arbitration

Any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Subordinated Notes, these Conditions or the Agency Agreement (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of the nullity of any of them and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (the **LCIA**) (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition 16.2. For these purposes:

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

(b) there shall be three arbitrators each of whom shall be disinterested in the arbitration, shall have no connection with any party to the Dispute and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party-

nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

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

16.3 Appointment of Process Agent

The Issuer irrevocably appoints Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom as its authorised agent for service of process in England. If for any reason such agent shall be unable or unwilling to act as agent for service of process, the Issuer shall forthwith appoint a new agent for service of process in England and shall notify the Noteholders of such appointment. The Issuer will procure that, so long as any of the Subordinated Notes remains outstanding, a person with an office in London shall be appointed to accept service. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition 16 shall affect the right to serve process in any other manner permitted by law.

16.4 Waiver of Immunity

To the extent that the Issuer 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 in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably and unconditionally waives such immunity to the fullest extent permitted by the laws or such jurisdiction. Further, the Issuer irrevocably and unconditionally consents 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.

16.5 Other Documents

The Issuer has in the Agency Agreement appointed an agent in England for service of process, on terms substantially similar to those set out above.

17. Contracts (Rights of Third Parties) Act 1999

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

18. Definitions

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

Business Day means a day (other than a Saturday or a Sunday) on which commercial banks are open for business in London and, if on that date a payment is to be made, in New York City.

Capital Event has the meaning given to it in Condition 7.3.

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

Code has the meaning given to it in Condition 6.2.

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

Enforcement Event has the meaning given to it in Condition 11.1.

Financial Regulator means the Central Bank of Kuwait and/or any successor entity having primary bank supervisory authority with respect to the Issuer in Kuwait.

First Interest Payment Date has the meaning given to it in Condition 5.1.

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

Initial Interest Rate has the meaning given to it in Condition 5.1.

Instructions means the final instructions entitled "*Implementing Capital Adequacy Standards – Basel III – for conventional banks*" issued by the Financial Regulator on 24 June 2014, as may be amended or superseded from time to time.

Interest Payment Amount means the amount of interest due on each Subordinated Note on an Interest Payment Date.

Interest Payment Date has the meaning given to it in Condition 5.1.

Interest Period means the period from and including the Issue Date to but excluding the First Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date.

Interest Rate means the Initial Interest Rate and/or the Reset Interest Rate, as the case may be.

Issue Date means 15 December 2020.

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

Kuwait means the State of Kuwait.

Margin means 2.229 per cent. per annum.

Maturity Date means 15 December 2031.

Non-Viability Event means that the Financial Regulator has informed the Issuer in writing that it has determined that a Trigger Event has occurred.

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

Non-Viability Notice means the notice given by the Issuer to Noteholders in accordance with Condition 13 in connection with the occurrence of a Non-Viability Event.

Obligations has the meaning given to it in Condition 3.

Ordinary Shares means the ordinary shares of the Issuer.

Pari Passu Obligations means all subordinated payment obligations of the Issuer which rank, or are expressed to rank, *pari passu* with the Obligations.

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.

Redemption Conditions means:

(a) the Issuer having obtained the prior approval of the Financial Regulator;

(b) the requirement that at the time when the relevant notice of redemption is given and immediately following any redemption, the Issuer is or will be (as the case may be) in compliance with the Applicable Regulatory Capital Requirements (including any applicable capital buffers imposed on the Issuer by the Financial Regulator); and

(c) (in the case of Conditions 7.3 or 7.4 only) the requirement that the circumstance that entitles the Issuer to exercise its right of redemption is a change of law, published practice or regulation (including in the case of Condition 7.3, Applicable Regulatory Capital Requirements) in Kuwait or, in the case of Condition 7.4, of a Relevant Jurisdiction or a change in the interpretation or application of such law, published practice or regulation by any court or authority entitled to do so which change becomes, or would become, effective on or after the Issue Date,

(in the case of (a) and (b) above only, except to the extent that the Financial Regulator no longer so requires).

Relevant Date has the meaning given to it in Condition 9.2.

Relevant Jurisdiction has the meaning given to it in Condition 9.2.

Reset Date means 15 December 2026.

Reset Determination Date means the second U.S. Government Securities Business Day before the commencement of the Reset Period.

Reset Interest Rate means, in respect of the Reset Period, the rate per annum which is determined by the Calculation Agent to be the aggregate of the Margin and the Reset Rate calculated on the Reset Determination Date.

Reset Period means the period from and including the Reset Date to but excluding the Maturity Date.

Reset Rate means, in respect of the Reset Period:

(i) a rate (expressed as a percentage and, in the case of U.S. Treasury bills, converted to a bond equivalent yield) determined on the Reset Determination Date to be the per annum rate

equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years and trading in the public securities markets; or

(ii) if there is no such published U.S. Treasury security with a maturity of five years and trading in the public securities markets, then the rate will be determined on the Reset Determination Date by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market: (A) one maturing as close as possible to, but earlier than, the Maturity Date; and (B) the other maturity as close as possible to, but later than, the Maturity Date,

in each case as published in the most recent H.15 (519). If the Issuer cannot procure the determination of the Reset Rate on the Reset Determination Date pursuant to the methods described in (i) and (ii) above, then the Reset Rate will be 0.382 per cent.

Senior Obligations means all payment obligations of the Issuer (including, without limitation, payment obligations in respect of deposits, unsubordinated obligations and obligations preferred by law) except Pari Passu Obligations and Junior Obligations.

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

Tax Event has the meaning given to it in Condition 7.4.

Tier 1 Capital means capital other than Common Equity Tier 1 Capital qualifying as (or would qualify, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations (including, for the avoidance of doubt, the U.S.$500,0000,000 Perpetual Tier 1 Capital Securities issued on 9 July 2019 ISIN: XS2019231823).

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

Trigger Event has the meaning given to it in the Instructions.

For the definition of "Trigger Event" as set out in the Instructions as at the date of this Prospectus, see "Banking Industry and Regulation in Kuwait –Banking Regulation – Capital Adequacy Regulations" below.

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

Write-down means:

(a) the Subordinated Notes shall be cancelled (in the case of a write-down in whole) or written-down in part on a *pro rata* basis (in the case of a write-down in part) as determined by the Issuer in accordance with the prevailing Capital Regulations; and

(b) all rights of any Noteholder for payment of any amounts under or in respect of the Subordinated Notes (including, without limitation, any amounts arising as a result of, or

due and payable upon the occurrence of, an Enforcement Event) shall, as the case may be, be cancelled or written-down *pro rata* among the Noteholders and, in each case, will not be restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date and even if the Non-Viability Event has ceased.

Write-down Amount has the meaning given to it in Condition 8.

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

THE GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Subordinated Notes whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 7 below.

1. FORM OF THE SUBORDINATED NOTES

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

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

2. ACCOUNTHOLDERS

For so long as any of the Subordinated Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Subordinated Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Subordinated Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Subordinated Notes (and the expression "Noteholders", "holders of Subordinated Notes" and references to "holding of Subordinated Notes" and to "holder of Subordinated Notes" shall be construed accordingly) for all purposes other than with respect to payments on such Subordinated Notes, the right to which shall be vested, as against the Issuer, solely in the registered holder of the Global Certificate in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the registered holder of the Global Certificate.

3. CANCELLATION

Cancellation of any Subordinated Note following its redemption or purchase by the Issuer or any of the Issuer's other subsidiaries will be effected by a reduction in the aggregate principal amount of the Subordinated Notes in the register of Noteholders.

4. PAYMENTS

Payments of principal, premium (if any) and interest in respect of Subordinated Notes represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Subordinated Notes, against presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holders of the Global Certificate for such purpose. Such payments will be made to the holder of the Global Certificate at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxemburg are open for business) before the relevant due date.

Distributions of amounts with respect to book-entry interests in the Subordinated Notes will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be entered by or on behalf of the Registrar in the Register and shall be *prima facie* evidence that payment has been made.

5. NOTICES

So long as all the Subordinated Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 13 (*Notices*) except that, so long as the Subordinated Notes are listed on any stock exchange, notices shall also be published in accordance with the rules and regulations of such stock exchange. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Subordinated Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) to the Registrar through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

6. REGISTRATION OF TITLE

The Registrar will not register title to the Subordinated Notes in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of principal or distributions in respect of the Subordinated Notes.

So long as all the Subordinated Notes are represented by the Global Certificate and the Global Certificate is registered in the name of a nominee for Euroclear and Clearstream, Luxembourg, the record date will be close of business on the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date.

7. TRANSFERS

Transfers of book-entry interests in the Subordinated Notes will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

8. EXCHANGE FOR DEFINITIVE CERTIFICATES

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Certificates only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. For these purposes, **Exchange Event** means that: (i) an Enforcement Event has occurred; or (ii) the Subordinated Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, and any such clearing system has been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no successor clearing system is available. In the event of the occurrence of an Exchange Event, any of the Issuer or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the

Registrar within 10 days following the request for exchange for completion and dispatch to the Noteholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Issuer and the Registrar may require) to complete, execute and deliver such Definitive Certificates.

In this Prospectus, **Definitive Certificate** means a certificate in definitive registered form issued by the Issuer in accordance with the provisions of the Agency Agreement in exchange for the Global Certificate, such certificate being substantially in the form set out in the Schedules to the Agency Agreement.

USE OF PROCEEDS

The net proceeds from the issue of Subordinated Notes (estimated to be approximately U.S.$498,000,000) will be used by the Issuer to increase its Tier 2 Capital for the purpose of increasing its capital adequacy and for its general corporate purposes, including the refinancing of existing debt.

SELECTED FINANCIAL INFORMATION

The selected financial information below has been extracted from, should be read in conjunction with, and is qualified in its entirety by reference to, the Group's unaudited interim condensed consolidated financial information and the notes thereto as at and for the nine months ended 30 September 2020 and the Group's consolidated financial statements and the notes thereto as at and for the years ended 31 December 2019 and 31 December 2018, which have each been incorporated by reference in this Prospectus.

Consolidated Statement of Financial Position Data

The following table shows the Group's consolidated statement of financial position data as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

	As at 30 September	As at 31 December		
	2020 *(KD 000's) (Unaudited)*	**2019** *(KD 000's)*	**2018** *(KD 000's)*	**2017** *(KD 000's)*
ASSETS				
Cash and cash equivalents	906,660	614,488	1,164,270	937,174
Treasury bills and bonds with CBK and others	295,063	287,951	380,228	489,809
Due from banks and other financial institutions	380,004	704,768	594,265	632,010
Loans and advances to customers	4,372,624	4,284,320	4,262,740	4,407,568
Investment securities	511,140	538,624	544,255	622,765
Other assets	286,574	226,641	224,633	187,535
Property and equipment	168,887	113,860	109,050	101,756
Intangible assets	21,909	22,903	32,639	36,595
	6,942,861	**6,793,555**	**7,312,080**	**7,415,212**
Disposal group held for sale	-	287,458	-	-
Total Assets	**6,942,861**	**7,081,013**	**7,312,080**	**7,415,212**
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks	278,621	512,860	1,061,307	883,724
Due to other financial institutions	632,991	711,496	804,004	975,164
Deposits from customers	4,514,187	3,991,017	3,767,540	4,154,408
Other borrowed funds	398,338	455,945	456,164	322,494
Other liabilities	208,204	237,259	275,585	211,762
	6,032,341	**5,908,577**	**6,364,600**	**6,547,552**
Liabilities directly associated with the disposal group held for sale	-	220,178	-	-
Total Liabilities	**6,032,341**	**6,128,755**	**6,364,600**	**6,547,552**
EQUITY				
Share capital	262,500	262,500	250,000	215,183
Share premium	249,052	249,052	249,052	210,559
Treasury shares	(1,742)	(1,742)	(2,518)	(2,817)
Statutory reserve	99,465	99,465	90,545	81,815
Voluntary reserve	99,843	99,843	90,923	82,193
Treasury shares reserve	43,135	43,135	43,215	43,309
Fair value reserve	(45,699)	(30,564)	(24,284)	(12,446)
Share based compensation reserve	564	564	564	564
Foreign currency translation reserve	(178,507)	(151,972)	(137,871)	(97,203)
Other reserves	17,638	8,674	22,057	1,503

	As at 30 September	As at 31 December		
	2020 *(KD 000's) (Unaudited)*	**2019** *(KD 000's)*	**2018** *(KD 000's)*	**2017** *(KD 000's)*
Retained earnings	158,835	172,205	170,653	149,752
Total equity attributable to the equity holders of the Bank	**705,084**	**751,160**	**752,336**	**672,412**
Perpetual Tier 1 capital securities	153,100	151,525	144,025	144,025
Non-controlling interests	52,336	49,573	51,119	51,223
Total Equity	**910,520**	**952,258**	947,480	867,660
Total Liabilities and Equity	**6,942,861**	**7,081,013**	**7,312,080**	**7,415,212**

Consolidated Statement of Income Data

The following table shows the Group's consolidated statement of income data for the nine months ended 30 September 2020 and 30 September 2019 and for the years ended 31 December 2019, 31 December 2018 and 31 December 2017.

	Nine months ended 30 September		Year ended 31 December		
	2020 *(KD 000's) (Unaudited)*	**2019** *(KD 000's) (Unaudited)*	**2019** *(KD 000's)*	**2018** *(KD 000's)*	**2017** *(KD 000's)*
Interest income	208,978	262,723	346,597	378,676	337,037
Interest expense	(101,040)	(137,506)	(179,476)	(194,667)	(166,117)
Net interest income	**107,938**	**125,217**	**167,121**	**184,009**	**170,920**
Fee and commission income	29,370	32,918	44,768	45,416	43,753
Fee and commission expense	(4,232)	(4,446)	(6,401)	(6,963)	(7,131)
Net fee and commission income	**25,138**	**28,472**	**38,367**	**38,453**	**36,622**
Net gain from foreign currencies	8,409	5,634	7,130	10,832	9,655
Net investment income	11,786	11,173	14,138	3,750	10,019
Dividend income	1,576	3,564	7,364	11,893	3,042
Other income[6]	9,699	4,206	14,030	16,332	9,168
Operating income	**164,546**	**178,266**	**248,150**	**265,269**	**239,426**
Staff expenses	(33,934)	(36,865)	(49,699)	(50,737)	(50,825)
Other expenses	(35,003)	(37,829)	(52,505)	(60,993)	(58,366)
Operating profit before credit loss expense and provisions[7]	**95,609**	**103,572**	**145,946**	**153,539**	**130,235**
Provision for credit losses	(53,839)	(25,723)	(49,141)	(62,254)	(41,538)
Provision (reversal) charge for other financial assets	(547)	61	(73)	912	(8,770)
Profit for the period/year before taxation and board of directors' remuneration[8]	**41,223**	**77,910**	**96,732**	**92,197**	**79,927**
Taxation	(5,411)	(8,934)	(11,771)	(8,413)	(10,767)
Board of directors' remuneration	-	-	(90)	(90)	(90)
Profit for the period/year	**35,812**	**68,976**	**84,871**	**83,694**	**69,070**

6 'Other income' is disclosed as 'Other income (net)' in the 2019 Annual Financial Statements.

7 'Operating profit before credit loss expense and provisions' is disclosed as 'Operating profit before provision' in the Annual Financial Statements.

8 'Profit for the period/year before taxation and board of directors' remuneration' is disclosed as 'Profit before taxation' in the 2020 Interim Financial Statements.

	Nine months ended 30 September		Year ended 31 December		
	2020 *(KD 000's) (Unaudited)*	**2019** *(KD 000's) (Unaudited)*	**2019** *(KD 000's)*	**2018** *(KD 000's)*	**2017** *(KD 000's)*
Attributable to:					
Equity holders of the Bank	32,575	67,454	84,682	82,579	65,223
Non-controlling interests	3,237	1,522	189	1,115	3,847
	35,812	**68,976**	**84,871**	**83,694**	**69,070**
Basic and diluted earnings per share attributable to the equity holders of the Bank (Fils)	**10.1**	**19.0**	**24.1**	**29.6**	**24.2**

Consolidated Statement of Comprehensive Income Data

The following table shows the Group's consolidated statement of comprehensive income data for the nine months ended 30 September 2020 and 30 September 2019 and for the years ended 31 December 2019, 31 December 2018 and 31 December 2017.

	Nine months ended 30 September		Year ended 31 December		
	2020 *(KD 000's) (Unaudited)*	**2019** *(KD 000's) (Unaudited)*	**2019** *(KD 000's)*	**2018** *(KD 000's)*	**2017** *(KD 000's)*
Profit for the period/year	**35,812**	**68,976**	**84,871**	**83,694**	**69,070**
Other comprehensive (loss) income:					
Items that will not be reclassified to interim condensed consolidated / consolidated statement of income in subsequent periods:					
Net change in fair value of equity instruments at fair value through other comprehensive income	(14,590)	(3,091)	(6,606)	(18,216)	-
	(14,590)	**(3,091)**	**(6,606)**	(**18,216**)	-
Items that will be reclassified to interim condensed consolidated / consolidated statement of income in subsequent periods:					
Debt instruments at fair value through other comprehensive income:					
Net change in fair value	8,179	4,970	2,039	(3,801)	-
Changes in allowance for expected credit losses	(9)	(43)	14	(43)	-
Net (gain) loss transfer to interim condensed consolidated / consolidated statement of income	(8,694)	(5,395)	(2,033)	1,404	-
Financial assets available for sale (IAS 39):	-	-	-		
Net change in fair value	-	-	-	-	(11,429)
Net transfer to consolidated statement of income	-	-	-	-	(3,626)
Foreign currency translation adjustment	(28,030)	(7,285)	(13,246)	(40,974)	(15,166)

	Nine months ended 30 September		Year ended 31 December		
	2020 *(KD 000's) (Unaudited)*	**2019** *(KD 000's) (Unaudited)*	**2019** *(KD 000's)*	**2018** *(KD 000's)*	**2017** *(KD 000's)*
Changes in fair value of cash flow hedges	2,316	(5,030)	(6,988)	3,518	1,592
Net gain (loss) on hedge of a net investment	7,648	(8,964)	(7,439)	17,007	(2,747)
Other comprehensive loss for the period/year	**(33,180)**	**(24,838)**	**(34,259)**	**(41,105)**	**(31,376)**
Total comprehensive income for the period/year	**2,632**	**44,138**	**50,612**	**42,589**	**37,694**
Attributable to:					
Equity holders of the Bank	(131)	42,916	50,897	41,878	35,457
Non-controlling interests	2,763	1,222	(285)	711	2,237
	2,632	**44,138**	**50,612**	**42,589**	**37,694**

Consolidated Statement of Cash Flows Data

The following table shows the Group's consolidated statement of cash flows data for the nine months ended 30 September 2020 and 30 September 2019 and for the years ended 31 December 2019, 31 December 2018 and 31 December 2017.

	Nine months ended 30 September		Year ended 31 December		
	2020 *(KD 000's) (Unaudited)*	**2019** *(KD 000's) (Unaudited)*	**2019** *(KD 000's)*	**2018** *(KD 000's)*	**2017** *(KD 000's)*
Operating activities					
Profit for the period/year before taxation and board of directors' remuneration[8]	41,223	77,910	96,732	92,197	79,927
Adjustments:					
Net investment income	(11,786)	(11,173)	(14,138)	(3,750)	(10,019)
Provision for credit losses	53,839	25,723	49,141	62,254	41,538
Provision (reversal) charge for other financial assets	547	(61)	73	(912)	8,770
Interest payment on AT1 Securities	-	496	496	-	-
Dividend income	(1,576)	(3,564)	(7,364)	(11,893)	(3,042)
Depreciation and amortisation	9,287	11,408	15,650	12,309	12,160
Other income			(7,434)	-	(6,260)
Gain on sale of property and equipment			(10,449)	-	-
Loss on measurement of disposal group held for sale			10,664	-	-
Operating profit before changes in operating assets and liabilities	**91,534**	**100,739**	**133,371**	**150,205**	**123,074**
Changes in operating assets and liabilities:					

	Nine months ended 30 September		Year ended 31 December		
	2020 *(KD 000's) (Unaudited)*	**2019** *(KD 000's) (Unaudited)*	**2019** *(KD 000's)*	**2018** *(KD 000's)*	**2017** *(KD 000's)*
Treasury bills and bonds with CBK and others	17,679	43,095	67,486	109,146	(9,813)
Due from banks and other financial institutions	360,093	(36,940)	(144,835)	37,484	171,695
Loans and advances to customers	(116,682)	19,371	(109,698)	82,399	(225,313)
Other assets	(29,396)	(13,157)	(26,537)	(31,047)	(7,124)
Due to banks	(234,422)	(703,269)	(546,838)	177,583	59,048
Due to other financial institutions	(78,505)	(47,461)	(92,508)	(171,160)	(233,255)
Deposits from customers	307,059	199,349	439,588	(386,868)	417,149
Other liabilities	(30,714)	(25,578)	(63,288)	63,940	(4,274)
Taxation paid	(4,301)	(4,896)	(5,680)	(8,620)	(9,793)
Net cash flows from (used in) operating activities	**282,345**	**(468,747)**	**(348,939)**	**23,062**	**281,394**
Investing activities					
Purchase of investment securities	(575,499)	(473,706)	(603,161)	(505,700)	(1,019,340)
Proceeds from sale of investment securities	609,410	535,714	601,529	584,622	942,209
Advance received for sale of subsidiary	-	-	7,981	-	-
Purchase of property and equipment, net of disposals	(50,668)	(15,158)	(6,339)	(15,658)	(20,474)
Net movement in non-controlling interest	-	(480)	(480)	431	-
Dividends received	1,576	3,564	7,364	11,893	3,042
Net cash flows (used in) from investing activities	**(15,181)**	**49,934**	**6,894**	**75,588**	**(94,563)**
Financing activities					
Other borrowed funds	(58,093)	970	267	133,670	(115,500)
Sale of treasury shares	-	696	696	205	7,992
Cash dividend paid to equity holders of the Bank	(31,445)	(29,924)	(29,924)	(15,021)	(10,141)
Cash dividend paid to non-controlling interests	-	(202)	(781)	(612)	(2,438)
Proceeds from share capital increase	-	-	-	62,551	-
Net proceeds from issue of Tier 1 Capital securities	-	150,558	150,558	-	-
Repayment of Tier 1 Capital securities	-	(152,403)	(152,403)	-	-
Interest Payment on Tier 1 capital securities	(4,426)	(9,881)	(14,019)	(10,930)	(11,003)
Net cash flows (used in) from financing activities	**(93,964)**	**(40,186)**	**(45,606)**	**169,863**	**(131,090)**
Net increase (decrease) in cash and cash equivalents	**173,200**	**(458,999)**	**(387,651)**	**268,513**	**55,741**
Effect of foreign currency translation	(28,048)	(7,870)	(15,111)	(40,963)	(14,572)
Transition adjustment on adoption of IFRS 9	-	-	-	(454)	-

	Nine months ended 30 September		Year ended 31 December		
	2020 *(KD 000's) (Unaudited)*	**2019** *(KD 000's) (Unaudited)*	**2019** *(KD 000's)*	**2018** *(KD 000's)*	**2017** *(KD 000's)*
Cash and cash equivalents at 1 January	761,508	1,164,270	1,164,270	937,174	896,005
Cash and cash equivalents at 30 September / 31 December	**906,660**	**697,401**	**761,508**	**1,164,270**	**937,174**
Additional cash flow information:					
Interest received	156,468	282,705	389,867	346,513	318,527
Interest paid	109,563	147,694	193,932	192,189	165,710

Consolidated Statement of Financial Position Data

As at 30 September 2020 and 31 December 2019

As at 30 September 2020, the Group's consolidated total assets stood at KD 6,942.9 million compared to KD 7,081.0 million as at 31 December 2019, representing a decrease of 2.0 per cent. The decrease in consolidated total assets was primarily a result of a 46.1 per cent. decrease in dues from banks and other financial institutions from KD 704.8 million as at 31 December 2019 to KD 380.0 million as at 30 September 2020. As at 30 September 2020, loans and advances to customers (net of provisions), which accounted for 63.0 per cent. of the Group's total assets, increased by 2.1 per cent., from KD 4,284.3 million as at 31 December 2019 to KD 4,372.6 million as at 30 September 2020.

The table below shows the Group's loans and advances to customers portfolio, provisions and net loans and advances to customers to total deposit ratios as at 30 September 2020 and 31 December 2019.

	30 September 2020 *(KD 000's) (Unaudited)*	31 December 2019 *(KD 000's)*
Gross loans and advances to customers[(1)]	4,630,527	4,497,169
Less: provision	(257,903)	(212,849)
Net loans and advances to customers[(2)]	**4,372,624**	**4,284,320**
Loans to customer deposits	96.9%	107.3%
Net loans and advances to customers/total deposits[(3)]	80.6%	82.1%

Notes:

(1) Gross loans and advances to customers comprises total loans and advances provided to customers disregarding provision.

(2) Net loans and advances to customers comprise gross loans and advances to customers less provision.

(3) Total deposits comprises due to banks, due to other financial institutions and deposits from customers.

Cash and cash equivalents, which represented 13.1 per cent. of the Group's total assets as at 30 September 2020, increased by 47.5 per cent. from KD 614.5 million as at 31 December 2019 to KD 906.7 million as at 30 September 2020. This increase was primarily due to a 86.9 per cent. increase in cash in hand and in current account with banks and OFIs, from KD 274.0 million as at 31 December 2019 to KD 512.1 million as at 30 September 2020.

Treasury bills and bonds with CBK and others increased by 2.5 per cent. from KD 288.0 million as at 31 December 2019 to KD 295.1 million as at 30 September 2020. Investment securities decreased by 5.1 per cent. from KD 538.6 million as at 31 December 2019 to KD 511.1 million as at 30 September 2020. Due

from banks and other financial institutions decreased by 46.1 per cent. from KD 704.8 million as at 31 December 2019 to KD 380.0 million as at 30 September 2020.

As at 30 September 2020, the consolidated total liabilities of the Group decreased by 1.6 per cent. to KD 6,032.3 million as compared to KD 6,128.8 million as at 31 December 2019.

Customer deposits (which as at 30 September 2020 constituted 74.8 per cent. of the Group's total liabilities) increased by 13.1 per cent. from KD 3,991.0 million as at 31 December 2019 to KD 4,514.2 million as at 30 September 2020. However, other borrowed funds decreased by 12.6 per cent. from KD 455.9 million as at 31 December 2019 to KD 398.3 million as at 30 September 2020. Due to banks also decreased during the first nine months of 2020, from KD 512.9 million as at 31 December 2019 to KD 278.6 million as at 30 September 2020, representing a decrease of 45.7 per cent.

The table below shows the Group's funding in the form of due to banks, due to other financial institutions, deposits from customers, other borrowed funds and other liabilities as at 30 September 2020.

	30 September 2020	
	(KD 000's) (Unaudited)	*(% of total liabilities)*
Due to banks	278,621	4.6%
Due other financial institutions	632,991	10.5%
Deposits from customers	4,514,187	74.8%
Other borrowed funds	398,338	6.6%
Other liabilities	208,204	3.5%
Total liabilities	**6,032,341**	**100.0%**

As at 31 December 2019 and 31 December 2018

As at 31 December 2019, the Group's consolidated total assets stood at KD 7,081.0 million compared to KD 7,312.1 million as at 31 December 2018, representing a decrease of 3.2 per cent. The decrease in consolidated total assets was primarily a result of a 47.2 per cent. decrease in cash and cash equivalents from KD 1,164.3 million as at 31 December 2018 to KD 614.5 million as at 31 December 2019. As at 31 December 2019, loans and advances to customers (net of provisions), which accounted for 60.5 per cent. of the Group's total assets, increased by 0.5 per cent., from KD 4,262.7 million as at 31 December 2018 to KD 4,284.3 million as at 31 December 2019. This increase was primarily due to an increase of 1.9 per cent. in gross loans and advances to corporate customers from KD 4,023.9 million as at 31 December 2018 to KD 4,101.8 million as at 31 December 2019.

The table below shows the Group's loans and advances to customers portfolio, provisions and net loans and advances to customers to deposit ratios as at 31 December 2019 and 31 December 2018.

	31 December 2019	**31 December 2018**
	(KD 000's)	*(KD 000's)*
Gross loans and advances to customers[(1)]	4,497,169	4,451,544
Less: provision	(212,849)	(188,804)
Net loans and advances to customers[(2)]	**4,284,320**	**4,262,740**
Loans to customer deposits	107.3%	113.1%
Net loans and advances to customers/total deposits[(3)]	82.1%	75.7%

Notes:

(1) Gross loans and advances to customers comprises total loans and advances provided to customers disregarding provision.

(2) Net loans and advances to customers comprise gross loans and advances to customers less provision.

(3) Total deposits comprises due to banks, due to other financial institutions and deposits from customers.

Cash and cash equivalents, which represented 8.7 per cent. of the Group's total assets as at 31 December 2019, decreased by 47.2 per cent. from KD 1,164.3 million as at 31 December 2018 to KD 614.5 million as at 31 December 2019. This decrease was primarily due to a 55.0 per cent. decrease in due from banks and other financial institutions maturing within thirty days, from KD 530.5 million as at 31 December 2018 to KD 238.6 million as at 31 December 2019.

Treasury bills and bonds with the CBK and others decreased by 24.3 per cent. from KD 380.2 million as at 31 December 2018 to KD 288.0 million as at 31 December 2019. Investment securities decreased by 1.0 per cent. from KD 544.3 million as at 31 December 2018 to KD 538.6 million as at 31 December 2019. Due from banks and other financial institutions increased by 18.6 per cent. from KD 594.3 million as at 31 December 2018 to KD 704.8 million as at 31 December 2019.

As at 31 December 2019, the consolidated total liabilities of the Group decreased by 3.7 per cent. to KD 6,128.8 million compared to KD 6,364.6 million as at 31 December 2018. The decrease was primarily a result of a 51.7 per cent. decrease in due to banks from KD 1,061.3 million as at 31 December 2018 to KD 512.9 million as at 31 December 2019.

Customer deposits (which as at 31 December 2019 constituted 65.1 per cent. of the Group's total liabilities) increased by 5.9 per cent. from KD 3,767.5 million as at 31 December 2018 to KD 3,991.0 million as at 31 December 2019. This increase primarily reflected increases in customer deposits with the Bank in Kuwait and BBT. However, other borrowed funds decreased by 0.05 per cent. from KD 456.2 million as at 31 December 2018 to KD 456.0 million as at 31 December 2019. Due to banks also decreased during 2019, from KD 1,061.3 million as at 31 December 2018 to KD 512.9 million as at 31 December 2019, representing a decrease of 51.7 per cent., reflecting decrease in amounts due to banks for the Bank in Kuwait and BBT.

The table below shows the Group's funding in the form of due to banks, due to other financial institutions, deposits from customers, other borrowed funds and other liabilities as at 31 December 2019.

	31 December 2019	
	(KD 000's)	*(% of total liabilities)*
Due to banks	512,860	8.4%
Due to other financial institutions	711,496	11.6%
Deposits from customers	3,991,017	65.1%
Other borrowed funds	455,945	7.4%
Other liabilities	237,259	3.9%
Total funding	**5,908,577**	**96.4%**
Liabilities directly associated with the disposal group held for sale	220,178	3.6%
Total Liabilities	**6,128,755**	**100.0%**

As at 31 December 2018 and 31 December 2017

As at 31 December 2018, the Group's consolidated total assets stood at KD 7,312.1 million compared to KD 7,415.2 million as at 31 December 2017, representing a decrease of 1.4 per cent. The decrease in consolidated total assets was primarily a result of a decrease in loans and advances to customers, treasury bills and bonds with CBK and others, and investment securities. As at 31 December 2018, loans and advances to customers (net of provisions), which accounted for 58.3 per cent. of the Group's total assets, decreased by 3.3 per cent., from KD 4,407.6 million as at 31 December 2017 to KD 4,262.7 million as at 31 December 2018. This decrease was primarily due to a 2.5 per cent. decrease in gross loans and advances to corporate customers.

Cash and cash equivalents, which represented 15.9 per cent. of the Group's total assets as at 31 December 2018, increased by 24.2 per cent. from KD 937.2 million as at 31 December 2017 to KD 1,164.3 million as at 31 December 2018. This increase was primarily due to a 123.3 per cent. increase in due from banks and other financial institutions maturing within thirty days, from KD 237.6 million as at 31 December 2017 to KD 530.5 million as at 31 December 2018.

Treasury bills and bonds with CBK and others decreased by 22.4 per cent. from KD 489.8 million as at 31 December 2017 to KD 380.2 million as at 31 December 2018. Investment securities decreased by 12.6 per cent. from KD 622.8 million as at 31 December 2017 to KD 544.3 million as at 31 December 2018. Due from banks and other financial institutions decreased by 6.0 per cent. from KD 632.0 million as at 31 December 2017 to KD 594.3 million as at 31 December 2018.

As at 31 December 2018, the consolidated total liabilities of the Group decreased by 2.8 per cent. to KD 6,364.6 million compared to KD 6,547.6 million as at 31 December 2017. The decrease was primarily a result of decrease in deposits from customers.

Customer deposits (which as at 31 December 2018 constituted 59.2 per cent. of the Group's total liabilities) decreased by 9.3 per cent. from KD 4,154.4 million as at 31 December 2017 to KD 3,767.5 million as at 31 December 2018. This decrease primarily reflected decreases in customer deposits with the Bank in Kuwait and BBT. However, other borrowed funds increased by 41.4 per cent. from KD 322.5 million as at 31 December 2017 to KD 456.2 million as at 31 December 2018. Due to banks also increased during 2018, from KD 883.7 million as at 31 December 2017 to KD 1,061.3 million as at 31 December 2018, representing an increase of 20.1 per cent., reflecting an increase in amounts due to banks for the Bank in Kuwait and which was partially offset by a decline in amounts due to banks at BBT.

Consolidated Assets - Geographic segmentation

The following table sets out the Bank's consolidated assets by country as at 30 September 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

	As at 30 September	**As at 31 December**		
	2020 ***(Unaudited)***	**2019**	**2018**	**2017**
	(KD million)			
Assets – Geographical segmentation				
Kuwait	5,406.7	5,528.0	5,551.6	5,453.0
Turkey	1,044.7	1,121.7	1,279.1	1,467.5
Algeria	593.3	589.8	662.2	680.2
Iraq	306.9	287.5	277.4	271.0
Tunisia	147.4	164.1	183.1	175.7
Consolidation adjustments	(556.1)	(609.9)	(641.3)	(632.2)
Total	**6,942.9**	**7,081.0**	**7,312.1**	**7,415.2**

As at 30 September 2020, the Group's largest geographical asset exposure after Kuwait was Turkey, followed by Algeria, Iraq and Tunisia, representing 13.9 per cent., 7.9 per cent., 4.1 per cent. and 2.0 per cent. of the Group's total assets, respectively (calculated on a consolidated basis before consolidation adjustments). As at 31 December 2019, the Group's largest geographical asset exposure after Kuwait was Turkey, followed by Algeria, Iraq and Tunisia, representing 14.6 per cent., 7.7 per cent., 3.7 per cent. and 2.1 per cent. of the Group's total assets, respectively (calculated on a consolidated basis before consolidation adjustments). As at 31 December 2018, the Group's largest geographical asset exposure after Kuwait was Turkey, followed by Algeria, Iraq and Tunisia, representing 16.1 per cent., 8.3 per cent., 3.5 per cent. and 2.3 per cent. of the Group's total assets, respectively (calculated on a consolidated basis before consolidation adjustments).

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Nine months ended 30 September 2020 and 30 September 2019

The Group's net interest income decreased by 13.8 per cent. from KD 125.2 million for the nine months ended 30 September 2019 to KD 107.9 million for the nine months ended 30 September 2020. This decrease

was principally the result of a 20.5 per cent. decrease in interest income from KD 262.7 million for the nine months ended 30 September 2019 to KD 209.0 million for the nine months ended 30 September 2020. Interest expense also decreased from KD 137.5 million for the nine months ended 30 September 2019 to KD 101.0 million for the nine months ended 30 September 2020, representing a decrease of 26.5 per cent. The Group's net fee and commission income decreased by 11.7 per cent. from KD 28.5 million for the nine months ended 30 September 2019 to KD 25.1 million for the nine months ended 30 September 2020.

The Group's operating income decreased by 7.7 per cent. from KD 178.3 million for the nine months ended 30 September 2019 to KD 164.5 million for the nine months ended 30 September 2020. In addition, operating profit before credit loss expense and provisions decreased by 7.7 per cent. from KD 103.6 million for the nine months ended 30 September 2019 to KD 95.6 million for the nine months ended 30 September 2020. Profit before taxation decreased by 47.1 per cent. from KD 77.9 million for the nine months ended 30 September 2019 to KD 41.2 million for the nine months ended 30 September 2020. Profit for the period decreased by 48.1 per cent. from KD 69.0 million for the nine months ended 30 September 2019 to KD 35.8 million for the nine months ended 30 September 2020. This decrease was primarily due to 109.3 per cent. increase in provision for credit losses from KD 25.7 million for the nine months ended 30 September 2019 to KD 53.8 million for the nine months ended 30 September 2020.

The Group recorded total comprehensive income of KD 2.6 million for the nine months ended 30 September 2020 compared to a total comprehensive income of KD 44.1 million for the nine months ended 30 September 2019, representing a decrease of 94.0 per cent. The decrease was primarily due to a higher negative foreign currency translation adjustment of KD 28.0 million for the nine months ended 30 September 2020 (compared to a negative foreign currency translation adjustment of KD 7.3 million for the nine months ended 30 September 2019) and a higher net negative change in fair value of equity instruments at fair value through other comprehensive income of KD 14.6 million for the nine months ended 30 September 2020 (compared to a net negative change in fair value of equity instruments at fair value of KD 3.1 million for the nine months ended 30 September 2019).

Years ended 31 December 2019 and 31 December 2018

The Group's net interest income decreased by 9.2 per cent. from KD 184.0 million for the year ended 31 December 2018 to KD 167.1 million for the year ended 31 December 2019. This decrease was principally the result of 8.5 per cent. decrease in interest income from KD 378.7 million for the year ended 31 December 2018 to KD 346.6 million for the year ended 31 December 2019. Interest expense also decreased from KD 194.7 million for the year ended 31 December 2018 to KD 179.5 million for the year ended 31 December 2019, representing a decrease of 7.8 per cent. The Group's net fee and commission income decreased by 0.2 per cent. from KD 38.5 million for the year ended 31 December 2018 to KD 38.4 million for the year ended 31 December 2019.

The Group's operating income decreased by 6.5 per cent. from KD 265.3 million for the year ended 31 December 2018 to KD 248.2 million for the year ended 31 December 2019. In addition, operating profit before provision decreased by 4.9 per cent. from KD 153.5 million for the year ended 31 December 2018 to KD 145.9 million for the year ended 31 December 2019. Profit before taxation and board of directors' remuneration increased by 4.9 per cent. from KD 92.2 million for the year ended 31 December 2018 to KD 96.7 million for the year ended 31 December 2019. Profit for the year increased by 1.4 per cent. from KD 83.7 million for the year ended 31 December 2018 to KD 84.9 million for the year ended 31 December 2019. This increase was primarily due to 21.1 per cent. decrease in provision for credit losses from KD 62.3 million for the year ended 31 December 2018 to KD 49.1 million for the year ended 31 December 2019.

The Group recorded total comprehensive income of KD 50.6 million for the year ended 31 December 2019 compared to a total comprehensive income of KD 42.6 million for the year ended 31 December 2018, representing an increase of 18.8 per cent. The increase was primarily due to a lower negative foreign currency translation adjustment of KD 13.2 million for the year ended 31 December 2019 (compared to a negative foreign currency translation adjustment of KD 41.0 million for the year ended 31 December 2018) and a

lower net negative change in fair value of equity instruments at fair value of KD 6.6 million for the year ended 31 December 2019 (compared to a net negative change in fair value of equity instruments at fair value of KD 18.2 million for the year ended 31 December 2018).

Years ended 31 December 2018 and 31 December 2017

The Group's net interest income increased by 7.7 per cent. from KD 170.9 million for the year ended 31 December 2017 to KD 184.0 million for the year ended 31 December 2018. This increase was principally the result of a 12.4 per cent. increase in interest income from KD 337.0 million for the year ended 31 December 2017 to KD 378.7 million for the year ended 31 December 2018. Interest expense also increased from KD 166.1 million for the year ended 31 December 2017 to KD 194.7 million for the year ended 31 December 2018, representing an increase of 17.2 per cent. The Group's net fee and commission income increased by 5.0 per cent. from KD 36.6 million for the year ended 31 December 2017 to KD 38.5 million for the year ended 31 December 2018.

The Group's operating income increased by 10.8 per cent. from KD 239.4 million for the year ended 31 December 2017 to KD 265.3 million for the year ended 31 December 2018. In addition, operating profit before provision increased by 17.9 per cent. from KD 130.2 million for the year ended 31 December 2017 to KD 153.5 million for the year ended 31 December 2018. Profit before taxation and board of directors' remuneration increased by 15.4 per cent. from KD 79.9 million for the year ended 31 December 2017 to KD 92.2 million for the year ended 31 December 2018. Profit for the year increased by 21.2 per cent. from KD 69.1 million for the year ended 31 December 2017 to KD 83.7 million for the year ended 31 December 2018. This increase was primarily due to the increase in operating income discussed above.

The Group recorded total comprehensive income of KD 42.6 million for the year ended 31 December 2018 compared to a total comprehensive income of KD 37.7 million for the year ended 31 December 2017, representing an increase of 13.0 per cent. The increase was primarily due to an increase in profit for the year and net gain on hedge of a net investment of KD 17.0 million for the year ended 31 December 2018 (compared to a net loss of KD 2.7 million for the year ended 31 December 2017), partially offset by a negative foreign currency translation adjustment of KD 41.0 million for the year ended 31 December 2018 (compared to a negative foreign currency translation adjustment of KD 15.2 million for the year ended 31 December 2017).

Consolidated Operating income - Geographic segmentation

The following table sets out the Bank’s consolidated operating income data by country for the nine months ended 30 September 2020 and 30 September 2019 and the years ended 31 December 2019, 31 December 2018 and 31 December 2017.

	Nine months ended 30 September		**Year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
	(KD million) (Unaudited)		*(KD million)*		
Operating Income					
Kuwait	82.1	105.2	155.7	152.4	134.4
Turkey	34.1	33.4	44.4	54.1	47.7
Algeria	32.2	30.0	41.3	43.5	37.0
Iraq	11.6	6.9	9.4	10.7	16.3
Tunisia	3.4	3.6	6.4	6.6	5.7
Consolidation adjustments	1.3	(0.8)	(9.1)	(2.0)	(1.5)
Total	164.5	178.3	**248.2**	**265.3**	**239.4**

Key Financial Ratios

The following table sets out certain key ratios calculated with results derived from the Financial Statements. These ratios are not calculated on the basis of IFRS and are not IFRS measures of financial performance.

	Nine months ended 30 September	Year Ended 31 December		
	2020	2019	2018	2017
Key Measures of Profitability				
Return on Average[1] Assets (ROAA)[2]	0.6	1.2	1.1	0.9
Return on Average[1] Equity (ROAE)[3]	6.0	11.3	11.6	9.9
Net interest margin[4]	2.2	2.4	2.6	2.4
Net interest spread[5]	1.9	2.1	2.3	2.2
Efficiency				
Cost to income[6]	41.9	41.2	42.1	45.6
Total operating expenses[7] to average total assets	1.3	1.4	1.5	1.5
Asset Quality				
Non-performing loans[8] to cash exposure[9]	4.4	2.5	2.7	2.7
Risk provision[10] to non-performing loans[8]	131.9	199.8	167.5	154.8
Non-performing loans[8] net of collateral to cash exposure[9]	1.2	0.4	0.7	0.6
Non-performing assets[8] to total exposure[9]	3.7	2.1	2.3	2.3
Risk provision[10] to non-performing assets[8]	135.5	202.1	171.4	159.3
Non-performing assets[8] net of collateral to total exposure[9]	1.0	0.4	0.7	0.6
Cost of credit ratio[11]	1.6	1.1	1.4	0.9
Funding / Liquidity / Capitalisation				
Loans to customer deposits	96.9	107.3	113.1	106.1
Loans to total assets	63.0	60.5	58.3	59.4
Total assets to total equity[12]	9.8	9.4	9.7	11.0
Total liabilities to total equity[12]	8.6	8.2	8.5	9.7
Capital Adequacy Ratio[13]	16.0	16.8	17.4	16.2
Tier 1 Capital Ratio[13]	13.1	14.0	14.4	13.5
Liquidity ratio[14]	22.8	22.7	29.2	27.8

1 Average numbers for 31 December are computed as average of the fiscal year end and corresponding preceding fiscal year end while average numbers for interim periods are computed as average of the period ended 30 September 2020 and the last fiscal year end.

2 Calculated as profit for the year or annualised profit for the period attributable to equity holders of the Bank divided by average total assets.

3 Calculated as profit for the year or annualised profit for the period attributable to equity holders of the Bank divided by average total equity attributable to the equity holders of the Bank.

4 Calculated as net interest income for the year or annualised net interest income for the period divided by average interest earning assets. Interest earning assets comprise all assets excluding other assets, property and equipment, and intangible assets. The average for these assets is calculated as provided in Footnote 1 above.

5 Calculated as yield (interest income / average interest earning assets) less cost of funds (interest expenses / average interest-bearing liabilities). The interest income and interest expense are annualised for the nine months ended 30 September 2020. Interest bearing liabilities comprise due to banks, due to other financial institutions, deposits from customers and other borrowed funds. The average for these liabilities is calculated as provided in Footnote 1 above.

6 Calculated as total operating expenses (being the sum of staff expenses and other expenses) divided by operating income.

7 Sum of staff expenses and other expenses. Total operating expenses are annualised for the nine months ended 30 September 2020.

8 Non-performing loans constitute a subset of non-performing assets and includes exposures to OFIs / banks. In addition to loans and advances to customers and cash exposures to OFIs / banks, non-performing assets include non-cash exposures.

9 Cash exposure includes cash credit facilities to customers, OFIs and banks (excluding placements). Total exposure includes cash and non-cash credit facilities to customers, OFIs and banks (excluding placements).

[10] Risk provision against non-performing loans is a sub-set of risk provision against non-performing assets. In addition to total provisions, i.e. sum of general and specific provisions, available against loans and advances to customers and exposure to OFIs / banks, risk provision against non-performing assets also includes provisions for non-cash credit facilities.

[11] Calculated as provision for credit losses for the year or annualised provision for credit losses for the period divided by gross loans and advances to customers.

[12] Total equity represents total equity attributable to the equity holders of the Bank.

[13] Calculated in accordance with the requirements of the CBK's Basel III regulations.

[14] Calculated as the sum of cash and cash equivalents, treasury bills and bonds with CBK and others and due from banks and other financial institutions divided by total assets.

Further information

For further detail on the financial information of the Group, please see: (i) the notes to the 2020 Interim Financial Statements; (ii) the notes to the 2019 Annual Financial Statements; and (iii) the notes to the 2018 Annual Financial Statements.

Recent Developments

Update on Bank of Baghdad Disposal

On 30 October 2019, the Board had approved the sale of the Bank's entire stake (51.79 per cent.) in BoB to a related party (United Gulf Holding Company BSC). Accordingly, as at 31 December 2019, BoB was classified as a disposal group held for sale in the 2019 Annual Financial Statements. However, on 10 June 2020, the sale of BoB was cancelled due to the challenging macroeconomic environment caused by the Covid-19 pandemic and accordingly it is not classified as a disposal group held for sale in the 2020 Interim Financial Statements. On 16 November 2020, the Bank announced that it is currently under discussions with potential buyers to sell its 51.79 per cent. shareholding in Bank of Baghdad.

DESCRIPTION OF THE BANK

Overview

The Bank was incorporated on 27 December 1975 in Kuwait by an Amiri Decree and is registered with the Ministry of Commerce and Industry under Commercial Registration No. 24067 and is listed on the Boursa Kuwait.

The Bank operates principally in Kuwait, where it is a full service commercial bank. As at 30 September 2020, the Bank was Kuwait's second largest conventional commercial bank by total assets (based on the interim condensed consolidated financial information of the Bank and other conventional commercial banks in Kuwait for the nine months ended 30 September 2020). As at 30 September 2020, the Bank also has controlling interests in BBT, AGB, and BoB, operating in Turkey, Algeria and Iraq, respectively, and each of which is a full service commercial bank. The Bank also has a controlling interest in TIB, an offshore bank in Tunisia.

The Bank, together with its subsidiaries, offers a wide range of commercial banking services to its corporate, private and retail banking customers. As at 30 September 2020, these services were offered through a distribution network of 29 branches and 150 ATMs in Kuwait, 61 branches and 104 ATMs in Algeria (through AGB), 35 branches and 59 ATMs in Iraq (through BoB), 33 branches and 33 ATMs in Turkey (through BBT), three branches in Tunisia (through TIB), and one branch and one ATM in Lebanon (through BoB), and one representative office in Libya (through TIB). In addition to this network, the Bank also offers internet and telephone banking to its customers.

In addition to its subsidiaries, international banking activity is also undertaken through a number of correspondent banking relationships and a network of affiliate banks in the KIPCO group (as defined below) (including United Gulf Bank (**UGB**), Jordan Kuwait Bank Public Limited Shareholding Company (**JKB**) and FIMBank p.l.c., based in Malta (**FIMBank**)).

The Bank is registered in the register of banks maintained by the CBK. The Bank's registered office is Burgan Tower, Abdullah Al-Ahmad Street, Al Sharq, Kuwait, Tel: +965 2298 8000.

Listing and privatisation

The Bank was listed on the Boursa Kuwait on 29 September 1984. At the close of trading on the Boursa Kuwait on 30 September 2020, the Bank's share price was KD 0.202 giving it a market capitalisation of KD 529.0 million.

As part of Kuwait's privatisation initiative across the banking industry, the Bank was privatised in 1997. The Government reduced its ownership in the Bank from 61.0 per cent. to less than 10.0 per cent. As at the date of this Prospectus, the Government continued to own (directly or indirectly) an equity stake of less than 10.0 per cent. in the Bank.

Authorised and paid-up capital

As at 30 September 2020, the Bank had an authorised share capital of 4,000,000,000 shares of 100 fils each, comprising 2,625,000,000 issued and fully paid up shares of 100 fils each.

On 10 October 2018, the Bank raised KD 62,551,198 by issuing 240,581,530 ordinary shares (the **Rights Issue**), which was approved by the Board of Directors of the Bank, and the relevant regulatory bodies. Shareholders were offered 240,581,530 shares at an offer price of KD 0.260 per share, comprising a nominal value of KD 0.100 per share and a premium of KD 0.160 per share. The Rights Issue was fully subscribed, resulting in a KD 24,058,153 increase in share capital, and a share premium of KD 38,493,045.

At the extraordinary general meeting of the shareholders held on 23 December 2018, the shareholders approved to increase the Bank's authorised capital from KD 250,000,000 to KD 400,000,000 and to amend article (6) of the Bank's Memorandum of Association and article (5) of the Articles of Association accordingly.

Ownership and Dividends

As at 30 September 2020, the following shareholders had holdings in excess of 5.0 per cent. of the Bank's issued ordinary share capital:

Shareholders	**Percentage of shares***	**Number of ordinary shares**
	(%)	*(KD millions)*
Kuwait Projects Company Holding K.S.C.P.**	41.2	1,080.9
United Gulf Holding Company B.S.C.	15.0	393.8
Public Institution for Social Security	7.6	199.3

* *Calculated as number of shares held divided by the total number of shares issued.*

** *See "PARENT COMPANY" below for details on shareholders.*

At the Annual General Meeting of the shareholders of the Bank held on 12 April 2020, the Board approved a cash dividend of 12 fils per share for the financial year ended 31 December 2019. At the Annual General Meeting of the shareholders of the Bank held on 27 March 2019, the Board approved a cash dividend of 12 fils per share and five bonus shares per 100 shares for the financial year ended 31 December 2018. At the Annual General Meeting of the shareholders of the Bank held on 28 March 2018, the Board approved a cash dividend of 7 fils per share and five bonus shares per 100 shares for the financial year ended 31 December 2017.

History of acquisitions and disposals

In 1997, KIPCO, a multi-sector operating holding company headquartered in Kuwait with operating entities across the GCC and the wider MENA region, acquired a majority shareholding in the Bank during the privatisation process of Kuwait. The privatisation process of the Government, which began in 1997, reduced Government ownership of the Bank from 61.0 per cent. to less than 10.0 per cent. KIPCO currently represents the single largest shareholder of the Bank. As at 31 December 2019, KIPCO had a consolidated (direct and indirect) shareholding of 62.7 per cent. in the Bank. Following the change in ownership structure, the Bank realigned its strategic focus in line with the overall strategy of KIPCO and changed its management style from that of a government-owned entity to a private sector, profit-orientated entity.

In mid-2008, KIPCO undertook a strategic reorganisation of its financial services businesses (the **Reorganisation**). KIPCO streamlined its financial services businesses into three major segments: commercial banking, asset management and investment banking and insurance. As part of the Reorganisation, the Bank was reorganised into a regional commercial banking group through the acquisition of stakes in JKB, AGB, BoB and TIB that were held by UGB for U.S.$725 million (KD 194 million) in aggregate.

Accordingly, in July 2008, the Bank acquired from UGB, an interest of 43.9 per cent. in JKB, which together with the 7.2 per cent. previously held by the Bank gave it a controlling 51.2 per cent. equity interest in JKB.

In 2009, the Bank acquired a 60.0 per cent. interest in AGB (which was increased to 91.1 per cent. in 2010) and a 45.3 per cent. interest in BoB (which was increased to 51.8 per cent. in 2010). During the second quarter of 2010, the Bank acquired a 76.6 per cent. stake in TIB, which together with the 10 per cent. previously owned by the Bank, gave it a controlling 86.7 per cent. equity interest in TIB.

In December 2012, having obtained the requisite approvals from the regulatory authorities in Kuwait and Turkey, the Bank completed the acquisition of a 99.3 per cent. stake in Eurobank Tekfen from Eurobank EFG. Following the acquisition, Eurobank Tekfen is now operating under the name of Burgan Bank A.S.

On 30 December 2015, the Bank completed the sale of its 51.2 per cent. controlling stake in JKB to Al Rawabi International Co., a subsidiary of KIPCO for a consideration of KD 191.1 million, resulting in a gain of KD 6.5 million.

The Bank's subsidiaries as at 30 September 2020 and 31 December 2019

As at 30 September 2020 and 31 December 2019, the Bank had a controlling interest in each of the banks listed below and such banks have all been consolidated into the accounts of the Bank:

Name	Country of Incorporation	Date of Initial Purchase	Effective Holding as at 30 September 2020	Effective Holding as at 31 December 2019
			(%)	*(%)*
Burgan Bank A.S.	Turkey	December 2012	99.56	99.56
Algeria Gulf Bank S.P.A.	Algeria	April 2009	86.01	86.01
Bank of Baghdad P.J.S.C.	Iraq	April 2009	51.79	51.79
Tunis International Bank S.A.	Tunisia	June 2010	86.70	86.70

For further details, see the "*Key Subsidiaries*" section below.

Strategy

The Bank adopts a multi-dimensional strategy which aims to strengthen its position in its existing markets through organic growth. As part of its growth strategy, the Bank has identified the following key elements for its strategic plan:

(a) *Increase market share in Kuwait – the Core Market:* The Bank is focused on enhancing its competitive position in the corporate, private and retail banking sectors in Kuwait, through the expansion of its customer base, introduction of new products and services within pre-defined risk parameters, servicing customers through a focused sales force and developing strong technology platforms for the distribution of its products. In order to achieve these strategic objectives, the Bank is focusing on:

- being a key player in the execution of Kuwait's Vision 2035 initiatives;
- establishing credit relationships with large multinational corporates undertaking large-scale projects in Kuwait;
- enhancing banking relationships with Kuwait-based corporates;
- focusing on international corporate clients through club or syndication facilities on a selective basis;
- further enhancing private banking services to high net worth individuals;

- growing the retail banking business through a focused approach on improving its technology platforms, deepening customer relationships, and developing customer focused propositions; and

- expanding digitalisation of internal processes to reduce time-to-market, improve cost efficiency and enhance customer experience.

(b) *Pursue prudent growth strategy in subsidiaries:* The Bank is pursuing a cautious growth strategy with its subsidiaries, considering the macro-economic environment. The Bank continues to focus on rationalising the cost structure, growing non-interest income and establishing a mechanism for intra-group funding.

(c) *Digitise end-to-end customer journey:* The Bank is focused on the digital transformation of its existing businesses as well as launching a digital operating model in line with global trends in the banking sector. The appetite for digital banking from a growing demographic segment is guiding the development of an "anytime, anywhere, any channel" customer interface at the Bank.

(d) *Continue strong focus on risk management practices & framework across the Group:* The Bank has a robust risk framework, which is in line with global best practices. This framework allows the Bank to identify risks at every level (i.e. operational, credit, market, and liquidity). The Bank adopts prudent risk management and capital allocation strategies to minimise losses and maximise returns from its regional franchises. The Bank is focused on enhancing risk management architecture through the periodic review of risk culture and the implementation of best practices across the Group.

(e) *Maximise operating efficiency*: The Bank is focused on maximising operational efficiency through the introduction of customer-centric products and services, business re-alignment, channel optimisation to keep pace with the rapidly changing customer channel preferences, and an enhancement of digital banking platforms by leveraging technology in partnership with fintechs in the region. The Bank is also focused on enhancing its human capital engagement to attract and retain talent needed to compete in the digital environment.

(f) *Deliver strong shareholders returns*: The Bank is focused on pursuing stable growth, prudent capital management while maximising returns to shareholders. The Bank has also built an infrastructure for internal capital generation that will allow for fee and commission-based modelling.

Competitive Strengths

The Bank believes that its business is characterised by the competitive strengths discussed below, and that these competitive strengths position the Bank to successfully implement its strategy and continue its growth plans.

(i) *Leading regional presence and growing international network:* Through a combination of its own branches, representative offices and subsidiaries, the Bank is present in eight countries across the MENAT region. The Group has one of the largest regional branch networks, with 162 branches across Kuwait, Turkey, Algeria, Iraq, Tunisia and Lebanon as at 30 September 2020. The Bank enjoys a dominant position in Kuwait where it was the second largest conventional commercial bank by total assets (based on the interim condensed consolidated financial information of the Bank and other conventional commercial banks in Kuwait for the nine months ended 30 September 2020). Given the success of the Bank's international expansion, which was undertaken through a combination of organic and inorganic growth initiatives, the Bank believes that it is well-positioned to capitalise on the growth opportunities in its key markets.

(ii) *Strong operating performance, financial position and risk management:* The Bank has historically maintained stable growth in Kuwait and more recently in the MENAT region. As at and for the nine months ended 30 September 2020 the Bank recorded a net profit of KD 35.8 million and total assets of KD 6,942.9 million. As at and for the year ended 31 December 2019 and the year ended 31 December 2018, the Bank recorded a net profit of KD 84.9 million and KD 83.7 million, respectively, and total assets of KD 7,081.0 million and KD 7,312.1 million, respectively. The Bank's prudent credit policy and effective utilisation of risk management tools has enabled it to maintain a high-quality loan portfolio. The Bank has been able to build its reserves (i.e. total provision), which stood at KD 298.5 million, KD 252.4 million and KD 229.7 million as at 30 September 2020, 31 December 2019 and 31 December 2018, respectively. The Bank's coverage ratio declined to 475.0 per cent. as at 30 September 2020, compared to 961.3 per cent. as at 31 December 2019 and 563.3 per cent. as at 31 December 2018. The Bank's non-performing assets (net of collateral) stood at 1.0 per cent. of total exposure as at 30 September 2020 compared to 0.4 per cent. as at 31 December 2019 and 0.7 per cent. as at 31 December 2018. The Bank believes that its strong operating performance, financial condition and prudent risk management will enable it to take advantage of new opportunities in the MENAT region.

(iii) *Stable funding base:* The Bank's funding includes institutional, government and quasi-government deposits in Kuwait, which are contracted on a commercial basis, and are regarded by the Bank as relatively stable and a low-cost source of funding. As at 30 September 2020 and 31 December 2019, respectively, the Bank's total funding from deposits by government and quasi-governmental entities accounted for 7.0 per cent. and 4.2 per cent. of its total deposits in Kuwait (or 5.2 per cent. and 3.2 per cent. of total group deposits). 74.1 per cent. and 66.4 per cent. of the Bank's total assets as at 30 September 2020 and 31 December 2019, respectively, were funded by deposits from customers and due to other financial institutions, 4.0 per cent. and 7.2 per cent., respectively, by due to banks, 5.7 per cent. and 6.4 per cent., respectively, by other borrowed funds, 3.0 per cent. and 3.4 per cent., respectively, by other liabilities and 0.0 per cent. and 3.1 per cent., respectively, by liabilities directly associated with the disposal group held for sale and the balance by its capital and reserves.

(iv) *Culture of excellence and commitment to training and development of personnel:* The Bank has created a customer-focused culture that aims at achieving strong operational performance. This culture is a key component of the recruitment, selection, learning and development processes, and the performance evaluation of employees and counterparties. The Bank has created and implemented a number of training and development programmes for both domestic and international staff. The Bank has built a competitive advantage by investing in the development of its employees and that of their teams, and by encouraging and cultivating the growth of potential leaders. Every employee has personal performance objectives that are aligned with the Bank's strategic direction and reflect the culture of respect and care for customers, as well as support for the communities in which the Bank operates.

(v) *Experienced management team and commitment to corporate governance:* All members of the Bank's Board and Executive Management team have extensive knowledge of the banking sector in Kuwait and the MENAT region and bring with them a wealth of experience in leading financial institutions with an international presence, see "*Management*" below. Further, the management team believes that corporate governance is a matter of vital importance and a fundamental part of the business practices of the Group and that the combination of an existing team of highly experienced professionals, coupled with best practice corporate governance standards, positions the Group well for future growth. The Bank is strongly committed to the maintenance of a strong corporate governance practice and framework. The governance practice at the Bank has been designed to ensure that the Bank is effectively managed and that financial industry standards and the Kuwaiti Stock Exchange and the CBK requirements are fully met. The governance framework, which is underpinned by the Corporate Governance Manual and related policies, clearly delineates the separate roles of the Board and the Bank's management. The Audit Committee monitors

developments in the governance area and updates its governance practices to ensure that the Bank continues to maintain the most appropriate standards of governance.

Ratings

As at the date of this Prospectus, the Bank had the following credit ratings:

- Standard & Poor's: BBB+ for long-term issuer credit and A-2 for short-term counterparty credit, with a stable outlook;
- Moody's: A3 for long-term bank deposits and P-2 for short-term deposits, with a stable outlook; and
- Fitch: A+ for long-term issuer default and F1 for short-term issuer default, with a stable outlook.

BUSINESS OVERVIEW

Core areas

The Bank is engaged in the provision of conventional banking and investment services to individuals and corporates. The Bank has a significant presence in the corporate and financial institutions sectors in Kuwait, the wider MENAT region and is also focused on growing its retail and private banking customer base.

The following tables present certain financial results of the Bank's operations in Kuwait as broken down by business segment.

	Corporate Banking	**Private and Retail Banking**	**Treasury, Investment Banking and Others**	**Total**
	(KD 000's)	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*
As at / for the nine months ended 30 September 2020 (unaudited)				
Operating Income	55,784	29,702	10,138	**95,624**
Total Assets	2,684,364	1,261,037	1,460,745	**5,406,146**
As at / for the nine months ended 30 September 2019 (unaudited)				
Operating Income	60,506	32,429	30,981	**123,916**
Total Assets	2,534,862	1,069,679	1,541,430	**5,145,971**
As at / for the year ended 31 December 2019				
Operating Income	82,215	44,538	54,539	**181,292**
Total Assets	2,320,066	1,123,258	2,084,193	**5,527,517**
As at / for the year ended 31 December 2018				
Operating Income	67,485	42,272	58,559	**168,316**
Total Assets	2,042,676	1,045,683	2,462,767	**5,551,126**
As at / for the year ended 31 December 2017				
Operating Income	65,684	39,738	46,216	**151,638**
Total Assets	1,934,272	1,163,502	2,355,218	**5,452,992**

The following provides an overview of the business lines of the Bank's core operating areas:

- Corporate Banking (**CB**) provides comprehensive products and services to corporates and financial institutions including lending, deposits, trade services, foreign exchange, advisory services and others. For the nine months ended 30 September 2020, the Bank's operating income from CB was KD 55.8 million compared to KD 60.5 million for the nine months ended 30 September 2019. For the year ended 31 December 2019, the Bank's operating income from CB was KD 82.2 million compared to KD 67.5 million and KD 65.7 million for the years ended 31 December 2018 and 31 December 2017, respectively. The Bank's total assets from the CB as at 30 September 2020 and 31 December 2019 were KD 2,684.4 million and KD 2,320.1 million, respectively, compared to KD 2,042.7 million as at 31 December 2018, and KD 1,934.3 million as at 31 December 2017.

- Private and Retail Banking (**PRB**) includes the Private Banking Division (**PBD**) and the Retail Banking Division (**RBD**). It provides a wide range of products and services to retail and private bank customers including loans, deposits, credit and debit cards, foreign exchange, and others. For the nine months ended 30 September 2020, the Bank's operating income from PRB was KD 29.7 million compared to KD 32.4 million for the nine months ended 30 September 2019. For the year ended 31 December 2019, the Bank's operating income from PRB was KD 44.5 million compared to KD 42.3 million and KD 39.7 million for the years ended 31 December 2018 and 31 December 2017, respectively. The Bank's total assets from the PRB amounted to KD 1,261.0 million and KD 1,123.3 million as at 30 September 2020 and 31 December 2019, respectively, compared to KD 1,045.7 million as at 31 December 2018, and KD 1,163.5 million as at 31 December 2017.

- Treasury, Investment Banking and Others (**TIBO**) includes treasury asset liability and liquidity management, investment services and management, fund management and any residual of transfer pricing. It also provides products and services to banks including money markets, lending, deposits, foreign exchange and others. For the nine months ended 30 September 2020, the Bank's operating income from TIBO was KD 10.1 million compared to KD 31.0 million for the nine months ended 30 September 2019. For the year ended 31 December 2019, the Bank's operating income from TIBO was KD 54.5 million compared to KD 58.6 million and KD 46.2 million for the years ended 31 December 2018 and 31 December 2017, respectively. The Bank's total assets from the TIBO amounted to KD 1,460.7 million and KD 2,084.2 million as at 30 September 2020 and 31 December 2019, respectively, compared to KD 2,462.8 million as at 31 December 2018, and KD 2,355.2 million as at 31 December 2017.

As at 31 December 2019, retail loans made up 8.8 per cent. and corporate loans made up 91.2 per cent. of the Bank's aggregate loan portfolio, 71.8 per cent. of which comprises loans issued to individuals or corporates in Kuwait. In addition, a substantial proportion of the total loan portfolio comprised loan exposures to related parties, see "Risk Factors — Ownership concentration and related party exposures".

The following provides an overview of the Bank's international operations as at 30 September 2020:

- BBT was originally founded in 1989 and is a mid-sized bank, in terms of assets. It focuses on the corporate banking sector and is expanding its presence in selective retail businesses, see "*Key Subsidiaries – Burgan Bank A.S. (BBT)*" below;

- AGB was established on 15 December 2003 as a commercial bank in Algeria. Since its establishment, AGB has aimed to contribute to the economic and financial development of Algeria, and to provide professional services and high-quality products, see "*Key Subsidiaries – Algeria Gulf Bank S.P.A.*" below;

- BoB was established in 1992. Its customer base comprises small and medium-sized enterprises, large corporates, as well as individual customers. BoB was the first licensed private bank to

commence banking operations in 1992 in Iraq, after the change in the banking regulations by the Central Bank of Iraq, see "*Key Subsidiaries – Bank of Baghdad P.J.S.C. (BoB)*" below.

- TIB was established in June 1982 as the first fully licensed offshore banking corporation in Tunisia, see "*Key Subsidiaries – Tunis International Bank S.A. (TIB)*" below.

Corporate Banking *(CB)*

CB provides a wide range of products and services to both commercial and industrial sectors in Kuwait. It participates in financing significant infrastructure, petrochemical and industrial projects in Kuwait through syndicated loans and direct bilateral financing. It has grown its customer base through a track record of well-established corporate banking relationships.

CB has structured its operations into seven main units to provide tailor-made products and specialised services to the corporate sector:

Contracting Unit

The unit provides working capital finance to major contracting companies in Kuwait (both in the public and private sectors) through a full range of credit instruments, such as overdrafts, loans, letters of credit and letters of guarantee. It targets top-tier contractors and is rapidly expanding to meet the requirements of the Kuwaiti market. It provides financing to contractors for their projects, including provision of customised solutions on a project specific basis.

Trading and Automotive Unit

The unit focuses on extending a wide range of banking services and credit lines to the trading sector as a whole, with an emphasis on the automotive industry and related entities. The Bank has corporate relationships with most of the leading car importers in the industry and provides customised product and service packages to suit the business requirements of this sector.

Services and Energy Unit

The unit focuses on establishing banking and credit relationships with clients in the service and energy sectors in Kuwait. The service sector clients are mainly involved in contractual cleaning, catering, agriculture and supply of manpower to various governmental institutions. The energy sector client base includes maintenance, technical and mechanical contractors, as well as suppliers of oil-related equipment and accessories to oil companies such as Kuwait Oil Company (KOC), Kuwait National Petroleum Company (KNPC) and Kuwait Integrated Petroleum Industries Company (KIPIC).

Investment and Real Estate Market Unit

The unit specialises in providing short-to-medium term financing to prime investment and real estate corporate entities. It assists its clients in investing, owning and developing real estate projects in Kuwait, other GCC countries and the wider MENAT region.

Trading and Manufacturing Unit

The unit focuses on the wholesale and retail trading entities and the industrial sector in Kuwait. It provides financial assistance to companies dealing in the food, sophisticated engineering, electronic products, etc.

Furthermore, the unit mainly provides working capital finance to manufacturing companies in Kuwait through a full range of credit instruments, such as loans, letters of credit and letters of guarantee. With a well-equipped and experienced team, it provides standardised financing packages and customised solutions to meet customer specific needs.

International Banking Unit

The unit provides banking services to multinational corporations operating in Kuwait and other GCC countries. It plays a major role in providing financial and consulting assistance to various international companies based in Kuwait. It also participates in financing most of the major infrastructure, petrochemical and industrial projects in Kuwait through syndicated loans.

Small and Medium Enterprise (SME) Unit

The unit provides a wide range of financing solutions to SME clients to ensure that they capitalise on development and growth opportunities. The product offering includes overdrafts, loans, letters of credit and letters of guarantee. It finances a wide range of sectors including trading, manufacturing, agriculture, contracting, the oil sector, tourism, alternative energy and advanced technology.

The services provided by the Corporate Banking Branch include:

B-Dinar Account

The Bank offers the 'B-Dinar account' to employees of its corporate customers in accordance with the Kuwaiti labour law. The account provides customers with easy access to their salaries and offers other benefits, including no withdrawal charges, quick and direct salary crediting, 24-hour access to all of the Bank's ATMs, no minimum balance requirement and access to over 5,045 point of sale terminals in Kuwait as at 31 December 2019. The customers also get access to ATMs accepting Mastercard outside Kuwait and POS terminals where overseas transactions are allowed.

Corporate Cash Management Services

The Bank has developed a range of cash management products and services that optimise cash flows for its corporate customers in Kuwait and other GCC countries. It offers a wide range of products, tools and services for everyday banking including payments, account services, reporting and cash management, backed by its state-of-the-art digital banking platform. The digital banking facility aims to reduce processing costs of customers, saving their valuable time and money, and allowing them to focus on their core business.

Financial Institutions Division

The department caters to institutional relationships with banks and/or Non-Banking Financial Institutions (**NBFIs**) locally and outside Kuwait. It offers the highest service standards by optimising key financial institutions and correspondent banking relationships through liaising activities with its main business lines - Treasury, Corporate, Trade Finance, Private Banking and Retail.

It has a flexible approach to the client's requirements and accordingly structures lending, placements and trade related transactions. It offers correspondent banking services, relationship management, global trade finance (such as letters of credit, letters of guarantees, risk participations, etc.), bilateral/syndicated lending and treasury facilities for NBFIs (including investment, insurance, money exchange, brokerage and Islamic investment companies).

Private and Retail Banking *(PRB)*

PRB's products and services are offered through two distinct divisions, PBD and RBD.

Private Banking Division

PBD offers a range of tailor-made products and services to high net worth individuals (HNWI). It also offers consultancy services to its customers to maximise their returns and grow their wealth.

PBD is focusing on smart growth opportunities to maximise operational efficiency while minimising risk. It is also focusing on expanding its cross-border business and adding value to the clients by utilising its international presence. The division collaborates with other business units to create synergies and enhance its product offering.

Retail Banking Division

As at 30 September 2020, RBD had a network of 29 branches and 150 ATMs in Kuwait. The Bank plans to further expand in strategic areas for targeted customer growth.

RBD offers a wide range of products and services to its customers, including a variety of savings and deposit accounts, credit, debit and pre-paid cards, and customer loans. However, the Bank does not undertake residential mortgage lending in line with the current local regulations. See also "*Description of the Bank – Risk Management*" below.

RBD's card offering includes credit cards, under the MasterCard and Visa payment processing systems, debit card products under the Visa brand and a multi-currency pre-paid card.

In addition to the development of new products, RBD also periodically reviews the performance of existing products and, if necessary, makes changes to better suit customers' needs and maintain a competitive edge.

RBD's product range is complemented by strong alternative delivery channels, including the 24/7 telephone banking service "Burgan Direct" and the internet banking platform "Burgan Online", which allow customers to make payments, submit requests and make enquiries over the telephone or internet. The provision of an enterprise e-payment platform (through the provider, ACI Worldwide) allows the Bank to provide online banking services for daily banking activities and online payment for goods and services through the Bank's secure electronic platforms.

RBD strives towards customer-centric strategies by enhancing its premium product offerings, and enhancing service delivery efficiency and effectiveness across various customer touch points. As part of the digital strategy, RBD has rolled out:

- eSecure to enhance security for customers by using third factor authentication;
- new cards portal;
- credit cards payments via Knet Gateway using any locally issued debit card;
- cards switch change;
- tap & pay cards;
- new queuing system across all branches;
- TPIN service for enhanced tele-banking experience; and
- rebranded branches and revamped website to reflect its customer-centric strategy.

Treasury, Investment Banking and Others *(TIBO)*

TIBO is responsible for all domestic and international wholesale market transactions (together with other customer-related transactions) and for managing the proprietary portfolio of the Bank.

Treasury Division

The division manages the Bank's financial market risks in line with its overall strategic direction. It works closely with the Asset and Liability Committee (**ALCO**) and is actively involved in the management of the bank-wide balance sheet, sourcing efficient funding, providing risk solutions to both internal and external clients, managing foreign exchange translation and related risks, and the management of customer relationships. This is undertaken with strict adherence to the legal, compliance and limit framework approved by the Board and the regulators.

The division is sub-divided into the following business units:

- *The Asset and Liabilities Management unit* is responsible for the balance sheet management and optimisation, diversification of funding sources, contingency funding requirements, and management of liquidity, interest rate and foreign exchange translation risks associated with the Bank's balance sheet and any hedging thereof;

- *The Fixed Income and Capital Markets unit* manages the Bank's high quality liquid assets (HQLA) portfolio, actively trades in the bond market, and provides interest rate hedging solutions to both internal and external clients;

- *The Money Market unit* is responsible for overseeing and managing trading activities with respect to both conventional and Islamic money market instruments in both local and foreign currencies, managing the excess liquidity of the Bank and acting as the sole point of contact for all fixed and floating interest rate pricing requirements for all business units and subsidiaries;

- *The FX Trading unit*, via an in-house online pricing platform or directly, is responsible for providing foreign exchange coverage for the Bank's operations, managing foreign exchange transactions for the Bank in most regional and major currencies, interbank pricing in the domestic market and actively trading in foreign currencies within defined limits; and

- *The Treasury Sales Desk* works closely with all treasury business units within the Bank and is responsible for relationship management with all internal and external stakeholders providing comprehensive financial risk solutions in most products to the clients.

Through its staff and specialised systems, the Treasury division provides the Bank and its customers with instant access to the global financial markets. Experienced dealers execute transactions efficiently by offering competitive prices to customers.

The Treasury division also manages the Bank's debt capital raising exercises, including the following:

- In 2010, Burgan Finance No. 1 (Jersey) Limited (incorporated with limited liability under the laws of Jersey), a special purpose entity established by the Bank, issued U.S.$400 million Subordinated Notes due 2020. The notes met the then-applicable requirements to be treated as Tier 2 eligible capital under Basel II regulations issued by the CBK.

- In 2012, the Bank issued KD 100 million bonds due 2022 (the **2012 Subordinated Bonds**). The issuance of the 2012 Subordinated Bonds met the then-applicable requirements to be treated as Tier 2 eligible capital under Basel II regulations issued by the CBK.

- On 30 September 2014, the Bank through Burgan Tier 1 Financing Limited (a newly incorporated special purpose company with limited liability in the Dubai International Financial Centre) issued Perpetual Tier 1 Capital Securities, amounting to U.S.$500 million. In December 2015, the Bank repurchased its U.S.$400 million Subordinated Notes due 2020 pursuant to a tender offer.

- In March 2016, the Bank issued KD 100 million Tier 2 bonds due 2026 (the **2016 Subordinated Bonds**), which met the requirements to be treated as Tier 2 eligible capital under Basel III regulations issued by the CBK. In March 2016, the Bank repurchased KD 27.2 million of its 2012 Subordinated Bonds, followed by an additional repurchase of KD 72.8 million in April 2018.

- In September 2016, Burgan Senior SPC Limited, a special purpose company incorporated in the Dubai International Financial Centre, issued U.S.$500 million Senior Unsecured Bonds under its medium-term note programme.

- In December 2018, the Bank issued KD 100 million Senior Unsecured Bonds due 2021 through a private placement.

- In July 2019, the Bank issued U.S.$500 million Perpetual Tier 1 Capital Securities to manage the Bank's capital and long term liquidity in accordance with regulatory requirements, and in parallel the Bank concluded a tender buy-back of U.S.$230.2 million Perpetual Tier 1 Capital Securities, which were previously issued on 30 September 2014.

- In September 2019, the Bank redeemed the total outstanding amount (i.e. U.S.$269.8 million) of the Perpetual Tier 1 Capital Securities, which were initially issued on 30 September 2014.

Investment Division

The Investment Division focuses on enhancing the Bank's return on equity by managing a diversified proprietary investment portfolio which includes fixed income and equity (listed and private) securities. A comprehensive top-down approach is followed to determine asset selection using a wide array of factors. The risk/reward parameters are well-defined for each sub-portfolio.

The Investment Division follows a robust framework for investment recommendations in which proposals are reviewed from risk, compliance, finance, and legal perspectives.

The following table sets out the Bank's investments as at 31 December 2019:

	As at 31 December 2019	
INVESTMENTS:	*Publicly traded*	*Privately held*
	(KD 000's)	*(KD 000's)*
Equities	81,450	103,506
Fixed income instruments	238,938	38,000
Any other investments	11,544	65,186
Total	**331,932**	**206,692**

The following table sets out capital requirements by equity groupings as at 31 December 2019:

	As at 31 December 2019
CAPITAL REQUIREMENTS BY EQUITY GROUPINGS:	*(KD 000's)*
Investments designated at fair value through other comprehensive income	48,464
Investments at amortised cost	14,318
Investments designated at fair value through profit & loss	11,991
Investments held for trading	130
Investment in associates	1,297
Total	**76,200**

Asset Management Unit

The Asset Management unit performs custody and trustee services for institutional clients adhering to the CMA guidelines. Additionally, the unit also works on developing new investment products for the Bank's customers.

SUPPORT FUNCTIONS

Group Operations & Technology

The Group Operations & Technology (GO&T) comprises Operations Group and Information Technology (IT) Group.

Operations Group

The Operations Group (**OG**) assists in the support and execution of strategic initiatives of all the business units across the Bank. The OG consists of the Operations Strategic Development, General Services and Administration (**GSA**), Banking Operations and Credit Administration. The function of each of these sub-groups is briefly described below.

(a) Operations Strategic Development is responsible for the management of the Business Continuity Planning (**BCP**), Operations Project Office (**OPO**) and Organisation and Methods (**O&M**) units.

- BCP is responsible for defining the policies related to Business Continuity and Disaster Recovery (**DR**) procedures in co-ordination with all the departments of the Bank. The unit is also responsible for co-ordinating the regular testing of DR activities.

- OPO is responsible for supporting and facilitating the implementation of large projects that support the Bank's business strategies.

- O&M is responsible for the documentation and publication of all the Bank's policies and procedures. It is responsible for ensuring that the Bank retains its ISO 9001:2008 Quality Certification for all its processes. The certification is an assurance that the Bank's internal policies and procedures meet internationally recognised quality standards that are rigorously applied, independently reviewed and certified by a standard body each year.

(b) GSA provides administrative support in areas such as procurement, security, archiving and maintenance. The purchase of equipment, furniture, stationery and materials is processed through GSA, which is responsible for sourcing requirements, competitive bidding and tendering (where required) through a transparent procurement process supported by adequate due diligence. GSA is also responsible for the Bank's security monitoring systems and has been involved in the design, approval, tender, negotiation and construction of new branches at various locations.

(c) Banking Operations provides the central processing capabilities in terms of treasury, investment, trade finance, local and foreign currency transfers, loans, check clearing, salary payments and processing. The area utilises technology to drive down processing cost, to automate processes, and to create efficient output.

(d) Credit Administration provides control and support to the CB division and the PBD.

Information Technology (IT) Group

The Bank's IT group is organised into the following areas, each reporting to the Chief Information Technology Officer (**CITO**):

(a) IT Operations;

(b) Systems Development;

(c) Database Management; and

(d) Quality Assurance.

The IT group aims to deliver and maintain timely, cost-effective, resilient and scalable IT solutions and services in support of the business strategy through business engagement and research.

To achieve this, the IT group continually engages with key users to ensure IT is aligned with the business, ensures that IT staff retain updated domain knowledge, conducts an annual IT survey to gauge user perceptions on services delivered and regularly assesses skills against requirements to identify any skills gaps and implements training requirements.

In addition, the IT group controls all IT-related acquisitions and implementations and constantly monitors operating expenses to identify efficiencies and savings. In 2016, the Bank became the first domestic bank in Kuwait to receive ISO 20000 certification. ISO 20000 is an international standard for IT service management systems and such certification indicates compliance with these standards and adherence to best practices in relation to IT infrastructure.

The CITO is a member of various management committees and reports to the Group Chief Operations & Technology Officer (GCOTO).

Group Human Resources and Development

The Group Human Resources and Development (**GHRD**) is responsible for working with senior management to develop strategies and drive human resources policies that are best suited to deliver the business objectives and aspirations of the Bank. The group directs the development, implementation, communication and legal application of corporate-wide policies and programmes to build the capabilities and skills of the Bank's staff including but not limited to compensation, benefits, training and development, and recruitment.

The Bank seeks to nurture its staff, reward them with attractive benefits programmes and provide them with suitable career development and growth opportunities. It is achieved through significant investment in training and development of the staff at all levels through specific programmes for executives, leadership development and induction training programmes as part of the Kuwaiti national development initiative.

The Bank's total number of employees as at 30 September 2020 was 762 as compared to 767 as at 31 December 2019, 746 as at 31 December 2018, and 736 as at 31 December 2017.

Group Strategy and Capital Management

The head of the Group Strategy and Capital Management (**GS&CM**) reports directly to the CEO. The group is responsible for strategic business development and works with all department and division heads and senior executive officer(s) to identify business development needs and objectives. The group supports the CEO to maximise the value of the Bank's assets through capital management, strategic planning of

investment activities, and providing assistance in evaluation and structure of mergers and acquisitions, investments and financing-related opportunities including due diligence, valuation and negotiations.

The group also reviews summary reports of the business operations, monitors market opportunities, and reviews industry research. It also provides recommendations to the CEO based on the financial models, investment and strategic planning proposals, and assists in securing collaboration on strategic initiatives.

Client Complaints Unit

The Client Complaints Unit (**CCU**) is responsible for the development of a mechanism through which customers' complaints are effectively and efficiently handled, escalated and resolved without preventable delays. The CCU maintains the records of complaints received to ensure that regular reviews can be undertaken for monitoring and reporting purposes. The CCU identifies recurring complaints and ensures that immediate corrective action is taken to prevent repetition of the same complaints. The unit seeks out cases that concern contractual relationships and reports on its performance on a monthly basis to the CBK and CEO.

Group Internal Controls Unit

The Group Internal Controls Unit (**GICU**) supports the Bank in enhancing the effectiveness of the existing control environment. The GICU follows local and international guidance on internal controls, primarily the Committee of Sponsoring Organisations integrated framework, which prescribes a principle-based approach that provides flexibility and permits the exercise of judgment in respect of designing, implementing and conducting internal controls that can be applied at the entity, operating and functional levels of the Bank. It works with the business units and the business-enabling functions as well as with other assurance providers, directly or through the corresponding functions, where applicable, by offering guidance on internal control requirements and evaluating adherence to defined standards and assisting management in developing processes and controls to manage risks and issues.

The objective of the GICU is to support the Bank in enhancing the effectiveness of the existing internal control systems, primarily through monitoring the effectiveness of process-related controls. The unit promotes a culture of effective controls among employees through information sharing and communication, training on controls awareness and the consequences of control breaches.

Group Legal Counsel

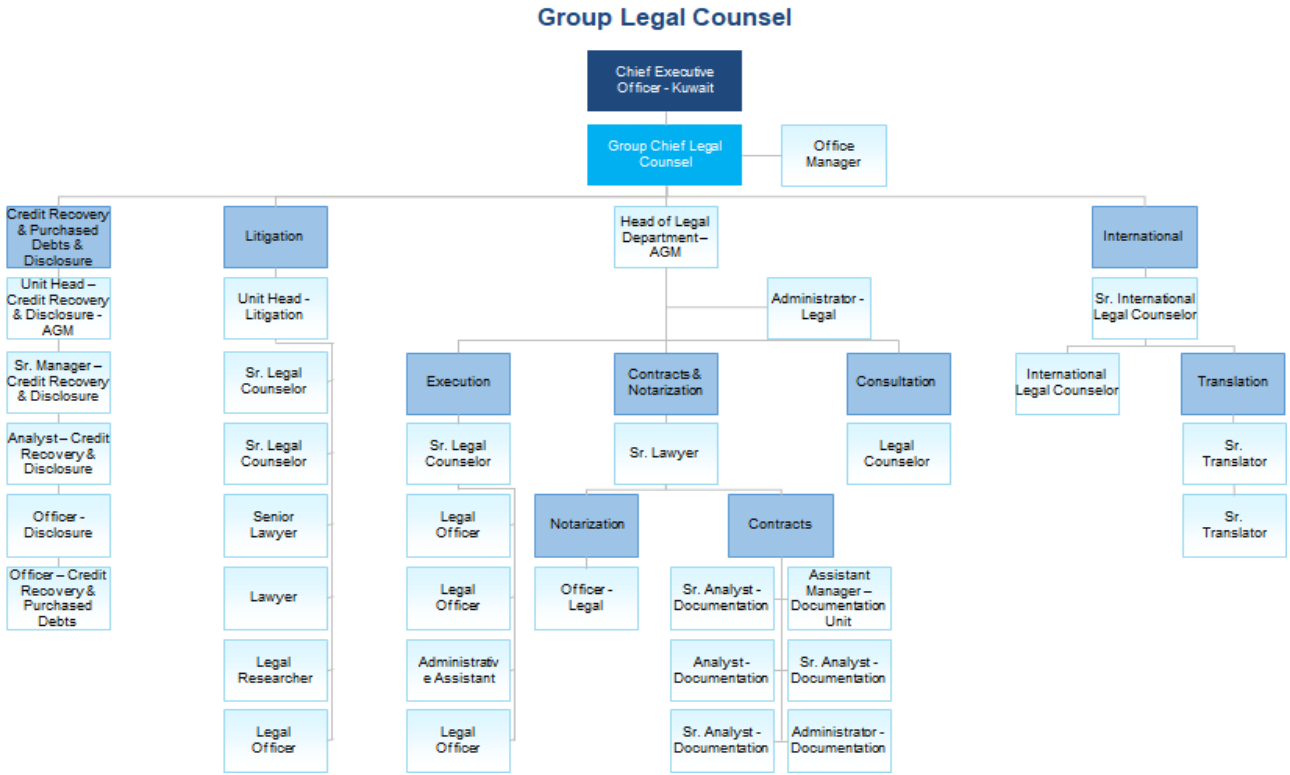
Among other matters, the Group Legal Counsel (**GLC**):

- handles all international legal matters through the International Legal Counselling unit;
- handles lawsuits brought by or against the Bank before the courts and initiates legal proceedings;
- provides legal advice to all business units;
- co-ordinates with external law firms on the lawsuits undertaken by them;
- manages the Documentation Unit and guides the workflow through the contract preparation stage (internal or authenticated);
- monitors the execution of judgments issued in favour of the Bank through the Execution Unit;
- manages, through the Credit Recovery Unit, all tasks related to credit recovery including managing and following-up with defaulted customers;

- monitors all translations from English to Arabic and vice versa for all stakeholders in the Bank through the Translation Unit; and

- manages the portfolio of purchased debt and carries out necessary reporting and related tasks.

The GLC identifies the risks associated with agreements, contracts, lawsuits, adverse judgments and regulatory enforcement and advises on the best course of action. The GLC advises the Bank's senior management and the Board of Directors on significant legal risks and suggests possible preventive and remediation measures. It also considers the requirements of newly issued legislation and makes recommendations on the proper application of such legislation.



Group Corporate Communication

The Group Corporate Communication Department (**GCCD**) manages all forms of communication targeted to internal and/or external stakeholders including brand management, corporate communications, marketing communications, media relations, corporate social responsibility, and investor relations.

The GCCD is split into three functional units:

- ***Marketing Communications*:** supports communications activities in relations to consumer offerings, marketing, advertising, media planning, and brand management for the Bank in Kuwait.

- ***External Affairs*:** is a Group corporate strategy support unit consisting of public relations, soft side of investor relations, international operations brand management, corporate social responsibility, strategic communication planning, and government relations.

- ***Investor Relations*:** is a Group strategic function that focuses on aligning the Group's corporate strategy with investors' expectations by continuously engaging with the investment community. The function is responsible for integrating finance, communication, and securities law compliance to enable the most effective two-way communication between the Bank, the financial community,

regulators, and the executive management of the Bank to maximise the valuation of the Bank's securities.

Group Strategic Financial Planning and Control

The Group Strategic Financial Planning and Control (**GSFP&C**) is responsible for the preparation of financial statements, dealing with financial auditors, liaising with the CBK and the preparation of the internal management information system (MIS). The Strategic Financial Planning and Control Group also undertakes planning (including profitability and cost-benefit analysis in respect of opening branches, launching products, executing long-term investment plans and completing mergers and acquisitions transactions), budgeting and monitoring activities (measuring actual performance against budget on a monthly basis), liaises with rating agencies, supports investor relations, and controls expenses and accounts payable.

Group Risk

The Group Risk adopts and implements internationally accepted practices for the identification, measurement, control and reporting of various risks that may affect the operations and business activities of the Bank. See also "*Description of the Bank – Risk Management*" below.

Group International Operations Office

The Group International Operations Office (G**IOO**) reports directly to the GCEO. It oversees and monitors the performance of subsidiaries and affiliates in accordance with the board approved Subsidiaries Governance Manual (SGM).

GIOO's role is well-diversified involving focused interaction with subsidiaries carried out through country visits and missions. Various collaborative efforts take place with counterparts in the subsidiaries including representatives of the board members, GCEO and Subsidiary Function Heads (SFH).

GIOO takes a strategic, data-driven approach to ensure Group-wide initiatives are implemented, communicated and managed. GIOO also makes recommendations to the GCEO and other key executives andB oard members or their representatives on various activities, taking into consideration international financial and economic market developments pertinent to the Group's holdings. GIOO also maintains a close interaction with independent control functions to ensure vigilant monitoring of subsidairies.

KEY SUBSIDIARIES

As at 30 September 2020, the Bank had four banking subsidiaries, located in Algeria, Iraq, Tunisia and Turkey. The largest of the banking subsidiaries is BBT, whose total assets, as at 30 September 2020 accounted for 13.9 per cent. of the total assets of the Group, compared to 14.6 per cent. and 16.1 per cent. of the Group's total assets as at 31 December 2019 and 31 December 2018, respectively, (each calculated on a consolidated basis and before consolidation adjustments). As at 30 September 2020, the total assets of AGB, BoB and TIB accounted for 7.9 per cent., 4.1 per cent. and 2.0 per cent., respectively, of the total assets of the Group (each calculated on a consolidated basis and before consolidation adjustments). As at 31 December 2019, the total assets of AGB, BoB and TIB accounted for 7.7 per cent., 3.7 per cent. and 2.1 per cent., respectively, of the total assets of the Group (each calculated on a consolidated basis and before consolidation adjustments). As at 31 December 2018, the total assets of AGB, BoB and TIB accounted for 8.3 per cent., 3.5 per cent. and 2.3 per cent., respectively, of the total assets of the Group (each calculated on a consolidated basis and before consolidation adjustments).

History

In mid-2008, as part of the Reorganisation, UGB's interests in JKB, AGB, BoB and TIB were acquired by the Group for U.S.$725 million (KD 194 million) in aggregate.

Further, in July 2008, the Group acquired a 43.9 per cent. stake in JKB, which, together with the 7.2 per cent. previously owned by the Group, gave it a controlling 51.2 per cent. equity interest in JKB.

In March 2009, the Group signed supplementary agreements with UGB for the acquisition of 60.0 per cent. of the shares of AGB. This, combined with the Group's previously existing 5.1 per cent. effective interest in AGB (through JKB's 10.0 per cent. equity interest in AGB), increased its effective interest in AGB to 65.1 per cent. Further, with the acquisition of TIB in the second quarter of 2010, the Group's effective stake in AGB increased to 91.1 per cent. in 2010.

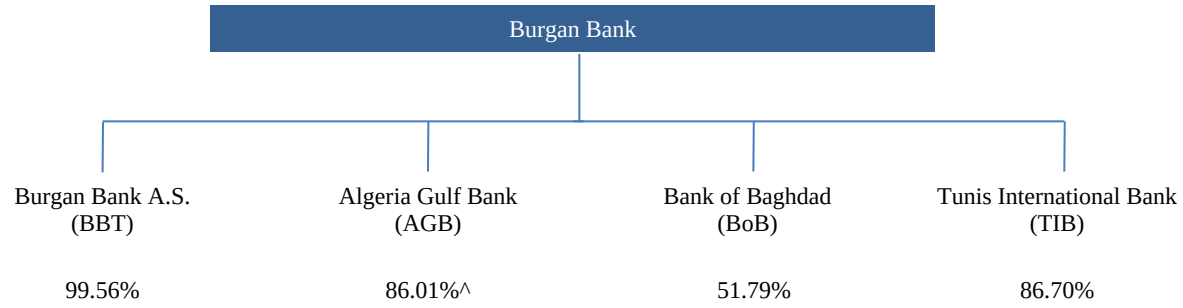
During the second quarter of 2009, the Group acquired a 45.3 per cent. stake in BoB. Further, in 2010, the Group acquired an additional 6.5 per cent. stake in BoB, thereby increasing its stake to 51.8 per cent.

During the second quarter of 2010, the Group acquired a 76.6 per cent. stake in TIB, which, together with the 10 per cent. previously owned by the Group, gave it a controlling 86.7 per cent. equity interest in TIB.

During the fourth quarter of 2012, the Group acquired a 99.3 per cent. stake in Eurobank Tekfen and rebranded it as Burgan Bank A.S.

During the fourth quarter of 2015, the Group disposed of its 51.2 per cent. stake in JKB.

The diagram below shows the Group's ownership interests in its subsidiaries as at 30 September 2020:



^Effective Stake

Burgan Bank A.S. (BBT)

Overview

BBT was originally founded in 1989 as Tekfen Yatırım Finansman Bankası AŞ (Tekfen Investment Finance Bank Inc). In 2006, the Tekfen Group entered into a strategic partnership agreement with Eurobank EFG, as a result of which the bank's name was changed to Eurobank Tekfen. On 21 December 2012, the Group acquired a 99.3 per cent. stake in Eurobank Tekfen and subsequently rebranded it as Burgan Bank A.S. As at 30 September 2020, the Group's stake in BBT stood at 99.6 per cent.

Eurobank Tekfen's subsidiaries (EFG Istanbul Equities and EFG Leasing) have also been re-branded as Burgan Securities Inc. and Burgan Leasing, respectively. Burgan Securities Inc. is one of Turkey's leading securities institutions and is active in the fields of brokerage, corporate finance and asset management in the Turkish capital markets. Burgan Securities Inc. is a financial intermediary that serves retail and institutional investors operating in the domestic and/or international markets. Burgan Leasing was established in March 1994 for the purpose of conducting leasing operations under Turkey's Leasing Law No. 3226.

BBT is a mid-sized bank (in terms of asset size) with a focus on the corporate banking sector and is expanding its presence in selective retail business. BBT operates under the supervision of the Central Bank of Turkey.

As at 30 September 2020, BBT had a network of 33 branches and 33 ATMs, and a total of 1,045 employees.

For the nine months ended 30 September 2020, BBT's operating income (before consolidation adjustments) was 20.9 per cent. of the Group's operating income compared to 18.7 per cent. for the nine months ended 30 September 2019 (before consolidation adjustments). For the year ended 31 December 2019, BBT's operating income (before consolidation adjustments) was 17.3 per cent. of the Group's operating income compared to 20.3 per cent. for the year ended 31 December 2018 (before consolidation adjustments) and 19.8 per cent. for the year ended 31 December 2017 (before consolidation adjustments). As at 30 September 2020 and 31 December 2019, BBT's total assets (before consolidation adjustments) amounted to 13.9 per cent. and 14.6 per cent., respectively, of the Group's total assets, compared to 16.1 per cent. of the Group's total assets as at 31 December 2018 (before consolidation adjustments), and 18.2 per cent. of the Group's total assets as at 31 December 2017 (before consolidation adjustments).

Mr. A. Murat Dinç, CEO of BBT has over 22 years' experience in the banking industry and has been in his current role since the beginning of 2014.

Products and Services

BBT provides services as a solutions partner to its customers through a network of 33 branches spread across the leading industrial and trading zones in Turkey. It caters to the demands and expectations of customers through a diverse portfolio of products and services in corporate, commercial, small business, retail and private banking products and services. BBT's subsidiaries, Burgan Leasing, and Burgan Securities Inc., complement BBT's product range and allow it to take advantage of cross-selling opportunities.

Strategy

BBT's strategic focus is to:

- become a niche financial services provider in the MENAT region with good returns and high growth;
- expand its customer base both in Turkey (especially with respect to commercial customers) and in the MENA region and increase its customers' income share;
- develop private banking into a full-fledged business line;
- expand its retail customer base through digital channels;
- selectively expand/relocate its branch network (including opening new deposit-oriented branches in high-street areas) and to develop alternative delivery channels;
- focus on product and service innovation and operational excellence; and
- improve its risk architecture, streamline processes and to increase the monitoring of its efficiency.

Competition

As at 30 September 2020, there were 54 banks operating in Turkey with a combined network of 11,291 domestic and foreign branches. According to the Banks Association of Turkey, banks in Turkey have the following three classifications: (i) deposit banks (34 in number), (ii) participation banks (six in number) and (iii) development and investment banks (14 in number). Among deposit banks, there were three state-owned banks, nine privately-owned banks and 21 foreign banks. BBT operates in the domestic Turkish market focusing on the corporate, commercial and SME sectors and competes with both large state-owned banks and other private sector banks.

Business Environment

Real GDP growth in Turkey decelerated to 0.7 per cent. in 2019 compared to 3.2 per cent. in 2018. In 2020, real GDP is expected to fall by 3.9 per cent., driven by Covid-19 related lockdown restrictions, and a fall in tourism. However, the government's stimulus efforts, swift monetary loosening, and rapid credit expansion is expected to lead to a solid economic recovery of 3.6 per cent. in 2021, High inflation expectations are likely to persist, along with a suboptimal policy mix and a weak lira. It is expected that price pressures will remain elevated through 2021, with inflation projected to average 11.7 per cent. in 2020, and 10.8 per cent. in 2021. Since the end of December 2019, the lira weakened by about 40 per cent. on average against the US Dollar to USD/TRY 8.430, despite the recent central bank's interventions. The lira is expected to keep its depreciation trend through 2021, reaching 8.750 by year-end (*source: Burgan Bank Estimates*).

In the latter part of 2020, the expiry of tax deferments and some indirect tax increases may support revenue growth in 2021. However, economic activity is expected to rebound only modestly given the continuing uncertainty, negative supply and demand side shocks and increased downside risks from heightened cases of Covid-19 on global economic activity. (*source: Central Bank of Turkey, Economic Intelligence Unit and TURKSTAT*).

Financial Summary

BBT's capital adequacy ratio was 18.0 per cent as at 31 December 2019, in accordance with the CBK's regulations.

The following table summarises key financial information of BBT based on BBT's audited annual accounts for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 prepared in accordance with generally accepted accounting principles in Turkey.

Amounts in TRY '000 unless otherwise stated

	As at / for the year ended 31 December		
	2019	**2018**	**2017**
Total Assets	21,546,808	22,028,865	18,754,698
Loans and Advances to Customers	15,911,311	16,789,201	13,286,738
Customer Deposits	11,405,865	9,915,300	8,872,471
Shareholders' Equity Attributable to Parent	1,919,275	1,875,980	1,512,475
Net Interest Income	812,647	729,832	511,872
Operating Income	944,372	871,746	599,173
Loan Loss Provisions	305,589	259,205	93,512
Expenses	464,535	403,477	357,445
Net Income Attributable to Parent	138,554	161,759	109,848
Non-performing Loans Ratio*	5.8%	3.4%	1.8%
Capital Adequacy Ratio*	18.0%	17.9%	13.8%

* *Calculated in accordance with CBK regulations.*

Algeria Gulf Bank S.P.A. (AGB)

Overview

AGB was established on 15 December 2003 as a commercial bank in Algeria. Since its establishment, AGB has aimed to contribute to the economic and financial development of Algeria and to provide professional services with high-quality products.

As at 30 September 2020, AGB had a network of 61 branches and 104 ATMs with a total of 1,084 employees.

For the nine months ended 30 September 2020, AGB's operating income (before consolidation adjustments) was 19.7 per cent. of the Group's operating income compared to 16.7 per cent. for the nine months ended 30 September 2019 (before consolidation adjustments). For the year ended 31 December 2019, AGB's operating income (before consolidation adjustments) was 16.1 per cent. of the Group's operating income compared to 16.3 per cent. of the Group's operating income for the year ended 31 December 2018 (before consolidation adjustments) and 15.3 per cent. of the Group's operating income for the year ended 31 December 2017 (before consolidation adjustments). As at 30 September 2020 and 31 December 2019, AGB's total assets (before consolidation adjustments) amounted to 7.9 per cent. and 7.7 per cent., respectively, of the Group's total assets as compared to 8.3 per cent. of the Group's total assets as at 31 December 2018 (before consolidation adjustments), and 8.5 per cent. of the Group's total assets as at 31 December 2017 (before consolidation adjustments).

Since August 2015, Mr. Rabih Soukarieh has served as General Manager of AGB.

Products and Services

AGB provides retail and corporate banking products and services, which include car loans, mortgages, consumer loans and Islamic financing. AGB has invested in technology and provides real-time operations such as SWIFT services, SMS banking and internet banking.

Strategy

AGB's strategy is to gradually increase its share of banking net income in Algeria, while maintaining sound risk parameters and a strong control and compliance culture.

Competition

Although the Algerian banking sector as a whole is at an early stage of development and is dominated by state-owned banks, private banks are increasingly playing a major role in the overall development of the economy. The Algerian market is dynamic and offers many opportunities for a technology-savvy, customer-friendly bank such as AGB. The banking industry is two-tiered, where six public banks represent almost 80 per cent. of banking assets, and the rest is divided among ten Algeria-incorporated private (and foreign-owned) banks and four branches of foreign banks.

Business Environment

For Algeria, the recovery from a sharp Covid-19-induced recession in 2020 is expected to be slow and real GDP is only expected to recover to 1.4 per cent. in 2021, from a contraction of 7.9 per cent. in 2020 – which is late even by regional comparison. However, export volumes are expected to rise again as external demand recovers and Algeria's OPEC quota rises slightly. In addition, still-low (albeit rising) global energy prices are expected to constrain the recovery in all of the other demand-side GDP components. Limited scope for fiscal stimulus is expected to hamper government consumption, indirectly feeding through to private consumption, which will also be constrained by still-high unemployment. Weaker demand and a fall in the price of many commodity prices is expected to keep inflation suppressed in 2020 at an average 1.2 per cent., despite cuts in the policy interest rate, and a depreciation of the Algerian dinar. However, with money supply growth accelerating as a result of the ongoing part-monetisation of the fiscal deficit, prices of many commodities are likely to start rising again from 2021 to an expected 1.9 per cent. After peaking at an estimated 14.9 per cent. of GDP in 2020, the fiscal deficit is forecasted to fall gradually in 2021 to 12.8 per cent., amid a moderate recovery in energy receipts, and a milder increase in tax income (assuming that economic growth picks up slowly) (source: Economist Intelligence Unit).

Financial Summary

AGB's capital adequacy ratio was 15.6 per cent. as at 31 December 2019, in accordance with the CBK's regulations.

The following table summarises key financial information of AGB based on AGB's audited annual accounts for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 prepared in accordance with generally accepted accounting principles in Algeria.

	Amounts in DZD '000 unless otherwise stated		
	As at / for the year ended 31 December		
	2019	**2018**	**2017**
Total Assets	257,068,083	263,014,799	256,860,824
Loans and Advances to Customers	153,664,521	169,327,668	153,825,326
Customer Deposits	198,519,915	197,487,980	199,946,357
Shareholders' Equity attributable to Parent	30,786,184	29,943,672	27,025,491
Net Interest Income	13,488,039	13,329,811	11,233,189
Operating Income	18,781,152	16,806,317	13,566,705
Loan Loss Provisions	3,856,060	3,794,615	2,023,555
Expenses	6,757,879	6,475,374	6,409,216
Net Income attributable to Parent	6,018,180	4,737,168	3,637,975
Non-Performing Loans Ratio*	2.2%	1.3%	2.9%
Capital Adequacy Ratio*	15.6%	14.5%	15.9%

* *Calculated in accordance with CBK regulations.*

Bank of Baghdad P.J.S.C. (BoB)

Overview

BoB was established in 1992. Its customer base comprises of SMEs, large corporate and individual customers. It was the first licensed private bank to commence banking operations in Iraq in 1992 after the change in the banking regulations by the Central Bank of Iraq.

BoB holds principal licences for issuing Visa and MasterCard debit and credit cards in Iraq. As at 30 September 2020, BoB had 36 branches, 60 ATMs and a total of 768 employees. BoB is present in all 18 provinces of Iraq and has a branch and an ATM outside Iraq, in Beirut, Lebanon.

For the nine months ended 30 September 2020, BoB's operating income (before consolidation adjustments) was 7.1 per cent. of the Group's operating income compared to 3.9 per cent. for the nine months ended 30 September 2019 (before consolidation adjustments). For the year ended 31 December 2019, BoB's operating income (before consolidation adjustments) was 3.7 per cent. of the Group's operating income compared to 4.0 per cent. of the Group's operating income for the year ended 31 December 2018 (before consolidation adjustments) and 6.7 per cent. of the Group's operating income for the year ended 31 December 2017 (before consolidation adjustments). As at 30 September 2020 and 31 December 2019, BoB's total assets (before consolidation adjustments) amounted to 4.1 per cent. and 3.7 per cent., respectively, of the Group's total assets as compared to 3.5 per cent. of the Group's total assets as at 31 December 2018 (before consolidation adjustments), and 3.4 per cent. of the Group's total assets as at 31 December 2017 (before consolidation adjustments).

BoB's shares were listed on the Iraq Stock Exchange on 15 June 2004. At the close of trading on the Baghdad Stock Exchange on 30 September 2020, BoB's share price was IQD 0.37 giving it a market capitalisation of IQD 92.5 billion.

Mr. Usam Ismaeel Shareef, BoB's Chairman, is a senior banking executive and has been in his current position since 2010.

Products and Services

BoB provides retail and corporate banking products and services which include the following:

- *Deposit Products*: current accounts, term deposit accounts, savings accounts and gold accounts (which provide a group of services to certain elite customers) and static accounts (a form of term deposit);
- *Loans*: industrial loans, trade loans, land loans (offered for financing construction, renovation or restoration of commercial properties), agriculture loans and housing loans (extended to Iraqi nationals for financing the acquisition or renovation of residential properties);
- *Trade Finance Services*: letters of credit and letters of guarantee; and
- *Other Banking Services*: credit and debit cards (Visa and MasterCard), internet banking, mobile phone banking, foreign exchange, international transfers and payroll services.

Strategy

BoB's strategic focus is to:

- expand its retail network and upgrade its existing infrastructure;
- expand its retail loan book by focusing on both collateralised and non-collateralised loans;
- finance planned infrastructure projects in Iraq; and
- focus on large corporates and international companies in Iraq.

Competition

As at 30 September 2020, there were 81 banks operating in Iraq comprising of seven state-owned banks (including one state-owned Islamic bank), 24 private banks, 30 private Islamic banks and 20 foreign banks (including three banks under incorporation). Four state banks, Rafidain, Trade Bank of Iraq, Rasheed, and the Agricultural Cooperation Bank are dominant by asset size (source: Central Bank of Iraq). However, the Bank believes that BoB has a strong position in terms of customer service and technology.

Business Environment

Iraq is gradually emerging from the deep economic strains left by the civil war. The Iraqi government has put in place a comprehensive reconstruction package, with the immediate goal being to stabilise the economy and establish a long-term growth vision. However, the success of the reconstruction package is in part dependent on resolving the ongoing dispute with the Kurdistan Regional Government. Large protests in the Iraqi Kurdistan region against the Kurdistan Regional Government are expected to recur intermittently. Iraq's economic recovery is expected to depend on the energy sector, as oil production makes up about two thirds of GDP. After a sharp decline in 2020, oil production is expected to rebound marginally to an average of 4.03 million barrels per day in 2021 (up from 3.97 million barrels per day in 2020), as Iraq's OPEC+ production cut quotas are loosened slightly. Export performance in 2021 is also expected to improve slightly from the weak performance of 2020. This, alongside slightly higher oil prices, leads towards a forecasted real GDP growth of 0.7 per cent. in 2021, after a 7.5 per cent. contraction in real GDP in 2020 as estimated in December 2020. Oil production is expected to increase over the remainder of the forecast period, reaching

an average of 4.78 million barrels per day in 2025, as Iraq increases investment in many existing and new oilfields.

Iraq is considered under-banked, with just 4.4 commercial bank branches per 100,000 adults compared to the global average of 11.7. However, its outlook remains positive as banking infrastructure is expected to strengthen, which should improve the system's accessibility. Going forward, the policies of the Central Bank of Iraq, which are encouraging of private sector participation in the banking sector, are also likely to lead to the growth of the banking sector in Iraq (*source: Economist Intelligence Unit*).

Financial Summary

The following table summarises key financial information of BoB based on BoB's audited annual accounts for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 prepared in accordance with generally accepted accounting principles in Iraq.

Amounts in IQD million unless otherwise stated

	As at / for the year ended 31 December		
	2019	**2018**	**2017**
Total Assets.....	1,132,744	1,113,539	1,090,587
Loans and Advances to Customers	149,602	161,955	169,579
Customer Deposits	801,174	782,174	743,598
Shareholders' Equity attributable to Parent.....	273,641	266,743	264,307
Net Interest Income	5,150	5,778	12,104
Operating Income.....	39,887	36,568	53,474
Loan Loss Provisions	556	182	5,062
Expenses.....	28,493	30,958	38,835
Net Income attributable to Parent	7,298	4,152	6,161
Non-Performing Loans Ratio*	N/A	76.2%	75.4%
Capital Adequacy Ratio*..	N/A	66.0%	60.1%

* *Calculated in accordance with CBK regulations; As at 31 December 2019, BoB was classified as a disposal group held for sale, hence, non-performing loans ratio and capital adequacy ratio for the year ended 31 December 2019 is not available (NA).*

Tunis International Bank S.A. (TIB)

Overview

Foreign investment in Tunisia is regulated by the Investment Code (Law 1993-120) (**Tunisian Investment Code**), which was last amended in January 2009. The current Tunisian Investment Code divides potential investments into two categories: (i) offshore investments, in which foreign equity should comprise at least 66 per cent. of equity and at least 70 per cent. of production is destined for the export market (with some exceptions for the agricultural sector); and (ii) onshore investments, in which foreign equity is limited to 49 per cent. of total equity for non-residential projects; onshore industrial investment can have up to 100 per cent. foreign equity.

TIB was established in June 1982 as the first fully licensed offshore banking corporation in Tunisia. TIB operates under the supervision of the Central Bank of Tunisia (**CBT**). It is also a member of Tunisia's Clearing House Association.

TIB operates through three branches in Tunisia and a representative office in Libya and had 102 employees as at 30 September 2020.

For the nine months ended 30 September 2020, TIB's operating income (before consolidation adjustments) was 2.1 per cent. of the Group's operating income compared to 2.0 per cent. for the nine months ended 30 September 2019 (before consolidation adjustments). For the year ended 31 December 2019, TIB's operating income (before consolidation adjustments) was 2.5 per cent. of the Group's operating income compared to 2.5 per cent. of the Group's operating income for the year ended 31 December 2018 (before consolidation adjustments) and 2.4 per cent. for the year ended 31 December 2017 (before consolidation adjustments). As at 30 September 2020 and 31 December 2019, TIB's total assets (before consolidation adjustments) amounted to 2.0 per cent. and 2.1 per cent., respectively, of the Group's total assets as compared to 2.3 per cent. of the Group's total assets as at 31 December 2018 (before consolidation adjustments), and 2.2 per cent. of the Group's total assets as at 31 December 2017 (before consolidation adjustments).

Mr. Mohamed Fekih, Managing Director of TIB, has over 39 years' experience in the banking industry and has held his current role since 2006.

Products and Services

TIB provides a comprehensive range of products and services in Tunisia and overseas, which include foreign exchange and money market services in all convertible currencies (including Tunisian dinars), international trade financing, forfaiting, private banking facilities, commercial banking services, loan syndications and investments services and issuing Visa and American Express cards.

Strategy

TIB's strategic focus is to:

- increase offshore corporate loans in Tunisia, investment grade bonds and syndicated loans;
- expand its product portfolio for the textiles, packaging and electrical sectors;
- develop its trade finance business with Tunisian groups in collaboration with AGB and FIMBank; and
- stabilise its deposit base by developing new customer relationships in the local market as well as in the region.

Competition

As at 30 September 2020, there were 30 banks operating in Tunisia. TIB's main competitors included local banks such as Alubaf International Bank and Tunisian Foreign Bank, in addition to certain foreign banks such as Citibank and Arab Banking Corporation.

Business Environment

As the first country to undergo the "Arab Spring" uprising in 2011, Tunisia has undergone significant political changes in recent years. After an estimated 8.1 per cent. contraction in real GDP in 2020, the economy is expected to stage a gradual recovery in 2021 to 3.2 per cent. Significant macroeconomic challenges remain – and the country may continue to face social, political, and economic challenges over the medium-term. Covid-19 containment measures have damaged some of the service sectors, notably tourism and transport. The fact that Tunisia's major trading partners, including France, Italy and Spain, will be slow to recover is likely to hamper the pace of the recovery of exports. Business sentiment is also expected to pick up only gradually in 2021-2022, leading to a fairly weak recovery in fixed investment, with political instability remaining a factor even once the global economy is on a firmer footing (source: *Economist Intelligence Unit,*).

Financial Summary

TIB's capital adequacy ratio was 22.0 per cent. as at 31 December 2019 in accordance with the CBK's regulations.

The following table summarises key financial information of TIB based on TIB's audited annual accounts for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 prepared in accordance with generally accepted accounting principles in Tunisia.

	Amounts in U.S.$'000 unless otherwise stated		
	As at / for the year ended 31 December		
	2019	**2018**	**2017**
Total Assets	629,723	623,158	593,449
Loans and Advances to Customers	125,646	111,692	142,187
Customer Deposits	271,622	275,667	265,134
Shareholders' Equity attributable to Parent	176,971	164,036	150,342
Net Interest Income	6,573	6,405	4,295
Operating Income	31,728	29,518	25,222
Loan Loss Provisions	251	500	88
Expenses	7,420	7,600	7,959
Net Income attributable to Parent	23,382	20,451	16,472
Non-Performing Loans Ratio*	0.6%	1.0%	0.0%
Capital Adequacy Ratio*	22.0%	16.8%	21.5%

* *Calculated in accordance with CBK regulations.*

PARENT COMPANY

Kuwait Projects Company Holding K.S.C.P.

KIPCO was incorporated as a closed shareholding company on 2 August 1975 under Article 94 of the Kuwaiti Commercial Companies Code, Law No. 15 1960, as amended (the Companies Law). It was registered under commercial registration number 23118 on 15 November 1979. On 29 September 1999, it changed its structure to that of a holding company and amended its name to Kuwait Projects Company Holding K.S.C.P. from Kuwait Investment Projects Company K.S.C.P.

As at 30 September 2020, the following shareholders had holdings in excess of 5.0 per cent. of KIPCO's issued ordinary share capital: (i) Al Futtooh Holding Company (44.7 per cent.) and (ii) United American Holding Company K.S.C.C. (21.4 per cent.).

As at 30 September 2020, KIPCO had a direct shareholding interest of 41.2 per cent. in the Bank and a consolidated effective interest (including shares held through other KIPCO group companies) of 62.7 per cent.

KIPCO's shares are listed on the Boursa Kuwait. At the close of trading on the Boursa Kuwait on 30 September 2020, KIPCO's share price was KD 0.151 per share, giving it a market capitalisation of KD 296.2 million.

Group Structure

KIPCO, directly or indirectly, is the ultimate holding company of over 60 subsidiaries and associates (companies in which the Group holds more than 20 per cent. but less than 50 per cent. of the shares) operating in several sectors. Its assets substantially comprise shares in its group companies. KIPCO is dependent on revenues received from other members of its group.

The principal subsidiaries and associates of KIPCO operate in the financial services, media and real estate sectors. The remaining companies of its group and its associates operate in the services, industrial and education sectors and are primarily controlled by its principal subsidiaries.

The chart below sets out KIPCO's principal subsidiaries as at 30 September 2020:

^OSN is licensed to operate in 25 countries in the MENA region; however, it currently focuses on seven core markets.

The table below sets out KIPCO's consolidated effective interest in its principal subsidiaries as at 30 September 2020:

Company	Jurisdiction of incorporation	Status	Year of initial investment	Group's effective interest	Board representation
Burgan Bank S.A.K.P. ..	Kuwait	Subsidiary	1995	62.7%	6 of 9
Gulf Insurance Group K.S.C.P.	Kuwait	Associate	1996	45.6%	4 of 10
United Gulf Holding Company B.S.C.....	Bahrain	Subsidiary	1998#	93.1%	5 of 8
Panther Media Group Limited	Dubai International Financial Centre	Subsidiary	1995	88.8%	2 of 7
United Real Estate Company	Kuwait	Subsidiary	1994	73.8%	5 of 7

Represent the year of initial investment in United Gulf Bank, which after the corporate reorganisation in 2017 is represented by United Gulf Holding Company B.S.C.

KIPCO Group Business Overview and Strategy Principal Business Activities

KIPCO is a multi-sector holding company headquartered in Kuwait with operating entities across the GCC and the wider MENA region. KIPCO's business is to acquire or create businesses and to build and grow them in order to be able to selectively sell them, with a view to maximising shareholder value. KIPCO has an experienced management team and benefits from key relationships in the region through its principal shareholders, which include members of the Kuwaiti ruling family.

The principal business activities of the companies in which KIPCO has currently invested are as follows:

- **Commercial Banking**: Historically, through the Bank, KIPCO has had a strong presence in the Kuwaiti banking industry, offering a full range of commercial banking services to both retail and corporate customers. KIPCO's financial services businesses are streamlined into three major segments: commercial banking, asset management and investment banking (**AMIB**) and insurance. The Bank has been transformed into a regional commercial banking group offering a wide range of banking services and products across the GCC and wider MENA region as a result of the purchase of UGB's stakes in JKB, BoB, AGB and TIB.

  On 21 December 2012, Eurobank Tekfen became a subsidiary of, and since that date has been consolidated with, the Bank. Following the acquisition, Eurobank Tekfen is now operating under the name of Burgan Bank A.S. As at 30 September 2020, BBT had a market share of 0.5 per cent. in terms of total outstanding loans in Turkey.

  Under a series of transactions in 2013 and 2014, the Bank and UGB completed the acquisition of FIMBank, and hold 8.5 per cent. and 78.6 per cent., (now held through United Gulf Holding Company B.S.C. (**UGHC**)) stakes respectively as at 30 September 2020. FIMBank is an international trade finance specialist providing trade finance solutions to corporates, banks and individuals worldwide. On 30 December 2015, the Bank completed the sale of its controlling stake in JKB to Al Rawabi International Co. JKB is a public shareholding company founded on 25 October 1976 with a paid-up capital of JD 100 million. JKB is listed on the Amman Stock Exchange and had consolidated assets of KD 1.2 billion as at 30 September 2020. JKB is regulated by the Central Bank of Jordan.

- **AMIB**: KIPCO operates in the AMIB market in the MENA region through UGHC and Kamco Investment Company (**Kamco Invest**). UGHC has a track record of incubating and growing businesses, including the four commercial banks that were transferred to the Bank as part of the Reorganisation. Following the Reorganisation, KIPCO plans to develop its pan-regional AMIB services in UGHC and Kamco Invest. Kamco Invest is an investment manager that offers its clients access to local and international capital markets with a focus on asset management, investment advisory, investment research and financial services. In 2018, Kamco Invest acquired a 69.5 per cent. stake in Global Investment House K.S.C.C. The acquisition solidifies the company's market position and demonstrates the scalability of its long-term business model. As at 30 September 2020, Kamco Invest had KD 3.9 billion assets under management (of which 53.7 per cent. represented custodial assets) and is listed on Boursa Kuwait. UGHC is listed on the Bahrain Stock Exchange, with total assets of U.S.$3.3 billion as at 30 September 2020.

- **Insurance**: The Bank believes that KIPCO's primary insurance company, Gulf Insurance Group (**GIG**), is the market leader in insurance products in Kuwait in terms of gross premiums written and direct premiums. GIG has expanded its presence in the MENA region with operations across 11 countries with Kuwait, Bahrain, Jordan, Turkey, Egypt and Algeria being the key markets. GIG's insurance product portfolio includes medical, motor, property, engineering, general accidents, life, marine and aviation. GIG is listed on the Boursa Kuwait with total assets of KD 851.0 million as at 30 September 2020.

- **Media**: Panther Media Group Ltd. (**PMG**) comprises the Group's media segment. PMG owns and operates two previously competing platforms of "Showtime" and "Orbit", providing a platform-agnostic network across multiple platforms of Direct-to-Home (DTH), Cable and Internet Protocol television (IPTV), Commercial and Over-the-Top (OTT) in the MENA region The entity operates under the brand "OSN" and offers 85 channels to customers, showing premium drama and entertainment. OSN has exclusive contracts with major Hollywood studios and shows the most popular movies and latest series. It also has first window OTT rights from major studios. OSN rebranded its OTT proposition and partnered with Disney+ in April 2020. As at 30 September 2020,

OSN had a total subscriber base of approximately 1.0 million customers. As of March 2020, KIPCO participated in PMG's capital call to raise its stake from 60.5 per cent. to 88.8 per cent. In view of these developments, PMG became a subsidiary of KIPCO and has been accounted for in accordance with IFRS 3: "Business combinations".

- **Real Estate**: United Real Estate Company K.S.C. (**URC**), together with its subsidiaries and associates, comprises KIPCO's real estate segment. These represented 6.7 per cent. of KIPCO's assets as at 30 September 2020. These real estate interests mostly consist of operational hotels, residential, commercial and office buildings in Kuwait, Bahrain, Oman, the UAE, Jordan, Lebanon, Egypt and the United Kingdom as well as projects under construction in Kuwait and Morocco. URC also provides real estate services through its own affiliates, including project and construction management, contracting and facility management. KIPCO owns a 73.8 per cent. consolidated effective interest in URC as at 30 September 2020.

  On 3 May 2017, KIPCO inaugurated the Hessah Al Mubarak District Pavilion, the sales centre for the mixed-use development project in Kuwait. The project is located in Kuwait City overlooking the Arabian Gulf Sea. The project's total built up area will be approximately 381,000 square meters and includes residential buildings, commercial activities, multi-outlet retail and food and beverages. The Group plans to develop approximately 27 per cent. of the project through its entities. Part of the remaining land has already been sold to third party developers and the balance plots will be sold as land parcels to external developers or co-developed.

- **Industrial**: KIPCO holds shares or other investments in companies active in a variety of industries representing in aggregate 2 per cent. of its assets as at 30 September 2020. These include petro-chemical, food and beverages and healthcare with several years of operations. These are held primarily through United Industries Company K.S.C. (UIC) in which KIPCO owns an effective interest of 77.8 per cent. as at 30 September 2020.

Regional presence

The KIPCO group and its associates have presence in the following countries:

Company	Present in
United Gulf Holding Company	Bahrain, Kuwait, Tunisia, the UAE, Syria, Morocco, Malta, Iraq and the USA
Gulf Insurance Company K.S.C.P.....	Kuwait, Saudi Arabia, Lebanon, Egypt, Syria, Jordan, Iraq, the UAE, Algeria, Bahrain and Turkey
Burgan Bank K.S.C.P.	Kuwait, Iraq, Algeria, Tunisia, Turkey, Lebanon (branch of BoB) and Libya (representative office of TIB)
Panther Media Group Ltd. (OSN)	Licensed to operate in 25 countries in the MENA region
United Real Estate Company S.A.K.P	Kuwait, Jordan, Egypt, Oman, Syria, the UAE, Lebanon, Morocco and UK
United Industries Company K.S.C	Kuwait
Jordan Kuwait Bank	Jordan, Palestine and Cyprus

Business Strategy

The key elements of the KIPCO group's strategy are to:

- leverage its position and reputation in the GCC and wider MENA region to capture further growth in these regions;
- acquire, create, build and selectively sell businesses in sectors that capitalise on regional opportunities;
- exercise management control over businesses; and
- maximise value from businesses with a medium- to long-term horizon.

RISK MANAGEMENT

Risk Management at the Bank is directed and overseen by the Risk Management Group headed by the Group Chief Risk Officer, who reports directly to the Board Risk Committee in order to ensure the independence of the function. The Risk Management Group does not have business targets in terms of levels of business or income/profits to be achieved, with a view to ensuring that the Bank's risks are managed prudently and efficiently. The objective of the Risk Management Group is to identify, measure, assess and monitor risks across all the portfolios of the Bank and report the risks and the proposed recommendations to manage them to the Board and senior management. The Risk Management Group has established a risk appetite framework, in line with internationally accepted best practices, which establishes the risk thresholds across the Bank and its subsidiaries based on the current and anticipated exposures. The Board reviews and provides guidance regarding the alignment of the Bank's strategy to its risk appetite and the internal risk management structure and framework.

The Bank has a well-documented risk policy that classifies the risks that it faces during the normal course of business into certain categories of risks, and summarises how the Bank identifies, manages, measures and mitigates the risks it takes. The risk categories include:

(a) **Credit Risk**: the risk that a financial loss will be incurred if a counterparty does not fulfil its financial or contractual obligations;

(b) **Market Risk**: the risk that the value of a financial instrument will decline due to a change in interest rates, foreign exchange rates or commodity or equity prices; and

(c) **Operational Risk**: the risk that the Bank's internal practices, policies and systems are not adequate to prevent a loss being incurred, either because of market conditions or operational difficulties.

The Risk Management Group advises the management on implementation of the Bank's risk policies. It consists of three departments, each responsible for one of the risks described above. In addition, it has a Shared Services Unit that provides services to the individual risk functions including reporting, data management, stress testing, model validation, and quantitative analytics. The risk reports are aimed at ensuring that timely information about the Group's risk profile is provided to the Bank's senior management, Board and relevant committees in order to ensure that risks are effectively managed within the Bank and across its subsidiaries in a timely fashion. Together, these departments ensure the effectiveness of managing the Bank's risk exposure taking into consideration all internal and external factors that might affect the Bank's stability and growth.

The overall framework for risk governance and management is supported by a variety of qualitative and quantitative methodologies based on the nature of the risks. The Bank has established forward-looking credit and market loss estimation models. The Bank also has a robust Internal Capital Adequacy Assessment

Process (**ICAAP**) and stress-testing framework, to maintain capital commensurate with the overall risks that the Bank is exposed to and maintain Pillar 2 capital according to CBK regulations.

Most of the Bank's subsidiaries have an independent risk management function that reports to its respective Board Risk Committee, with a separate reporting line to their Chief Executive Officer and Group Chief Risk Officer. The implementation of the Bank's risk policies across its subsidiaries is at various stages of completion:

- For BBT, the Board Credit Committee undertakes the assessment and revision of credit proposals within the framework granted by the Board.

- AGB's organisational structure is approved by its Board of Directors through which it officially implements a risk management structure. The risk function is managed by the Head of Division and is subdivided into three departments based on the risk categories: credit risk, market risk, and operational risk. The Compliance Unit is responsible for reporting anti-money laundering issues.

- At BoB, the Board of Directors are responsible for the overall risk management approach, and for approving the risk principles and strategies. Currently, the implementation of risk-related procedures is the responsibility of the relevant departments, under the direct supervision and ownership of BoB's Managing Director. Risk management processes throughout BoB are audited regularly by the internal audit function that examines the adequacy and compliance of the procedures. BoB's Internal Audit department discusses the results of all assessments with the management and reports its findings and recommendations to the Audit Committee.

- As for TIB, the Board Credit Committee is responsible for managing the credit and all other aspects of risk.

Credit Risk

The Bank has implemented a board-approved credit risk management structure that clearly delineates lines of authority and establishes accountabilities and responsibilities of individuals involved in the different phases of the credit risk management process. Depending on the size, complexity and scope of credit activities, in addition to the roles and responsibilities of the Board and senior management, the Bank's credit risk management organisation is broadly classified into three functional lines of activities: the front, the back and the middle offices, to properly segregate accountabilities, to ensure that no individual is assigned conflicting responsibilities, and to effectively monitor and control the risks being taken.

The Bank has also implemented a risk appetite framework adhering to the requirements of the central bank in each jurisdiction in which each of the Bank's subsidiaries operate. Credit decisions are made on the "four eyes" principle by the relevant authority supported by a different but complementary role played by Risk Management. An enabling opinion from Credit Risk Management is key to the approval process. Although the Board is the ultimate authority for all lending activities, it has, from time to time, delegated the credit approval authority to a sub-committee of the Board (or other delegated authorities) with an appropriate governance. These powers are exercised prudently and in line with the general principles of lending.

The following table sets out the Bank's consolidated loans and advances to customers and financial assets and contingent liabilities by industry as at 31 December 2019 and 31 December 2018.

Financial assets (including commitments) and contingent liabilities by industry

	As at 31 December	
	2019	**2018**
Industry sector	*(KD 000's)*	*(KD 000's)*
Sovereign.....	947,958	1,452,065

	As at 31 December	
	2019	**2018**
Industry sector	*(KD 000's)*	*(KD 000's)*
Banking	843,891	828,036
Investment	286,442	288,650
Trade and commerce	756,425	786,325
Real estate	1,138,006	982,955
Personal	1,445,995	1,434,928
Manufacturing	704,215	644,165
Construction	753,227	852,791
Other services	1,196,845	1,229,437
	8,073,004	**8,499,352**
Loans and advances to customers		
Corporate	4,101,801	4,023,883
Retail	395,368	427,661
Gross loans and advances to customers	**4,497,169**	**4,451,544**
Less: provision	(212,849)	(188,804)
Net loans and advances to customers	**4,284,320**	**4,262,740**

The following table sets out the Bank's due from banks and OFIs as at 31 December 2019 and 31 December 2018.

	As at 31 December	
	2019	**2018**
	(KD 000's)	*(KD '000s)*
Loans and advances		
Banks	17,485	24,809
OFIs	208,820	210,637
	226,305	**235,446**
Deposits with banks	503,121	385,065
Gross due from banks and OFIs	**729,426**	**620,511**
Less: Provision	(24,479)	(26,154)
Less: Expected credit losses	(179)	(92)
Due from banks and OFIs	**704,768**	**594,265**

The following table sets out the Bank's total provisions as at 31 December 2019 and 31 December 2018:

	Banks and OFIs	**Corporate**	**Retail**	**Total**
	(KD 000's)	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*
At 1 January 2019	**26,435**	**186,482**	**16,775**	**229,692**
Exchange adjustment	517	(112)	(766)	(361)
Amounts written off	(5,000)	(10,829)	(8,662)	(24,491)
Charged to consolidated statement of income	2,814	38,882	7,445	49,141
Transferred to disposal group held for sale	-	(766)	(774)	(1,540)
At 31 December 2019	**24,766**	**213,657**	**14,018**	**252,441**
At 1 January 2018	**26,550**	**175,674**	**20,219**	**222,443**
Exchange adjustment	3	(1,649)	942	(704)
Amounts written off	(262)	(41,905)	(12,134)	(54,301)
Charged to consolidated statement of income	144	54,362	7,748	62,254

	Banks and OFIs	Corporate	Retail	Total
	(KD 000's)	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*
At 31 December 2018	**26,435**	**186,482**	**16,775**	**229,692**

The following table sets out the Bank's consolidated impaired loans and provisions by standard portfolio as at 31 December 2019 and 31 December 2018:

	Impaired Loans (net of suspended interest and collateral)	Total Provision	Specific provision charge / charge off (-)
	(KD 000's)	*(KD 000's)*	*(KD 000's)*
As at 31 December 2019			
Claims on banks	-	1,022	-
Claims on corporates	12,582	231,947	16,161
Regulatory retail exposures	6,355	14,018	5,815
Other exposures	-	5,454	-
Total	**18,937**	**252,441**	**21,976**
As at 31 December 2018			
Claims on banks	-	3,004	-
Claims on corporates	15,066	204,792	49,495
Regulatory retail exposures	10,723	16,775	4,529
Other exposures	-	5,121	(12)
Total	**25,789**	**229,692**	**54,012**

Non-performing loans as a percentage of cash exposure decreased to 2.5 per cent. as at 31 December 2019 as compared to 2.7 per cent. as at 31 December 2018. See "*Impairment Losses on Loans and Advances to Customers*" below for further detail.

The following table compares the financial assets neither past due nor impaired as at 31 December 2019 and 31 December 2018.

	31 December 2019				
	Rated				
	High	Standard	Past due but not impaired	Impaired financial assets	Total
	(KD 000's)	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*
Sovereigns	655,317	105,311	-	-	760,628
Banks and OFIs	749,365	89,606	-	999	839,970
Corporates	712,129	2,746,716	292,392	102,294	3,853,531
Retail	-	360,350	17,265	4,686	382,301
Other credit exposures	223,136	221,159	-	-	444,295
	2,339,947	**3,523,142**	**309,657**	**107,979**	**6,280,725**

	31 December 2018 (Reclassified)				
	Rated				
	High	Standard	Past due but not impaired	Impaired financial assets	Total
	(KD 000's)	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*
Sovereigns	955,148	354,132	-	-	1,309,280
Banks and OFIs	694,385	110,506	-	-	804,891
Corporates	763,162	2,767,908	171,936	91,578	3,794,584
Retail	-	379,469	19,227	13,349	412,045

	31 December 2018 (Reclassified)				
	Rated				
	High	Standard	Past due but not impaired	Impaired financial assets	Total
	(KD 000's)	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*
Other credit exposures	217,927	261,869	-	-	479,796
	2,630,622	**3,873,884**	**191,163**	**104,927**	**6,800,596**

The following table sets out the Bank's consolidated geographical distribution of gross credit exposures as at 31 December 2019 based on the CBK's Basel III regulations:

	31 December 2019									
	Kuwait	**Jordan**	**Algeria**	**Iraq**	**Tunisia**	**Turkey**	**Other Middle East**	**Europe**	**Rest of the world**	**Total**
	(KD 000s)									
Claims on sovereigns	547,866	-	82,451	-	35,553	111,429	176,243	-	30,918	984,460
Claims on public sector entities	68,467	-	-	-	-	-	1,564	-	1,601	71,632
Claims on multilateral development banks.....	-	-	-	-	-	-	2,419	-	3,962	6,381
Claims on banks.....	286,419	19,072	31,146	5,317	2,200	116,030	861,351	739,918	90,494	2,151,947
Claims on corporates.....	3,071,350	-	490,501	-	8,051	1,021,134	464,150	35,670	17,585	5,108,441
Cash items	20,543	-	27,942	-	283	6,322			7	55,097
Regulatory retail exposures	358,110	-	32,374	-	507	144,373	53	64	-	535,481
Past due exposures	55,161	-	7,609	-	76	46,678	-	-	-	109,524
Other exposures*.....	950,156	779	86,038	251,908	2,350	65,390	60,135	14,239	94,818	1,525,813
Total	**5,358,072**	**19,851**	**758,061**	**257,225**	**49,020**	**1,511,356**	**1,565,915**	**789,891**	**239,385**	**10,548,776**

* *Other exposures include loans to real estate activity and share financing, which attract a risk weight of 150 per cent. based on the CBK's Basel III regulations.*

The following table sets out the Bank's credit exposure and contingent liabilities by geography as at 31 December 2019 and 31 December 2018:

(KD 000's)

	As at 31 December 2019			As at 31 December 2018		
	Financial Assets	**Commitments and contingent liabilities**	**Total**	**Financial Assets**	**Commitments and contingent liabilities**	**Total**
Kuwait.....	3,642,167	1,336,178	4,978,345	3,613,315	1,203,072	4,816,387
Jordan	9,797	9,230	19,027	41,486	10,354	51,840
Algeria.....	482,672	154,141	636,813	570,191	214,474	784,665
Iraq	-	5,923	5,923	191,954	17,930	209,884
Tunisia.....	34,474	2,757	37,231	73,091	1,495	74,586
Turkey	1,080,003	177,667	1,257,670	1,269,218	165,460	1,434,678
Other Middle East ...	853,436	24,561	877,997	742,210	23,878	766,088
Europe	53,443	45,872	99,315	132,388	18,389	150,777
Rest of the world	124,733	35,950	160,683	166,743	43,704	210,447
	6,280,725	**1,792,279**	**8,073,004**	**6,800,596**	**1,698,756**	**8,499,352**

The following table sets out the Bank's consolidated geographical distribution of impaired loans (net) as at 31 December 2019:

31 December 2019

	Kuwait	Algeria	Iraq	Tunisia	Turkey	Total
				(KD 000's)		
Claims on banks	-	-	-	-	-	-
Claims on corporates	663	1,541	-	-	10,378	12,582
Regulatory retail exposures	4,574	1,536	-	-	245	6,355
Other exposures	-	-	-	-	-	-
Total	**5,237**	**3,077**	**-**	**-**	**10,623**	**18,937**

(a) ***Impairment Losses on Loans and Advances to Customers***

The management of credit risk requires the maintenance of an adequate provision on credit facilities to cover the probable losses arising from the Bank's lending portfolio. The Bank, through its provisions committee, reviews its consolidated loans and advances on a monthly-basis to assess any potential deterioration in the asset quality and to determine the need for building provisions. In particular, considerable judgment by the management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ, resulting in future changes to such provisions.

The Bank's impairment provision policy for credit facilities complies in all material respects with the specific provision requirements of the CBK and IFRS as adopted for use by Kuwait. In March 2007, the CBK issued a circular amending the basis of making minimum general provisions on facilities, changing the rate from 2 per cent. to 1 per cent. for cash facilities and 0.5 per cent. for non-cash facilities. The general provision as of 31 December 2006 in excess of the present 1 per cent. for cash facilities and 0.5 per cent. for non-cash facilities amounts to KD 16.2 million and is retained as a general provision until further direction from the CBK. Interest income on impaired loans and advances remains immaterial.

The Bank adopted IFRS 9: Financial Instruments, effective from 1 January 2018, with the exception of measurement and disclosure requirements of the expected credit losses on credit facilities.

The Annual Financial Statements have been prepared in accordance with the regulations for financial services institutions as issued by the CBK. Since December 2018, these regulations require ECL to be measured at the higher of the ECL on credit facilities computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) (collectively referred to as IFRS, as adopted for use by Kuwait).

The Bank's ECL on credit facilities determined under IFRS 9 in accordance with the CBK guidelines, amounted to KD 194.7 million as at 31 December 2019.

The following table sets out the Bank's provision for impairment of loans and advances charged to the consolidated statement of income by reference to (i) the requirements of IFRS; and (ii) the additional provisioning required by the CBK, in each case, for the financial years ended 31 December 2019 and 31 December 2018.

	Year ended 31 December	
	2019	**2018**
Provision for impairment of loans and advances	*(KD 000's)*	*(KD 000's)*
IFRS provisioning .....……	44.8	43.7
Additional provisioning required by the CBK	4.4	18.6
Total.....	**49.1**	**62.3**

The Bank's asset quality improved in 2019 with non-performing assets (net of collateral) amounting to 0.4 per cent. of total exposure as compared to 0.7 per cent. as at 31 December 2018. The Bank's coverage ratio improved to 961.3 per cent. as at 31 December 2019 from 563.3 per cent. as at 31 December 2018. The Bank's capital adequacy ratio as at 31 December 2019 was 16.8 per cent.

(b) ***Remedial Loan Management and Collection Management***

The Bank has a separate credit recovery department that is responsible for the recovery of irregular credits and identified non-performing loans.

The department functions under the LD and is instrumental in instituting effective and practical approaches in the collection and recovery of delinquent accounts.

The primary role of the department is to manage an assigned portfolio of distressed credit facilities or loans to minimise losses and maximise the value of recoveries from the sub- and non-performing assets through restructuring, rescheduling, or applying other negotiation strategies.

Where the clients need restructuring of their exposures these are handled by the relevant department dealing with that particular client and the proposal is considered and approved by the relevant department only after having been reviewed and authorised by the Risk Management Group.

In relation to retail loans, recoveries are handled by a collection department, part of the retail credit department, which seeks to recover the full amount of principal, interest, fees and related expenses. If the recovery performance is not satisfactory and the above avenue is exhausted, the recovery is delegated to external recovery agencies who follow-up on the recoveries and take legal action, if necessary.

(c) ***Strategies and Processes***

The Bank has a comprehensive credit policy approved by the Board. The credit policy is set by the Group Risk Management and is in compliance to the CBK regulations. The policy has been developed by the Risk Management Group after assimilating inputs from various stakeholders, prevailing best practices in the market and the Bank's risk appetite framework. All the business divisions are required to present their credit proposals in accordance with the general and specific guidelines stated in the credit policy. Subject to the guidelines of the credit policy, each business division may draw up its own strategy, which is deliberated on at the Management Executive Committee (**MEXCO**) and approved by the Board. The policy also defines the types of products that the various business groups can market to their clients and counterparties. Any new product is required to undergo a specific validation process and is subject to prior regulatory approvals before its launch.

BBT manages its credit risk through its Credit Risk Unit, which is responsible for monitoring, on a portfolio basis, the credit risk undertaken by BBT as a result of its lending activities. The unit provides information to the executive management of BBT in terms of the current position and performance direction of the loan portfolio through regular monitoring of all the stages of lending activities and by regular and frequent reporting of credit limits and risks on the basis of collateral, sector, geographical region, and internal rating scores.

AGB's credit policy governs the grant of credit facilities to the clients segmented into corporate banking, retail banking, financial institutions, Islamic banking and leasing.

BoB manages its credit risk by setting limits for individual borrowers and group of borrowers. It also sets limits for geographical and industry segments. BoB also monitors credit exposures and continually assesses the creditworthiness of counterparties. In addition, BoB obtains security where appropriate and limits the duration of exposure.

TIB manages its credit risk by setting limits for individual borrowers and groups of borrowers. TIB also monitors credit exposures and continually assesses the creditworthiness of counterparties. In addition, the bank obtains security where appropriate and limits the duration of exposure.

(d) ***Structure and Organisation***

The Credit Risk Department of the Bank is headed by the Chief Credit Risk Officer. The Credit Risk team assist the business divisions and the approving authorities with an objective, comprehensive and independent pre-fact credit review of the submitted credit proposal. Independent teams are responsible for the Credit Analysis unit and the Credit Control unit (see "*Scope and Nature of Reporting Systems*" below for details). The Financial Analysis unit is responsible for independent financial analysis and appraisal of credit proposals that are marketed by the CB, PBD and Financial Institutions divisions of the Bank. Detailed guidelines are followed by the unit for financial analysis of credit proposals prepared by the relationship managers of the various business groups. These proposals are then further processed in accordance with the delegation of powers approved by the Board. The Bank's structure of delegation of powers envisages that a credit approval requires, in addition to the recommendation of the concerned business group, the concurrence of an official of the Risk Management Group for credit approval of certain loans. To determine the concurrence of an official of the Risk Management Group, factors that are taken into account include the amount of the loan and existing facilities, the borrower's ability to repay, the source of the repayment monies and the collateral being offered. This ensures that the approval process has an in-built mechanism of checks and balances with the concurrence of an independent functionary before a credit proposal can be approved.

On 1 July 2013, the CBK introduced regulations designed to increase the independence of oversight of all banks in Kuwait. The Bank has devised its risk management structure accordingly to ensure its independence and objectivity and is reporting to the Board Risk Committee.

At BBT, the Credit Committee undertakes the assessment and revision of credit proposals, within the framework of the authority granted by its board. If it is deemed appropriate, the Credit Committee refers the credit proposals beyond its authorisation limit to its board. The Credit Committee is briefed on the credit proposals and credit risks by the Credit and Marketing Groups, which, in turn keeps its board informed on a regular basis.

At AGB, the credit analysis function is in the business groups, although the business units and credit analysis units are segregated. The Credit Risk section is responsible for credit portfolio analysis and supervision, and is not involved in any decision-making.

At BoB, the Credit Committee is a management-level authority responsible for taking credit decisions and monitoring credit activities within the discretionary authority delegated by the Executive Committee and the BoB Board. In performing its role, the Credit Committee periodically reviews and provides constructive recommendations on the credit policies, guidelines, processes and the future direction of credit activities for review and decision of the Executive Committee and/or BoB board wherever applicable.

At TIB, the Credit Committee is a management-level authority responsible for taking credit decisions and monitoring credit activities within the discretionary authority delegated by the TIB board. In performing its role, the Credit Committee periodically reviews and provides constructive recommendations on the credit

policies, guidelines, processes and the future direction of credit activities for review and decision of the Executive Committee and/or the TIB board wherever applicable.

(e) ***Scope and Nature of Reporting Systems***

After the approval of a credit proposal, the Credit Control unit of the Credit Risk department of the Bank is entrusted with the responsibility of checking that the conditions precedent for the drawdown of the credit facilities, as approved, are fulfilled before the facilities are made available to the client/counterparty. This unit, which is independent of the Credit Analysis unit, also monitors the account activity by the client/counterparty to ensure that it is in accordance with the terms of approval and reports any irregularities to the Credit Risk department for necessary corrective action. This unit is also responsible for ensuring that the relevant details for measurement of the risk and allocation of the appropriate risk weights to the exposures are made available in the system, so that the computation of the risk weighted assets can be made appropriately.

The types of collateral accepted by the Bank normally consist of cash in the form of deposits with the Bank, shares, bonds and units of mutual funds, and various forms of real estate such as vacant land, investment properties, commercial buildings and projects under construction. The Bank does not undertake residential mortgage lending in line with current local regulations. The scope to obtain any other type of collateral, such as movables, is limited since Kuwaiti law does not recognise a hypothecation charge or a chattel mortgage. To mitigate credit risk, the Bank considers collateral permitted by the CBK, and for which conditions stipulated are fully met.

As regards shares, bonds and similar types of collateral, the Bank fulfils the stipulated regulatory requirements including periodic valuation and application of haircuts. As regards real estate assets, the Bank employs independent, professional and government-recognised valuers who are required to assess the value of the collateral before it is accepted as security. The Bank will ordinarily obtain two independent valuation reports and consider the average of the two. The frequency of the valuation is again in line with the regulatory requirements. The amount of a secured facility that a borrower can draw down is based on the valuation of security, after applying the necessary coverage ratios under the conditions of approval.

In relation to Retail Banking, the retail credit policy and the various retail banking products are examined by the Credit Risk department as regards the underlying risks. The policy, along with the comments of the Credit Risk department, is presented for approval of the appropriate authorities of the Bank, such as the Board Credit Committee (**BCC**). The approved policy, which details the credit underwriting criteria, is then implemented by the Retail Banking Group. The Retail Banking assets are monitored by the Credit Risk department.

In BBT, the Credit Monitoring unit monitors the corporate, commercial and retail credit portfolio. The Credit Monitoring unit implements a proactive method by communicating credit accounts which are potentially problematic, and which are identified through early warning signals to the relevant management. Once such problematic credit accounts have been identified, the Credit Monitoring Unit undertakes the necessary action to minimise BBT's possible loss.

In AGB, the client's application is sent to the respective business unit. Approvals are required for the credit proposal, and the Credit Administration unit of the Credit Risk department is entrusted with the responsibility of checking that the conditions precedent for the drawdown of the credit facilities, as approved, are fulfilled before the facilities are made available to the client/counterparty.

In TIB, the Credit and Risk Management department reviews compliance with guidelines and thresholds, and monitors compliance with lending limits. The head of Credit and Risk Management sits on the Credit Committee of TIB which, in turn, is a committee of the Board of TIB which is ultimately responsible for approving all credits above certain thresholds.

(f) ***Hedges and Mitigants***

The Credit Policy of the Bank, while outlining the risk appetite as regards credit risk, also specifies the guidelines to mitigate risks in terms of availability of credit enhancements and/or collateral to support the exposure, minimum coverage ratio for different types of collateral, and the threshold levels for top-up of security and liquidation. The policy and procedures of the Bank also specify the required methods and intervals for valuation of different types of collateral to determine the necessity for top-up by the client and appropriate escalation to senior management. Since, there are limited avenues for other types of hedges such as credit default swaps and other similar structures in the Kuwaiti banking environment, the chief mitigants considered are eligible collateral and/or guarantees of acceptable third parties.

For BBT, the credit risk policy requires that the credit exposures are adequately covered by satisfactory collateral.

The Credit Policy of AGB, while outlining the risk appetite, as regards, credit risk, has also laid down guidelines for mitigating risks in terms of acceptable collateral and the ratio of collateral value to the loan to be granted. With regard to real estate assets, AGB has employed independent and professional appraisers who are required to assess the value of the collateral before it is accepted as security. Algerian law permits enforcement of the mortgage on the primary residence.

For BoB, the amount and type of collateral required depends on the assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are real estate properties, inventory and cash margin.

For TIB, the amount and type of collateral required depends on the assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are real estate properties, inventory, bank guarantees, deposits and cash margin.

Market Risk

(a) ***Foreign Currency Risk***

Foreign currency risk is the risk of loss that results from changes in foreign exchange rates. The Bank's exposure to foreign currency risk is limited and is strictly controlled by the market risk and structural risk management policies established by the Bank, which govern the maximum trading and exposure limits that are permitted. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The following table analyses the effect on profit and equity of an assumed 5 per cent. strengthening in value of the relevant currency rate against the KD from levels applicable at the year end, with all other variables held constant:*

		For the year ended 31 December 2019		**For the year ended 31 December 2018**	
Currency	**Change in currency rate**	**Effect on profit**	**Effect on equity**	**Effect on profit**	**Effect on equity**
	(%)	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*	*(KD 000's)*
Algerian dinar.....	+5	703	3,761	617	3,798
Iraqi dinar.....	+5	-	-	(47)	4,052
Turkish lira.....	+5	311	1,962	113	-
U.S. dollar.....	+5	(727)	2,676	1,252	2,613
Others.....	+5	186	-	(440)	-

* The percentage change in currency rate is an assumed 5.0 per cent. strengthening in value of the relevant currency rate against the KD from levels applicable at the year end, with all other variables held constant, see Note 24 to the 2019 Annual Financial Statements for further details.

(b) ***Interest Rate Risk***

The Bank is exposed to interest rate risk on its interest-bearing assets and liabilities (treasury bills and bonds with the CBK and others, due from banks and other financial institutions, loans and advances to customers, due to banks, due to other financial institutions, deposits from customers and other borrowed funds).

The table below summarises the effect on consolidated net interest income of the Bank because of the changes in interest rate as at 31 December 2019 and 31 December 2018:

	For the year ended 31 December	
	2019	**2018**
	(KD 000's)	*(KD 000's)*
Increase in interest rate basis points		
50	9,916	8,814
100	19,869	17,651
Decrease in interest rate basis points		
50	(10,087)	(8,487)
100	(19,942)	(16,975)

(c) ***Strategies and Processes***

The operations of the Bank's TIBO give rise to the market risks assumed by the Bank. The Bank has a well-defined and CBK-compliant Treasury Policy that outlines its risk appetite in relation to undertaking transactions that result in exposures to market risk. Being a specialised area that requires in-depth knowledge of the market and various products and participants therein, the policy document is prepared by the TIBO with inputs/concurrence from the Risk Management Group, under the guidance and approval of the Board. The policy covers rules concerning the positions that the Bank assumes during the course of its trading in foreign exchange, equities and fixed income securities, and also the interest rate risk position of its banking book in terms of mismatches in maturity and/or re-pricing periods. At present, the Bank does not trade in commodities or take up any positions in respect of commodity-based derivatives or other products. The strategies that TIBO plans to adopt during the coming year are decided on the basis of market forecasts that are made at the time of preparation of the annual budget. These are, on an ongoing basis, discussed at the ALCO meetings and required action, if any, is decided at these meetings. These meetings are chaired by the CEO and are convened by the Market Risk Controller in the Risk Management Group. The ALCO discusses and deliberates on all aspects of market and liquidity risks, and has the overall responsibility for asset liability management as well as the Bank's liquidity. At the ALCO monthly meetings, the Bank's liquidity indicators, deposit concentration and regulatory ratios for liquidity, among other things, are discussed in detail. In June 2013, the ALCO approved a revised Liquidity Contingency Plan that takes into account the actions needed to be taken by the Bank in the area of liquidity management. This plan defines in detail the role that ALCO would play in case of liquidity stress scenarios.

At BBT, the utilisation of all market risk limits is reported to the ALCO and the Risk Committee.

AGB has set up an ALCO. The policy covering the main areas of market risk is under implementation. ALCO will be chaired by the General Manager and will be convened by the Head of Credit and Market Risks in the Risk Management department.

The market risks at BoB are monitored and managed within acceptable levels through BoB's Executive Committee, Treasury Department and Board.

At TIB, ALCO is responsible for managing interest rate risk and liquidity risk.

(d) ***Structure and Organisation***

TIBO, in consultation with the Risk Management Group, formulates limits and rules under which various members of the Treasury Dealing Room are allowed to take positions. These limits are approved by the Board and, where so required under the regulations, also by the CBK. These limits relate to, for example, end-of-day positions on different maturity buckets, counterparty exposures and stop-loss levels. TIBO ensures adherence to these limits at all times. These limits are independently monitored by the Group Market Risk. The Middle Office reports traded and investment positions held by the Treasury to the Head of TIBO and Group Risk Management daily or more frequently if necessary. The Middle Office reports to the Financial Control Group.

At BBT, foreign exchange position limits, bond portfolio limits and value-at-risk limits are monitored daily, while interest rate gap limits are monitored monthly. All market risk limit utilisations are reported to the ALCO and Risk Committee. BBT's Market Risk Unit runs stress tests on a regular basis and presents the results to the BBT board, ALCO and Risk Committee. The stress tests describe the effects of defined changes in yield curves, credit spreads and FX rates on certain on-balance-sheet and off-balance-sheet items.

As regards AGB, apart from cover operations to meet client requests for foreign currency transactions, it does not actively trade in foreign currencies or assume material proprietary positions in such currencies. AGB's positions are subject to a ceiling of 10.0 per cent. of its equity for a single currency and 30.0 per cent. in aggregate for all foreign currencies.

At BoB, the Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis. Similarly, for foreign currency risk, the BoB board has set limits on positions by currencies which are monitored on a daily basis.

TIB is mainly oriented towards short-term self-liquidating business and is not involved in trading activities. TIB is subject to interest rate risk and liquidity risk. ALCO monitors funding needs, risk appetite, composition of assets and liabilities and the competitive environment in which the bank operates, liquidity, hedging strategies and funding mix.

(e) ***Scope and Nature of Reporting Systems***

Risk and limit utilisation reports are produced on a daily basis to ensure risks are effectively managed within the Bank and across its subsidiaries. These reports are made available to the Heads of Risk on a daily basis, and to the Board and the relevant Risk Committees as required.

(f) ***Hedges and Mitigants***

A major part of the banking book of the Bank is in KD, the other important currencies being the internationally actively traded currencies. Due to the limited scope for hedging interest rate positions in KD arising from a limited range of hedging products, the Bank enters into, where reasonably possible, variable interest rate transactions structured to enable it to minimise maturity and repricing mismatches. As regards other currencies, the open positions taken by the Bank are within pre-set limits and tenors for the respective currency. The Bank also makes use of interest rate and currency swaps to hedge its interest rate and currency positions in foreign currencies.

Operational Risk

(a) ***Strategies and Processes***

The Operational Risk Department is headed by the Head of Operational Risk, who reports to the Group Chief Risk Officer. The department oversees the operational procedures and controls with a view to identifying the areas of weakness in the operating procedures and processes of the various operating departments of the Bank and correcting them from time to time. The Risk and Disclosure Policy of the Bank classifies the various areas of operational risks and identifies specific officers who are primarily responsible for these risks. For example, the legal risks fall under the direct responsibility of the legal officer whereas the IT risks fall under the responsibility of the Head of the IT Department. The specific procedural guidelines for all departments under the Operations Group are overseen by the Operational Risk Controller, who also collates various incidents that give rise to actual or potential operational risks and an actual or potential loss situation.

For the purpose of segregation of duties of IT development/operations from information security, the Head of Operational Risk is also responsible for independently ensuring the adequacy and effectiveness of information security systems and procedures. These include both internal and external information security measures.

The Bank also has a Business Continuity and Recovery Plan, which was developed with necessary inputs from all the concerned groups in the Bank. This plan is being upgraded with necessary inputs and consolidated across the Bank's subsidiaries.

At BBT, the Head of the Group Risk Management is responsible for operational risk in coordination with the Operational Risk unit and reports to the Risk Committee for review.

At AGB, Operational Risk is the responsibility of the Head of Operational Risk along with Internal Control, whose head also reports to the CRO. IT Security function directly reports to the CRO. For the purpose of separation of the functions of IT development/operations from IT Security, the Head of IT Security and Business Continuity Management in the Operations Risk Department is also responsible for independently ensuring the adequacy and effectiveness of IT security systems and procedures. These include both internal and external IT security measures.

At BoB, the management of operational risk is the responsibility of the Operational Risk Manager. BoB has also established a culture that emphasises the importance of mitigating operational risk in its business. This is accomplished by having reliable risk management reporting and supervision of various board and management committees, implementing segregation of duties, KYC procedures, strong internal controls and enhancing employees' awareness.

At TIB, the management of operational risk is the responsibility of the Internal Control Department, whose head also acts as the Money Laundering Reporting Officer. To mitigate operational risk in its business, TIB has invested in an automated system to identify potentially suspicious transactions and has introduced KYC procedures.

(b) ***Structure and Organisation***

The various operational functions of the Bank come under the Operations Group headed by the Chief Operations Officer, General Manager, who oversees the day-to-day operational and support functions of the Bank. The processing of various transactions is governed by Standard Operating Procedures (SOP) which are laid down for each of the operating departments with the necessary inputs/concurrence from, among others, the Operational Risk Controller.

At BBT, a loss database has been implemented for operational risk quantification. Operational risk categories have been developed based on the BIS standards, and a sub-categorisation of the incidents that might be encountered has been completed. BBT's operational risk unit maintains and improves BBT's Contingency Plan.

The operational functions at AGB are the responsibility of two Deputy General Managers, who report to the General Manager. The Deputy General Manager (Core Business) is in charge of corporate banking, retail banking, branch network, and corporate communication, while the Deputy General Manager (Support Services) is in charge of HR, Trade Finance and IT.

BoB has developed a framework whereby business units are responsible for identifying and documenting various key risk indicators emanating from the activities of their operations in order to measure the integrity and effectiveness of the implemented internal control environment within their departments. Given the importance of monitoring operational risk, these together with other operational risk incidents/issues are discussed on a monthly basis with top management/executive committee members and an appropriate course of action is taken to mitigate them.

As part of the operational risk management, TIB has developed a framework whereby business units are responsible for identifying and documenting various key risk indicators emanating from the activities of their operations in order to measure the integrity and effectiveness of the implemented internal control environment within their departments.

(c) ***Scope and Nature of Reporting Systems***

As regards the scope and nature of risk reporting in this area, the Bank has laid down internal control charts (**ICC**) that are required to be submitted by the various divisions/groups at critical levels and with differing reporting periods. These are required to be submitted to specified supervisors, who conduct the necessary follow-up in relation to exceptions and ensure corrective action.

The Internal Audit department at BBT, by carrying out audits in BBT's branches, headquarter divisions and subsidiaries, provides assurance to BBT's management that BBT's operations are in compliance with laws and other legislation, BBT's strategy, policy and procedures and that BBT's internal control and risk management systems are effective and adequate.

AGB has in place an internal control unit in the Operational Risk Unit. It is responsible for identifying key risk areas mainly in the branches for control and follow-up, which are in the process of being implemented in all departments. AGB is also in the process of applying the same ICC system existing at the Bank.

The Internal Audit Department at BoB provides the Board Audit Committee and senior management of the bank with continuous assessment and assurance on the effectiveness and quality of controls. Through a systematic risk-based approach, the department aims at introducing continuous improvements to the BoB's overall operations and procedures, in line with applicable regulatory requirements and best practices. The department operates on a three-year strategic audit plan approved by the Board Audit Committee of BoB. The plan covers key auditable areas categorised by department. These areas would receive audit attention due to their significance on BoB's risk profile and the importance of having an appropriate control environment on which to rely.

TIB is in the process of applying the same ICC system existing at the Bank. TIB also minimises conflicts of interests and the risk of unauthorised transactions or fraudulent activities through the segregation of duties of its employees, and heads of departments are responsible to monitor this.

(d) ***Hedges and Mitigants***

The Bank has set up an Incident Management System, under which various incidents of operational risks are noted and registered with all the relevant details. These incidents may relate to either actual or potential loss incidents resulting from an operational failure or dysfunction, due to either external or internal causes. These incidents are analysed to effect necessary changes in the SOPs in order to enhance the operational controls and to eliminate or minimise operational losses. These incidents are, at appropriate intervals, reported to the top management of the Bank and the appropriate Board Committee.

The Bank has also developed Risk Dashboards in some of its operational areas, which serve to provide a snapshot of the operational risks in these operating units. The Bank intends to extend these Risk Dashboards progressively to cover more units of the Bank.

BoB has a dedicated team to protect the bank's Information Technology systems and network and ensure the integrity of the data. In addition, appropriate disaster recovery and business continuity planning and setup are in place, including remote data back-up and disaster recovery facilities.

Compliance, Anti-Money Laundering and Counter-Financing of Terrorism

Compliance risk is the risk of reputation, earnings or capital arising from the violation or non-conformation with laws, regulations, policies, practices and ethical standards including money laundering in terms of process by which criminals attempt to hide and disguise the true origin and proceeds of their criminal activities and in relation to financing of terrorist activity.

The Bank ensures the implementation of the local and regulatory and statutory requirements and has in place customer due diligence policies and procedures in line with KYC principles as set out below. The Bank's KYC procedures form a fundamental part of its anti-money laundering internal control regime. The procedures are intended to reduce risk of accounts being used for money laundering or terrorist financing and to help identify suspicious transactions.

The Bank has an Anti-Money Laundering Policy (**AML Policy**) in place pursuant to CBK instructions relating to Anti-Money Laundering and the Combating of Terrorism Financing.

The AML Policy is defined by a set of key principles:

(a) *Engagement*. The AML Policy applies to all areas of the Bank's business, its operating groups, each of its branches and subsidiaries to ensure proper implementation;

(b) *KYC*. The Bank has put in place KYC procedures, which are designed to determine and document the true identity of customers, obtain basic background information on customers and also provide for periodic updates on the identity of customers. The Bank's AML Policy covers the saving and retrieval of documents and examines the identity of the transferor and transferee on outward and inward transfers;

(c) *Training*. The Bank has regular training courses for its staff to ensure it understands its responsibilities under the AML Policy, implements it in its day-to-day work and has a clear understanding how to detect, monitor and report suspicious activities and transactions; and

(d) *Effectiveness.* The Bank also has a system that gives details of potential suspicious transactions day to day, and these are further examined, and explanations taken, when considered necessary. In the case of strong suspicion, a report is made to the relevant legal authorities.

LEGAL DIVISION *(LD)*

The Group Chief Legal Counsel is responsible for overseeing the LD. He is also responsible for overseeing Kuwaiti qualified lawyers, internationally and locally focused legal counsellors, as well as support services staff. The LD is responsible for coordinating lawsuits where the Bank is a party to the action, providing legal advice and opinions, reviewing the impact of legislative amendments on the Bank, and drafting contracts and internal company documents. The LD reports directly to the CEO and, amongst other things, provides the CEO and the Risk Management Group with details of any legal matters that may have particular impact on the Bank. The LD also prepares quarterly reports for the Bank's Financial Accounting and Control Group.

Risk Committee

The Board constitutes a Board Risk Committee, which defines the risk policy of the Bank and oversees the risk assessment.

LIQUIDITY

The Bank's liquidity needs arise primarily from making loans and advances to customers, payment of expenses and dividends, and investments in associates. To date, the Bank's liquidity needs have been funded largely through deposits, syndicated loans, interbank loans and interest received on loans and advances to customers, and through debt issuances.

During 2008-2009, government entities injected funds into the banking system to support the economy (bank deposits were also guaranteed) and stability was maintained throughout. Additionally, the Bank significantly altered the allocation of liquid assets in 2009 to improve the return on assets on its balance sheet by moving a higher percentage of liquid assets from placements in the interbank market, which became inactive, to treasury bills and bonds.

In 2012, the Bank issued the 2012 Subordinated Bonds at 100.0 per cent. of the principal amount. The 2012 Subordinated Bonds met the requirements to be treated as Tier 2 eligible capital under Basel II regulations issued by the CBK. In 2014, the Bank issued U.S.$500 million Perpetual Tier I Capital Securities which met the eligibility requirements for additional Tier 1 capital under the Basel III regulations.

In March 2016, the Bank issued the 2016 Subordinated Bonds. The 2016 Subordinated Bonds met the requirements to be treated as Tier 2 eligible capital under Basel III regulations issued by the CBK. The Bank is classified as a D-SIB. Furthermore, in September 2016, the Bank issued U.S.$500 million Senior Unsecured Bonds due in 2021.

In December 2018, the Bank issued KD 100 million Senior Unsecured Bonds due in 2021 through a private placement. In July 2019, the Bank issued U.S.$500 million Perpetual Tier 1 Capital Securities to manage the Bank’s capital and long term liquidity in accordance with regulatory requirements, and in parallel the Bank concluded a tender buy-back of U.S. $230.185 million Perpetual Tier 1 Capital Securities, which were previously issued on 30 September 2014. In September 2019, the Bank redeemed the total outstanding amount (U.S. $269.815 million) of the Perpetual Tier 1 Capital Securities, which were initially issued on 30 September 2014.

REGULATORY CAPITAL

Management of the Bank's capital base is critical to the growth of the Bank's group, both organically and through strategic investments.

CAR is calculated in accordance with the international framework for capital measurement and capital standards for banking institutions set by the Basel Committee on Banking Regulation and Supervisory Practices.

The following table sets out the principal components of the Bank's CAR as at 30 September 2020, 31 December 2019 and 31 December 2018 (each in accordance with Basel III):

	As at 30 September	**As at 31 December**	
	2020	**2019**	**2018**
	(KD 000's)	*(KD 000's)*	*(KD 000's)*
Risk weighted assets.....	6,203,863	6,133,928	5,759,393
Total capital required*.....	713,444	858,750	806,316

	As at 30 September	As at 31 December	
	2020	2019	2018
	(KD 000's)	*(KD 000's)*	*(KD 000's)*
Common Equity Tier 1 (CET1) capital	660,897	704,919	686,314
Additional Tier 1 (AT1) capital	154,545	153,066	145,590
Tier 2 capital	176,343	174,802	169,566
Total eligible capital	**991,785**	**1,032,787**	**1,001,470**
CET1 capital adequacy ratio	10.7%	11.5%	11.9%
Tier 1 capital adequacy ratio	13.1%	14.0%	14.4%
Total capital adequacy ratio	16.0%	16.8%	17.4%

* *Capital required is the percentage of risk weighted assets based on CBK requirements*.

On 27 April 2010, the Bank raised KD 100.8 million (capital KD 36.0 million; share premium KD 64.8 million) through a rights issue of 360 million shares at KD 0.280 per share. Part of the proceeds was used to prepay half of the subordinated debt owing to a related party while the remaining funds were used to fund the Bank's expansion strategy. On 24 June 2014, the CBK issued the "Instructions" to conventional banks in Kuwait, that impose risk-based Basel III capital and leverage standards upon Kuwaiti banks, which substantially adhere to Basel Committee standards. These Instructions establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in credit risk profiles among banking organisations, takes off-balance sheet exposures into explicit account in assessing capital adequacy and minimises disincentives to holding liquid, low-risk assets. The risk-based ratio is determined by assigning assets and certain off-balance sheet exposures, such as foreign exchange and derivative products and letters of credit, into one of four risk-weighted categories, with higher levels of capital being required for the categories perceived as representing greater credit risk. The risk-based capital instructions also incorporate a measure for market risk in foreign exchange and commodity activities and in the trading of debt and equity investments.

Under the Instructions, capital is divided into two tiers. The first tier (Tier 1) includes common shareholders' equity (excluding net unrealised holding gains or losses on securities available-for-sale and net gains or losses on cash flow hedges and risk reserves which are created pursuant to the CBK regulations for portfolio credit risk purposes), qualifying perpetual preferred stock and any related surplus, mandatorily redeemable securities of subsidiary trusts, and minority interests that are held by others in a bank's consolidated subsidiaries, less certain intangible assets, and a capital charge for certain non-financial equity investments. The second tier (Tier 2) includes, among other items, perpetual preferred stock to the extent it does not qualify for Tier 1, qualifying senior and subordinated debt and subordinated capital notes, limited life preferred stock and any related surplus, a portion of unrealised marketable equity securities gains and the allowance for credit losses, subject to certain limitations. In addition, pursuant to the Instructions, Kuwaiti banks were required to maintain a capital adequacy ratio of 12.0 per cent. of risk-weighted assets (Tier 1 plus Tier 2 capital), which level was applicable until the end of 2014 and which rose to 12.5 per cent. by the end of 2015 and 13.0 per cent. by the end of 2016. Additionally, all commercial banks are required to maintain additional capital (0.5 per cent. to 2.0 per cent. depending on the bank's size and complexity, as determined by the CBK) in the form of a D-SIB charge. The Bank is classified as a D-SIB.

However, as a temporary measure to mitigate the impact of the Covid-19 pandemic on Kuwait’s domestic economy and the banking sector, the CBK reduced the minimum capital adequacy requirement from 13.0 per cent. to 10.5 per cent. by releasing the capital conservation buffer of 2.5 per cent. with effect from 1 April 2020. According to the CBK, the amendment will be in effect until the end of 2020, when it will be reviewed again.

The Bank has an ICAAP, which provides for the calculation of the capital adequacy ratio of the Bank at regular intervals, whereby a cushion is maintained over and above the one per cent. D-SIB charge to mitigate any unexpected risks that the Bank may face in maintaining the required level of capital.

Failure to meet applicable capital guidelines or instructions (including the Instructions) issued by the CBK could subject the Bank to a variety of enforcement remedies available to the Kuwait regulatory authorities, including limitations on the Bank's ability to pay dividends, the issuance by the CBK of a directive to increase capital and/or sell or reduce assets, as well as the imposition of fines.

OFF-BALANCE SHEET ITEMS

The Bank offers products such as guarantees, which do not appear on its balance sheet (but which are shown in Note 21 to the 2019 Annual Financial Statements). In order to comply with CBK liquidity ratios, the Bank must maintain certain cash balances against such off-balance sheet commitments.

RELATED PARTY TRANSACTIONS

The Bank enters into transactions with certain related parties (KIPCO, directors and key management personnel of the Bank and entities controlled, jointly controlled or significantly influenced by such parties) who were customers of the Bank. The terms of these transactions are approved by the BCC or a delegated authority below that, depending on the nature of the transaction. As at 31 December 2019, the aggregate of loan exposures to related parties represented 19.8 per cent. of the total loan portfolio (excluding banks and OFIs within the KIPCO group).

None of the Bank's directors or officers, or the direct or indirect shareholders of the Bank holding more than 5.0 per cent. of their respective issued share capital, has or had any interest in any transactions with the Bank or its affiliates that are or were unusual in their nature or conditions or significant to the Bank's business or its affiliates taken as a whole that were effected during the current or immediately preceding three financial years.

The following table sets out the balances as at 31 December 2019 and 31 December 2018 and transactions for the year then ended:

	As at / for the year ended 31 December	
	2019	**2018[9]**
	(KD 000's)	*(KD 000's)*
Consolidated Statement of Financial Position Data		
Due from banks and OFIs	170,688	251,830
Loans and advances to customers	892,046	914,318
Investment securities	147,149	124,778
Investment securities managed by a related party	64,484	65,997
Due to banks	8,109	7,288
Due to other financial institutions	38,523	38,446
Deposits from customers	119,062	84,833
Commitments, contingent liabilities and derivatives		
Letters of credit	13,834	15,006
Letters of guarantee	78,330	63,855

[9] Certain line items as at and for the year ended 31 December 2018 have been restated in the consolidated financial statements as at and for the year ended 31 December 2019. These restatements do not have a material impact on the Consolidated Statement of Income, Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income and/or Consolidated Statement of Changes in Shareholder's Equity.

	As at / for the year ended 31 December	
	2019	2018[9]
	(KD 000's)	*(KD 000's)*
Transactions		
Interest income	46,364	40,539
Interest expense	(2,895)	(2,975)
Fee and commission income	1,449	1,994
Fee and commission expenses	(949)	(726)
Dividend income	2,770	10,933
Other expense	(3,045)	(2,945)
Other income	38	24
Other transactions during the year		
Purchase of investment securities	23,054	61,806
Sale of investment securities	-	85,832
Gain on sale of investment securities	-	1,085
Board members		
Loans and advances to customers	3,915	3,261
Deposits from customers	518	396
Executive staff		
Loans and advances to customers	213	251
Deposits from customers	1,799	2,055
Letters of guarantee	-	1

Key managerial compensation

The table below sets out the remuneration paid or payable in relation to "key management" (deemed for this purpose to comprise the Directors in relation to their committee service, the CEO and Senior Officers) for the nine months ended 30 September 2020 and the years ended 31 December 2019 and 31 December 2018:

	30 September	31 December	
	2020	2019	2018[9]
	(KD 000's)	*(KD 000's)*	*(KD 000's)*
Short term employee benefits – including salary and bonus	3,789	5,621	5,782
Accrual for end of service indemnity	1,178	1,331	1,143
Accrual for cost of long term incentive rights	284	1,105	1,226
Accrual for committee services	281	370	300
	5,532	**8,427**	**8,451**

LITIGATION

The Bank is currently involved in a number of legal proceedings which it considers immaterial and which have arisen during the ordinary course of its business. The Bank does not believe that any final judgments made against it in such proceedings would have a material adverse effect on its consolidated results or financial position and, as at 30 September 2020, has made adequate provisions regarding any outstanding legal proceedings involving the Bank.

INSURANCE

The Bank maintains fire and perils property insurance for its premises, including head office and the branches, building and contents; and fire and perils property insurance for goods at customs warehouse. Its electronic equipment has been insured with computer all risk insurance while mobile ATMs are covered

with plant and machinery insurance. The Bank also provides staff with medical insurance. The Bank also maintains third party liability insurance, bankers' blanket insurance, directors' and officers' liability insurance, and sabotage and terrorism insurance.

The insurance coverage of the Bank is reviewed on an on-going basis and is updated accordingly.

PROPERTY

On 26 December 2019, the Bank announced the sale of its head office building, Burgan Tower, to United Investment Group for KD 19.5 million. The Bank owns the premises of one of its branches. The rest of the Bank's properties are typically leased for three- to five-year terms and the Bank has the option to renew these leases. Out of the leased properties, certain properties have been leased from the Ministry of Finance, Public Authority for Industry and Cooperatives. On 24 August 2020, the Bank announced the purchase of NBK main head office building (Head Office 1) for KD 29.7 million.

MANAGEMENT

The Board of the Directors of the Bank

The Board comprises nine directors. The Bank's articles of association stipulate that each director shall be elected for a term of three years at an ordinary general assembly meeting of the shareholders, and that each director is eligible for re-election for another term or terms, upon the expiration of such term. The Board has the power to elect the Chairman and the Vice Chairman, and to appoint or remove the GCEO at any time, provided that the required quorum is met.

The Board convenes at least six times a year in accordance with regulatory requirements.

In March 2019, the Board was elected by the Bank's shareholders for a term of three years. Currently, the membership of the Board comprises:

Mr. Majed Essa Al Ajeel (Chairman)

Mr. Al Ajeel has held the position of the Chairman of the Board since 2010. He is a board member at the Kuwait Banking Association, the Institute of Banking Studies, FIM Bank, United Projects Co, and London Forfaiting Company Ltd. He was also a board member of the Bank from 1998 to 2004. He served as the Chairman and CEO of United Projects Company from October 2004 to mid-April 2010, and as the Vice-Chairman and CEO from mid-April 2010 to July 2012. He was a board member at Kuwait & Middle East Financial Investment Company between 1984 and 1986, Kuwait Real Estate Investment Consortium between 1985 and 1992, and International Leasing & Investment Company between 1999 and 2003. He also served as a Managing Director of Kuwait Finance and Investment Company between 2002 and 2004. He graduated with a Bachelor's Degree of Science in Architecture in 1977 and a Master's Degree in Planning in 1978 from the Catholic University of America.

Mr. Masoud M. J. Hayat (Vice Chairman)

Mr. Hayat joined the Board in 2013. He was appointed the Group Chief Executive Officer of the Bank in April 2019, prior to which he held the position of CEO - Banking Sector – of KIPCO since 2010. He also holds the positions of Chairman of UGB, United Gulf Holding Co. and TIB. He is also Deputy Chairman of AGB and BoB, Vice Chairman of FIMBank, as well as a board member of North Africa Holding Co., Kamco Invest, Masharea AlKhair Charity Foundation, Jordan Kuwait Bank, United Gulf Financial Services and Assoufid B.V. Between 1974 and 1996, he has held various positions at Al Ahli Bank of Kuwait, such as Deputy Chief General Manager, and Advisor to the board of directors. He has also served as a board member in multiple organisations, which include BIAT Tunis between 1989 and 1995, Bank of Bahrain and Kuwait between 1986 and 1988 and again between 1991 and 1995, Industrial Investment Co. between 1993 and

2001, Gulf Insurance Company between 1997 and 2001, United Fisheries Company between 1997 and 2001, Wataniya Communication Company, Algeria and Union of Investment Companies between 1997 and 2009, and The International Investor between 2005 and 2009. He was the Chairman of Kamco Invest between 1998 and 2010, United Gulf Financial Services Co. between 1997 and 2009, and Syria Gulf Bank and Vice Chairman of The Royal Capital Group, Abu Dhabi. Additionally, he was the Managing Director of UGB between 1997 and 2009, and with the Bank between 2009 and 2010. He graduated with a Bachelor's Degree in Economics from Kuwait University in 1973, and earned a Diploma in Banking Sciences from the Institute of Banking Studies in 1975.

Mr. Faisal M. Al Radwan (Board Member)

Mr. Al Radwan has been a board member of the Bank since 2010. He also holds the positions of Vice Chairman of BBT, and board member of AGB. Previously, he has held key positions at the National Bank of Kuwait, including Deputy General Manager between 1978 and 1980, General Manager between 1980 and 1983, and Deputy CEO between 1983 and 1993. Further, he has also held key positions like Vice-Chairman of the Bank of Bahrain and Kuwait between 1991 and 1994, and Vice-Chairman and Managing Director of the Bank between 2003 and 2004. He also served as a board member of the Bank of Bahrain and Kuwait between 1986 and 1994, Bank of Oman Bahrain and Kuwait between 1990 and 1994, and the Bank between 2001 and 2003. Mr. Al Radwan graduated with a Bachelor's Degree in Commerce and Business Administration from Cairo University in 1970.

Mr. Samer Khanachet (Board Member)

Mr. Khanachet has been a board member of the Bank since 2011. He also holds the positions of Group Chief Operating Officer of KIPCO, Chairman of United Gulf Management Inc. and board member of UGB. Previously, Mr. Khanachet has also held the positions of Chairman of TAKAUD Savings and Pension and board member of United Real Estate Company. Previously, he has held various positions like Financial Analyst, Senior Financial Analyst & Assistant Manager at The Industrial Bank of Kuwait between 1975 and 1980. He has also held various senior positions like Executive Vice President & General Manager of Sharjah Group between 1980 and 1990, General Manager of KIPCO between 1990 and 1995, President of United Gulf Management Inc. between 1991 and 2007 and President of Arab Bankers Association of North America between 2003 and 2005. He graduated with a Bachelor's Degree in Science - Chemical Engineering, and a Bachelor's Degree in Science – Management, from Massachusetts Institute of Technology (MIT) in 1973, as well as a Master's Degree in Business Administration from Harvard University in 1975.

Mr. Sadoun Abdulla Ali (Board Member)

Mr. Ali has been a board member of the Bank since 2004. He also holds the positions of Vice Chairman and CEO of Qurain Petrochemical Company, Chairman of Insha'a Holding, Chairman of Kamco Real Estate Investment Co., Chairman of United Oil Project Company, and Vice Chairman of Jassim Transport Stevedoring Co. Mr. Ali is also a board member of BoB, United Industries Company, Advanced Technology Company and United Gulf Holding Company B.S.C. Previously, Mr. Ali has held the positions of board member of Bank of Kuwait and Middle East between 2003 and 2004, Head of Accounting and Financial Group of KIPCO between 1997 and 2006, General Manager of Kamco Invest between 2006 and 2008, CEO of Kamco Invest between 2008 and 2010, and Managing Director and CEO of Kamco Invest between 2010 and 2012. He graduated with a Bachelor's Degree in Management of Financial and Accounting Services from Ashland University in 1988.

Mr. Pinak Pani Maitra (Board Member)

Mr. Maitra has been a board member of the Bank since 2010. He also holds the positions of Group Chief Financial Officer of KIPCO, and board member of OSN (Panther Media Group Limited) and Pulsar Knowledge Centre. Previously, he has held positions of Vice President – Financial Control and Planning at United Gulf Bank in 1988, Assistant Vice President of Planning and Financial Control of KIPCO between

1988 and 1990, and Vice President - Financial Controller - at United Gulf Management Inc. between 1991 and 1996. He graduated with a Bachelor's Degree in Commerce from Osmania University in 1979.

Mr. Abdul Salam M. Al Bahar (Board Member)

Mr. Al Bahar has been a board member of the Bank since 2004. He also holds the positions of board member of United Industries Company, United Networks Co., United Gases Company, and MENA Home and Real Estate Company. He is also the Financial Advisor of Overland Real Estate Company. Previously, he has held the positions of board member of TIB between 1997 and 1999, Bahrain Middle East Bank between 1998 and 1999, Wataniya Telecom between 1998 and 2007, Kuwait Catering Company between 1997 and 2003, Tamdeen Group between 2003 and 2006, and Wataniya Airways between 2006 and 2007. He was the Chairman of Kuwait Catering Company between 1999 and 2001, Chairman and Managing Director of Wataniya Airways between 2007 and 2011, part of the Executive Management (Companies Financing) of KIPCO between 1995 and 2007, and General Manager of Overland Real Estate Company between 2012 and 2014. He graduated with a Bachelor's Degree in Science - Electrical Engineering, from Fairleigh Dickinson University in 1988.

H.E. Abdul Kareem Kabariti (Board Member)

H.E. Mr. Al Kabariti has been a board member of the Bank since 2004. He also holds the positions of Chairman of Jordan Kuwait Bank and AGB. He is also a board member of Jordan Dairy Company. Previously, he has held several high ranking political and legislative positions in Jordan from 1989 to 2007, including Prime Minister of Jordan, Minister of Foreign Affairs, Labour, Defence and Tourism, Chief of the Royal Court, Member of Parliament and Head of the Economics and Finance Committee. In addition, he has also been a member of the Jordanian Senate, where held the positions of Head of the Economics and Finance Committee and First Deputy to the Speaker, and the Chairman of United Financial Investments Company, until September 2017. He graduated with a Bachelor's Degree in Business and Finance from St. Edwards University in 1973.

Mr. Fouad Husni Douglas (Board Member)

Mr. Douglas joined the Board in March 2019 and was elected as a board member and member of the Board Audit Committee in BBT in May 2019. He is also an independent audit committee member in Abu Dhabi Health Service Company, Abu Dhabi National Exhibition Company, and Excel Lonod. Previously, he has held the positions of Financial Services Leader at Deloitte & Touche (Toronto Office) between 1987 and 1992, Country Senior Partner and Risk Assurance, Tax and Deals Leader at Arthur Andersen (Kuwait) between 1993 and 2002, Middle East / UK board member at Ernst and Young between 2002 and 2008, and ME board member at PwC Middle East between 2009 and 2012. He was the Leadership Team Member at PwC Middle East between 2009 and 2012 and Country Senior Partner at PwC Middle East (Bahrain Office) between 2015 and 2016, and has held the position of Country Senior Partner of PwC Middle East (Kuwait Office) until 2018. He graduated with Bachelor's Degree in Business Administration and a Master's Degree in Business Administration from the American University of Beirut. He is also a US Certified Public Accountant from New York, USA and a Canadian Chartered Accountant from Toronto, Canada.

There are no potential conflicts of interest between the duties to the Bank of the members of the Board and their private interests or other duties.

The business address of each member of the board is: P.O. Box 5389, Safat 12170, Kuwait City, State of Kuwait.

In accordance with applicable regulatory requirements, the Board of Directors held an Extraordinary General Assembly in February 2020, which approved the amendment of the Bank’s articles of association allowing its Board of Directors to increase from nine to eleven Board Members. The Board is currently in the process

of making all necessary adjustments to be in compliance of the required changes by the end of the current year.

The table below sets out the number and proportion of the shares of the Bank's capital owned by each member of the Board as of 31 December 2019, as follows:

	Direct		Indirect through portfolio managers		Outstanding stock options
	Shares	**Per cent.**	**Shares**	**Per cent.**	**Shares**
Directors					
Mr. Majed Essa Al Ajeel	196,120	0.01%	-	-	-
Mr. Masoud M. J. Hayat	-	-	1,161,802	0.05%	-
Mr. Faisal M. Al Radwan	162,081	0.01%	-	-	-
Mr. Samer Khanachet	162,081	0.01%	-	-	-
Mr. Sadoun Abdulla Ali	205,926	0.01%	-	-	-
Mr. Pinak Pani Maitra	124,310	0.01%	-	-	-
Mr. Abdul Salam M. Al Bahar	-	-	256,264	0.01%	-
H.E. Abdul Kareem Kabariti	205,926	0.01%	-	-	-
Mr. Fouad Husni Douglas	-	-	-	-	-

Key Management Compensation

For the year ended 31 December 2019, the aggregate compensation remained in line with the aggregate compensation in respect of the previous year; however, the portion of compensation related to performance varied with the performance of the Bank, see "*Description of the Bank – Risk Management – Related Party Transactions*" for further detail.

Description of related party transactions

The details of material related party transactions, including any material contract between any of the Bank's directors or their immediate family and the Bank or any of its subsidiaries are set out in note 20 of the 2019 Annual Financial Statements. The Bank's directors and their immediate family conduct business with the Bank and its subsidiaries as customers on commercial, arm's length terms in the normal course of business activities. This includes bank accounts, savings and investment products, and other such services. None of these transactions are for a material amount.

The Executive Management of the Bank

The table below sets forth certain information with respect to the Executive Management of the Bank.

Name	**Position Title**	**Age of staff (in yrs)**	**Total service (in yrs)**
Mr. Masoud M. J. Hayat	Vice Chairman & Group Chief Executive Officer	67	1
Mr. Raed Abdullah Al Haqhaq	Deputy Group Chief Executive Officer and Chief Executive Officer - Kuwait	49	20
Mr. Robert James Frost	Group Chief Investment Banking and Treasury Officer	54	6
Mr. Andrew Christopher Singh	Group Chief Risk Officer	55	6
Mr. Khalid Fahad Al Zouman	Group Chief Financial Officer	55	20

Name	Position Title	Age of staff (in yrs)	Total service (in yrs)
Mr. Venkatakrishnan Menon	Group Chief Operations & Technology Officer	55	15
Ms. Halah Mohammad El Sherbini	Group Chief Human Resources and Development Officer	46	8
Mr. Mahmoud Mohamed Ezzat Ahmed Moursi	Group Chief Legal Counsel	53	1
Mr. Qutaibah Ahmad Abdullah Al Rabe	Head of Corporate Communications and Investor Relations	40	0.7
Mrs. Huda Fahed Al Shemmari	Head of International Operations Office-GM	50	17

The business address of each member of the Executive Management is P.O. Box 5389, Safat 12170, State of Kuwait.

Mr. Masoud M. J. Hayat – Vice Chairman & Group Chief Executive Officer

Mr. Hayat joined the board of the Bank in 2013. He was appointed the Group Chief Executive Officer of the Bank in April 2019, prior to which he held the position of CEO - Banking Sector of KIPCO since 2010. He also holds the positions of Chairman of UGB, United Gulf Holding Co. and TIB. He is also Deputy Chairman of AGB, BoB and FIMBank, as well as a board member of North Africa Holding Co., Kamco Invest, Masharea AlKhair Charity Foundation and Jordan Kuwait Bank. Between 1974 and 1996, he has held various positions at Al Ahli Bank of Kuwait, such as Deputy Chief General Manager, and Advisor to the board of directors. He has also served as a board member in multiple organisations, which include BIAT Tunis between 1989 and 1995, Bank of Bahrain and Kuwait between 1986 and 1988 and again between 1991 and 1995, Industrial Investment Co. between 1993 and 2001, Gulf Insurance Company between 1997 and 2001, United Fisheries Company between 1997 and 2001, Wataniya Communication Company, Algeria and Union of Investment Companies between 1997 and 2009, and The International Investor between 2005 and 2009. He was the Chairman of Kamco Invest between 1998 and 2010, United Gulf Financial Services Co. between 1997 and 2009, and Syria Gulf Bank and Vice Chairman of The Royal Capital Group, Abu Dhabi. Additionally, he was the Managing Director of UGB between 1997 and 2009, and with the Bank between 2009 and 2010. He graduated with a Bachelor's Degree in Economics from Kuwait University in 1973, and earned a Diploma in Banking Sciences from the Institute of Banking Studies in 1975.

Mr. Raed Abdullah Al Haqhaq – Deputy Group Chief Executive Officer and Chief Executive Officer – Kuwait

Mr. Raed Al Haqhaq joined the Bank in 2000 as a key member of the Corporate Banking business. He has over 24 years of experience in local and international banking across various businesses including corporate, retail and investment banking. Mr. Al Haqhaq has held various executive and leadership roles in the Bank where he played a vital role in executing the strategic priorities of the Bank. In November 2018, he was appointed as Chief Executive Officer- Kuwait to shape the future direction of the Kuwait business and is responsible for the financial and operating performance of the Kuwait business. In recognition of his leadership and execution capabilities, he was given the additional responsibility of Deputy Group Chief Executive Officer in November 2019. As Deputy Group Chief Executive Officer & Chief Executive Officer-Kuwait, he has dual responsibilities of formulating strategy and executing growth plans for the Kuwait business and in supporting the GCEO on the execution of Group's strategic initiatives. Mr. Al-Haqhaq is also the Chairman of Burgan Bank Financial Services Ltd, a fully owned subsidiary of Burgan Bank in Dubai International Financial Center (DIFC). He began his career at the Kuwait Investment Authority (KIA) and then joined the International Investment Group, where his last role was Assistant Vice President. Mr. Al

Haqhaq holds a Bachelor's Degree of Science in Strategic Management from California State University, Sacramento, USA and has attended management programs in Harvard Business School and INSEAD.

Mr. Robert James Frost - Group Chief Investment Banking and Treasury Officer

Mr. Frost joined the Bank as Group Chief Investment Banking and Treasury Officer in 2014. He is primarily responsible for developing the Group's Investment Banking and Treasury function. He has over 23 years of experience in global financial markets. Before joining the Bank, he held the position of Executive Director and Global Head of Capital Management at Macquarie Bank Ltd., Australia. He managed the treasury requirements of Macquarie Securities Group for more than 20 financial markets across globe and was responsible for building its Capital Management Division. Mr. Frost holds a Bachelor's Degree of Economics and a Bachelor's Degree in Science (Mathematics) from the University of Queensland, Australia.

Mr. Andrew Christopher Singh – Group Chief Risk Officer

Mr. Singh joined the Bank as Group Chief Risk Officer in 2015 and has over 30 years of experience in the financial services industry, with 16 years of experience in risk management. Previously, he has held the positions of Regional Head of Enterprise Risk for Europe at Credit Suisse, Regional Head of Risk Americas at Depfa Bank Plc, and Group Chief Risk Officer at EFG Hermes Holding for the Middle East and North Africa. He has also held various risk and control-related roles at JPMorgan Asia Pacific and UK. He has a solid track record in managing enterprise-wide risk in developing and emerging markets. Mr. Singh is responsible for establishing and enhancing the Group's risk strategy and framework, and implementing risk policies throughout the Group. Mr. Singh holds a Bachelor of Science Degree in Chemistry from Imperial College, London, and is an Associate of the Royal College of Science (A.R.C.S.) in Management Science.

Mr. Khalid Fahad Al Zouman - Group Chief Financial Officer

Mr. Al Zouman joined the Bank in 2000 as the Head of Risk Management. He was appointed as the Group Chief Financial Officer in 2003. He is mainly responsible for the strategic planning of the Group's finance activities, and for the development and implementation of financial guidelines, controls and reporting procedures. He has over 30 years of experience in financial management, accounting and auditing, in Kuwait and internationally. Prior to joining the Bank, he held senior financial management roles with Ernst & Young in Kuwait and in the United States. He is a Certified Public Accountant from the State of New Hampshire, USA, and holds a Bachelor's Degree in Computer Science from Kuwait University.

Mr. Venkatakrishnan Menon - Group Chief Operations and Technology Officer

Mr. Menon joined the Bank in 2005. He is currently the Group Chief Operations and Technology Officer. Prior to this, he was the Chief Retail Banking Officer, and was responsible for the Retail Banking function at the Bank. He has over 33 years of experience in the banking industry. Before joining the Bank, he held senior management roles at Qatar National Bank, BNP Paribas, Standard Chartered Bank and HDFC Bank. He holds a Master's Degree in Business Management, and a Bachelor of Science Degree from University of Mumbai, India.

Ms. Halah Mohammad El Sherbini - Group Chief Human Resources and Development Officer

Ms. El Sherbini joined the Bank in 2011. With over 24 years of experience, Ms. El Sherbini is responsible for building a high-performance culture that continuously improves organisational capabilities as well as ensures the core activities of compensation and benefits, talent acquisition, organisational and people development, performance management, succession planning and internal communications are collectively working together in the organisation to ensure that employees become the competitive edge of the Bank. Prior to joining the Bank, Ms. El Sherbini was the Head of Human Resources at Ahli United Bank and Citibank Kuwait and also held various leadership positions at Gulf Bank and National Bank of Kuwait. She is a graduate of Alexandria University, Egypt holding a Bachelors Degree in English Literature. She holds a

GMP Certificate from Harvard Business School as well as a Professional in Human Resources (PHR) Certificate from Society for Human Resource Management (SHRM). Ms. El Sherbini is also a Certified Professional Trainer from Arab Bankers Association and a Certified Assessor from SHL.

Mr. Mahmoud Mohamed Ezzat Ahmed Moursi - Group Chief Legal Counsel

Mr. Moursi was appointed as the Group Chief Legal Counsel on 1 October 2018, and reports to the Group Chief Executive Officer. He is responsible for managing the Bank's Legal Department, as well as directing the Group's legal activities to ensure that its legal rights and interests are well protected. Prior to joining the Bank, he served as the Executive Director of Legal and Market Supervision at Boursa Kuwait, and later as the Head of the CMA Commissioners' Counsel – a Senior Counsel in the counsel's bureau, related to the Board of Commissioners. Before this, he worked with the Bank for 15 years. He has more than 23 years of experience within the legal field, and has contributed to the creation of new laws within the State of Kuwait. He holds a Bachelor's Degree of Law from Cairo University, School of Law.

Mr. Qutaibah Ahmad Abdullah Al Rabe - Head of Corporate Communications & Investor Relations

Mr. Al Rabe joined the Bank in 2019. He has over 16 years of experience in marketing, public relations, corporate communications and media. Before joining the Bank, he was the Assistant Vice President – Corporate Communications at NBK Capital. He has held various positions at Noor financial Investment, Action Global Communication – Kuwait and Mabanee Company. He has also worked at Kuwait Foundation for the Advancement of Science (KFAS) as Knowledge Manager and with Starcom Media Vest Kuwait as Senior Media Manager – Digital. He holds a master’s degree in digital marketing from IE Business School Madrid, Spain and a Bachelor’s Degree in Marketing from Bentley College, Boston. He has completed the Kuwait Investment Authority Graduate Training Program and is also certified in investor relations.

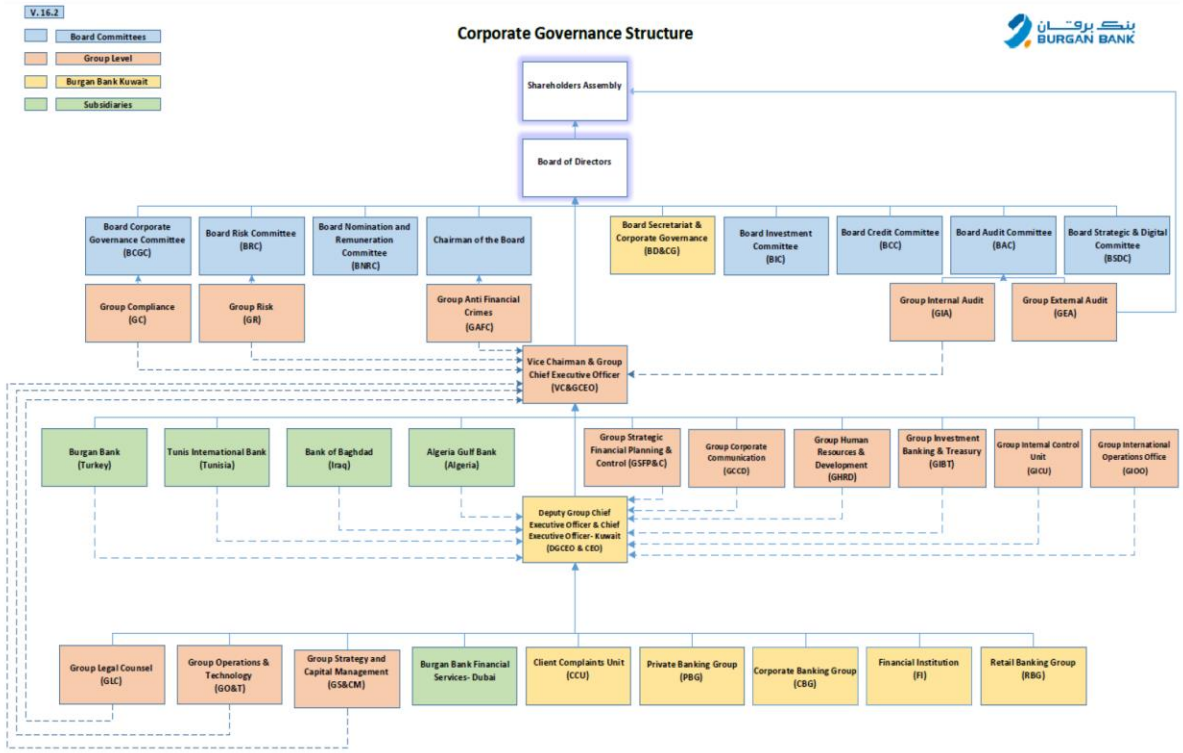
Mrs. Huda Fahed AlShemmari - Head of International Operations Office - GM

Mrs. Al Shemmari joined the Bank in August 2003. She has over 26 years of combined experience and more than 19 years of experience in the banking sector. She is experienced in the fields of retail banking, corporate banking, international and correspondent banking, treasury and investments, strategic operations, quality assurance, corporate governance and project management. She has worked closely with sovereign, quasi-sovereign, banking and non-banking financial institutions. When she joined the Bank, she was appointed as the Assistant General Manager and Head of Financial Institutions. In 2011, she was appointed as the Chief of Staff as well as the General Manager of Head of Strategic Business Development. Later, she held the post of General Manager and Head of International Operations Group. The IOO Group oversees and monitors the Bank's subsidiaries and affiliates, and reports directly to the Group CEO and Board of Directors. Mrs. Al Shemmari holds a Bachelor of Science Degree in General Studies from Southeastern University (London campus), as well as an MBA in Financial Management. She is certified from both local and international institutes including: The Institute of Banking Studies - CCM, ACI - Dealing Certificate, and Business Continuity Institute - MBCI.

There are no potential conflicts of interest between the duties to the Bank of the members of the Bank's executive management and their private interests or other duties.

Corporate Governance Structure

The diagram below summarises the Bank's corporate governance structure.



The Bank is committed to upholding the highest international standards of corporate governance, balancing innovation, control and transparency through all its dealings, and maintaining value for all of the Bank's stakeholders.

The Board has resolved that good faith, integrity, compliance, quality and respect must guide the conduct of staff at all times, when engaged in the Bank's business. These principles apply equally in dealings with clients, counterparties, regulatory authorities, business colleagues and towards the Bank itself.

In order to apply these principles in a consistent manner, the Board has approved a formal Code of Business Conduct, which all employees are given upon commencement of work with the Bank, including requiring them to enter into a confidentiality undertaking.

In addition to the Code of Business Conduct, the corporate governance framework for the Bank comprises extensive operational policies and procedures, internal and external audit and compliance procedures, effective communications, transparent disclosure, accountability and measurement to assist the Board in shaping and monitoring corporate governance and practices as well as to evaluate the Bank's compliance with existing policies.

At least three out of the nine members of the Board participate in all Board committees.

Key Board Committees

The following summarises the objectives and duties of the principal Board committees. In some cases, the detailed implementation of a committee function is delegated to a subcommittee on an ad hoc or ongoing basis.

Board Risk Committee ("BRC")

The BRC is mainly responsible for reviewing and providing reports to the Board of Directors on the current and future risk strategy and tolerance of the Bank, supervising the implementation of this strategy by the Executive Management and ensuring the existence of effective systems for risk management in the Bank and the independence of the Risk Management function. BRC Responsibilities include:

- Providing consultation to the Board on the Bank's risk strategy and tolerance, along with supervising Executive Management's implementation of this strategy;
- Ensuring the existence of effective systems for risk management and the independence of these functions; and
- Ensuring that the material risks and cases which might affect the Bank as a whole and its subsidiary companies are known.

The BRC consists of three members.

Board Nomination & Remuneration Committee ("BNRC")

The BNRC is mainly responsible for the following:

- Board Member nominations;
- Reviewing the Board's structure on an annual basis;
- Undertaking performance evaluations of the Board and its individual Members on an annual basis;
- Developing a Bank-wide reward policy in line with applicable laws and regulations;
- Appointment of individuals to key Executive Management posts and ensuring that the posts are occupied by qualified staff; and
- Setting performance standards and succession plans for Executive Management.

The BNRC consists of three members.

Board Corporate Governance Committee ("BCGC")

The BCGC is mainly responsible for assisting the Board of Directors in setting the Bank's corporate governance manual and corporate governance policies, following up on its execution and performing periodic reviews to ensure their effectiveness. BCGC responsibilities include:

- Ensuring that the Bank's organisation structure includes important forms of supervision from the Board and Executive Management;
- Ensuring the Bank's compliance with regulatory requirements and following up and monitoring the governance framework;
- Reviewing and recommending the implementation of structures and procedures to facilitate the Board's independence from management and to avoid conflicts of interest;
- Ensuring that the Bank's related parties policy is approved and implemented;
- Periodically reviewing and monitoring compliance with the Bank's whistleblowing policy; and

- Ensuring that there is adequate protection of the shareholders' and stakeholders' rights.

The BCGC consists of three members and is chaired by the Board Chairman.

Board Audit Committee ("BAC")

BAC is mainly responsible for setting and overseeing the sufficiency of internal controls and the audit functions of the Bank, along with ensuring compliance with applicable laws, regulations, policies and codes of business conduct and ethics. BAC responsibilities include:

- Complete oversight of Internal Audit and External Audit activities;
- Reviewing and supervising the sufficiency of Internal Control activities throughout the Bank;
- Reviewing and overseeing the integrity of the Bank`s periodic financial statements and reports before presenting the same to the Board;
- Overseeing the Bank's adherence to applicable laws, instructions, policies and codes of business conduct and ethics; and
- Ensuring compliance with disclosure rules as well as other financial reporting and legal requirements.

The BAC consists of four members and one non-voting advisor to the committee.

The Board Strategic & Digital Committee ("BSDC")

BSDC is responsible for:

- Providing strategic direction and monitoring the execution of the Bank`s strategic plans;
- Providing strategic direction of the digital delivery of the Bank’s products and services;
- Being an advisory and consultative body for Board of Directors; and
- Taking a leadership role in ensuring that the Bank`s Digital Banking policies and standards are reflective of the best practices available in the market.

The BSDC consists of four members and one non-voting advisor to the committee.

The Board Credit Committee ("BCC")

BCC is mainly responsible for overseeing the Bank's lending and credit recovery activities, making recommendations to the Board of Directors within its delegated authorities, and implementing decisions made by the Board of Directors. BCC responsibilities include:

- Reviewing credit proposals, monitoring their compliance with applicable rules and regulations, making recommendations within its delegated authorities and implementing the Board's decisions outside its authority;
- Overseeing the Bank's credit recovery activities;
- Reviewing and monitoring the exercise of delegations and ensuring compliance with the approved authorisation matrix under the Bank's Credit Policy; and

- Overseeing the rules and regulations governing related parties including the rules of granting credit to Board Members.

The BCC consists of five members and is chaired by the Board Chairman

The Board Investment Committee ("BIC")

BIC is mainly responsible for overseeing the Bank's investment activities, making investment decisions within its delegated authorities and implementing investment decisions made by the Board of Directors. BIC responsibilities include:

- Reviewing the Bank's investment policies covering the investment parameters and associated approval processes as per the approved authorisation matrix for each of the following investment portfolios:
  - Proprietary Portfolio (Fixed Income and Equity Sub-Portfolios)
  - Proprietary Private Equity Portfolio
  - Strategic Portfolio
  - Fiduciary Portfolio

The BIC consists of four members and is chaired by the Board Chairman.

Key Management Committees

The following summarises the objectives and duties of the principal management committees.

Management Executive Committee (MEXCO)

This committee reviews recommendations put forth by senior management and considers other policies and operational issues that are not addressed in other management/Board committees, and in light of the Bank's corporate governance procedures. The committee comprises 13 members and a Chairman, who is the Group CEO of the Bank.

Management Operational Risk & Internal Control Committee (MORICC)

MORICC is mainly responsible for ensuring that the Bank maintains an effective internal control environment. The key duties of this committee are:

- Ensuring the effective implementation of the Bank's policies and procedures to maintain a robust internal control environment;
- Reviewing reports relating to the Bank's internal control environment and recommending mitigation plans or corrective actions:
  - Key risk or control issues identified as part of self-assessments or by internal and external assurance providers;
  - Breaches of key risk indicators (KRI);
  - Operational losses and key incidents;

- Implementation status of action plans or projects aimed at mitigating key risks, control issues or observations made by internal and external assurance providers; and

- Any other operational risks or internal control issues not covered by KRI reporting.

- Issuing instructions and recommendations on controls based on changing market environment, regulations, new developments, etc. and ensuring that recommended actions are implemented effectively;

- Disseminating important information to a wider audience about "key lessons learned" and generic issues encountered so as to help prevent losses from occurring again in other areas;

- Discussing any risks in meeting legal or regulatory requirements and deadlines;

- Reviewing and authorising requests to formally reschedule the closure of any open observations;

- Recommending the allocation of penalties to business groups, if any;

- Reviewing and approving residual risk acceptance proposals from concerned areas as applicable; and

- Providing clearance to policies, frameworks or documents related to operational risk and internal control.

The committee comprises six members, a Secretary and a Chairman, who is the Group Chief Operations & Technology Officer.

Management Product and Pricing Committee (MPPC)

The purpose of the MPPC is to review and approve new product and service proposals, changes to existing products and services, as well as changes to the pricing of existing products and services (i.e. fees commissions, charges and interest rates). In addition, MPPC assesses and manages the performance of products and services throughout their lifecycles, and monitors and addresses any risks inherent in products or services that may impact customer experience.

The key duties of this committee are:

- Reviewing all proposals, and making recommendations to MEXCO regarding new products (including co-branded products), services and segments; material modifications to existing products (including co-branded products), services and segments, pricing changes (e.g. interest rates) and customer eligibility criteria;

- Reviewing decisions to discontinue any existing products being offered by the Bank;

- Maintaining an inventory of all new products and services awaiting approval/implementation, tracking their status and raising any key issues for resolution; and

- Ensuring that recommendations to MEXCO are fully aligned with Board-approved policies, particularly those concerning credit limits and lending criteria.

The committee comprises six members, a Secretary and the Chairman, who is the Deputy Group Chief Executive Officer and Chief Executive Officer – Kuwait.

Provision Assessment Committee (PAC)

The purpose of PAC is to monitor the credit provisioning process and ensure that the Bank has a satisfactory provisioning system in place. The key duties of this committee are:

- Ensuring the lending portfolio's provisioning requirement is appropriately monitored according to the related regulations issued by the CBK and other applicable regulatory bodies;
- Ensuring that provisions are made for both cash and non-cash credit portfolios, in line with CBK instructions, and in consideration of the following factors:
  - Deterioration of the client's financial position;
  - The client's account becoming dormant;
  - The client is placed under liquidation;
  - The client being declared bankrupt;
  - The client's debt being rescheduled;
  - Processing legal measures and actions against the client by any other creditor concerned with such instructions, claiming repayment of debts; and / or
  - Availability of clear evidence that the client is incapable of repaying his / her debts on maturity date.
- Discussing concerns regarding the credit standing of clients with all business units and identifying a list of clients that may default, triggering a provisioning need;
- Discussing updates regarding: client loan restructurings, credit collections, legal actions, and note corresponding action plans;
- Reviewing the performance of business areas, forecast potential provisions for the quarter and identify clients that may become tagged as "clean", "on watch list", "loan rescheduling" and / or "shift to legal"; and
- Reviewing amounts to be written off with justifications, prior to presenting recommendations to the Board or a Board authorised sub-committee for final approval.

The committee comprises 11 members (including one by invitation), a Secretary and a Chairman, who is the Group Chief Executive Officer of the Bank.

Procurement Committee (PC)

The key duties of this committee are:

- Approving vendor proposals (above KD 20,000 up to KD 500,000, total cumulative cost) as per the Bank's defined authority limits;
  - Proposals above KD 500,000 will be reviewed and submitted to GCEO for approval; and
  - Expenses above KD 1 million will be reviewed by GCEO and submitted to the Board for approval.

- Defining and reviewing the Bank's Group-wide purchasing strategy;
- Reviewing, as and when necessary, procurement strategies and policies;
- Developing vendor selection and evaluation procedures;
- Reviewing and approving the Bank's list of accepted / preferred vendors;
- Reviewing and approving pre-qualification criteria for vendors;
- Clarifying issues with pricing and technical packages of tenders;
- Managing contractual related completions, disputes, bonds and payments;
- Reviewing requests for time extensions by vendors; approve / decline as applicable; and
- Approving waivers to standard terms of contract for PC-awarded contracts.

The committee comprises five members (including three by invitation), a Secretary and a Chairman, who is the Group Chief Operations & Technology Officer of the Bank.

Management Audit Committee (MAC)

The key duties of this committee are:

- Coordinating and facilitating communication between the Internal Audit Department and other departments of the Bank;
- Reviewing external and internal auditors' management letters, reports and recommendations, and the responses thereto of Executive Management, before submitting the same to the BAC;
  - Where relevant, and in cases where it is not feasible to convene a MAC meeting, the MAC Chairman may designate any MAC Member to review auditors' reports and recommendations and assess Executive Management's responses on behalf of MAC.
- Seeking and discussing any differing views on the accuracy of, and risk ratings assigned to, audit observations and ensuring the resolution of the same;
- Agreeing with Executive Management and the audited departments on the action plans for implementing the agreed corrective actions;
- Assigning management responsibility and timeframes for implementing the agreed corrective actions and overseeing their implementation; and
- Calling special MAC meetings to discuss issues and recommendations that may emerge out of special enquiries undertaken by Internal Audit on the advice of the BAC.

The MAC Secretary must submit to MAC, at least two days prior to each MAC meeting, a list of all previously identified observations and corrective actions whose implementation is outstanding. This list is reviewed at the subsequent MAC meeting in order to expedite appropriate actions and arrive at a list of identified, resolved or unaddressed observations to be shared with BAC on a quarterly basis.

The committee comprises five members, a Secretary and a Chairman, who is the Group Chief Operations and Technology Officer of the Bank.

Management Information Security Risk Management Committee (MISRMC)

The key duties of this committee are:

- Reviewing and providing high-level guidance on the Bank's cyber security and other IT risks, controls and procedures, including performing a high-level review of the threat landscape facing the Bank and the Bank's strategy to mitigate cyber security risks and potential breaches;
- Ensuring the integrity of the Bank's IT systems and operational controls in adherence with all applicable rules and regulations;
- Coordinating and directing the Bank's information security framework, including information security controls within the Bank;
- Periodically reviewing the Bank's Information Security Policy and relevant processes and procedures to ensure their efficiency / effectiveness, recommending improvements as necessary;
- Reviewing the Bank's cyber security insurance policies to ensure appropriate coverage and that all insurance terms and conditions are being met; and
- Reviewing any IT Risk Assessment reports and accepting appropriate risk mitigation plans.

The committee comprises two members, a Secretary and a Chairman, who is the Group Chief Operations and Technology Officer of the Bank.

Asset and Liability Committee (ALCO)

This committee looks into all aspects of the Bank's asset and liability management. This includes the pricing of customer assets and liabilities, gaps and mismatches in interest rates and maturities, liquidity positions, market movements and forecasts of interest and exchange rate durations of assets and liabilities. The committee meets monthly and meeting minutes are reported to the Board.

The committee comprises 12 members (including three permanent guests), a Secretary and a Chairman, who is the Group Chief Executive Officer of the Bank.

Suspicious Transaction Reporting Committee (STRC)

This committee is responsible for reviewing suspicious transaction cases reported to it and taking a final decision on whether the case has to be reported to the Kuwait Financial Intelligence Unit (KFIU).

The committee comprises of five members and is chaired by the Group Head of Anti Financial Crime.

Management Digital Committee Charter (MDC)

This committee is responsible for defining the Bank’s strategic direction of the digital delivery of the Bank’s products and services. The responsibilities of this committee include:

- Reviewing the Bank’s digital strategy, goals, programs, annual and long-term plans in alignment with the Bank’s overall strategy;
- Identify and monitor key risks arising from technology and digital areas, and recommend mitigation if necessary. Refer any items to the BSDC where appropriate;
- Regular reporting, by reference to the internal and external benchmarks, on the quality, stability and reliability of the Bank’s digital eco-system to BSDC; and

- Receive, review and submit regular reporting on customer experience using the Bank's digital eco-system to BSDC.

The committee comprises six members and a secretary, and is chaired by the Deputy Group Chief Executive Officer and Chief Executive Officer – Kuwait.

LITIGATION STATEMENT ABOUT DIRECTORS AND SENIOR MANAGEMENT

Within the period of five years preceding the date of this Prospectus, none of the Directors or members of Executive Management:

- has any convictions in relation to fraudulent offences;

- has been a director or senior manager of any company at the time of any bankruptcy, receivership or liquidation of such company; or

- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

OVERVIEW OF KUWAIT

Unless indicated otherwise, information in this section has been derived from Government publications.

Overview

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 the Ministry of Interior. The capital and administrative centre of Kuwait is Kuwait City, where the Government and most of the other state institutions are located. The official language in Kuwait is Arabic, but the use of English is widespread, especially in business transactions.

Kuwait's economy benefits from some of the largest oil reserves in the world as well as very low relative oil production costs. According to OPEC's 2020 Annual Statistical Bulletin (the **OPEC 2020 Bulletin**), Kuwait has the fifth largest oil reserves in the world estimated at around 101,500 million barrels (accounting for 6.5 per cent. of the world's total oil reserves). According to the OPEC 2020 Bulletin, Kuwait was the world's eighth largest oil producer and eighth largest oil exporter for the year ended 31 December 2019, accounting for 3.6 per cent. of the world's total oil production and 4.4 per cent. of the world's total oil exports for the year ended 31 December 2019. According to the same source, Kuwait's production levels were 2.7 million barrels per day on average for the year ended 31 December 2019. As a founding member of OPEC, Kuwait's oil production is subject to any OPEC agreements that are reached to limit oil production.

Population

The latest official Kuwait census for which data has been published was conducted in April 2011. Accordingly, all population figures for subsequent years are estimates based on historic data.

The most recent estimate of the population in Kuwait was published by the Public Authority for Civil Information as at 31 July 2019. The population was estimated to be approximately 4.8 million, of which approximately 1.4 million were Kuwaiti nationals (29.5 per cent.) and approximately 3.4 million were non-Kuwaiti nationals (70.5 per cent.).

Economic Overview

Since oil was discovered in Kuwait in 1937, Kuwait's economy has grown significantly, principally due to the revenues generated from the export of crude oil and related products. Kuwait's major industries include petroleum, petrochemicals, cement, shipbuilding and repair, water desalination, food processing and construction.

According to the figures prepared by Kuwait's Central Statistical Bureau (**CSB**), Kuwait's real GDP grew by 0.4 per cent. in 2019 to reach KD 39.4 billion. According to the IMF, at U.S.$66,387, Kuwait had the ninth highest GDP per capita (at purchasing power parity) in the world for 2019.

As per the CSB (source: *CSB Kuwait*), the contribution of the oil sector to Kuwait's nominal GDP declined to KD 3.7 billion or 40.3 per cent. of nominal GDP in the first quarter of 2020 vs. KD 4.5 billion or 44.2 per cent. of nominal GDP in the first quarter of 2019. The contribution of the non-oil sector to Kuwait's nominal

GDP was KD 5.49 billion, or 59.7 per cent. of total nominal GDP in the first quarter of 2020 vs. KD 5.63 billion or 55.8 per cent. of nominal GDP in the first quarter of 2019.

According to data from Kuwait's Ministry of Finance, oil revenues are expected to comprise 89.3 per cent. of total Government revenues for the fiscal year starting April 2020 and ending March 2021. Kuwait's economy has generally benefitted from healthy fiscal and current account surpluses, although lower oil prices since mid-2014 led to a net budget deficit (after transfers to the Future Generations Fund (FGF)) for the fiscal years ending on 31 March 2015, 2016, 2017, 2018, and 2019. The monthly average OPEC Reference Basket price per barrel in June 2014 was U.S.$107.90, which dropped to a monthly average price of U.S.$35.58 in June 2020. The price per barrel of Kuwait Export Crude Oil (which is produced by Kuwait and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

While the oil industry has historically dominated and continues to be the largest part of Kuwait's economy (with oil and oil products accounting for 54.2 per cent. of real GDP for the three months ended 31 March 2020 - according to provisional figures from the CSB), for the past several years, Kuwait has been concentrating on the diversification of its economy by encouraging private sector participation and promoting foreign investment in non-oil sectors as articulated in the "New Kuwait 2035" plan. These efforts have gained special importance in light of the current low oil price environment. Based on the provisional figures from the CSB, the non-oil sector contributed 45.8 per cent to Kuwait’s real GDP for the three months ending on 31 March 2020, which is an overall decline in real terms from the non-oil sector contribution for the same time period in 2019.

Kuwait's public finances benefit from one of the world's largest sovereign wealth funds. Based on third party public sources, as at 31 December 2019, the KIA was ranked as the world's sixth largest sovereign wealth fund with more than U.S.$500 billion in assets. 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, by law, a minimum of 10 per cent. of all Government revenues are transferred to the FGF. The GRF is available to fund budget deficits in Kuwait. Kuwait has never drawn down funds from the FGF since its inception in 1976.

Inflation

The following table sets forth the consumer price index and annual inflation rate in Kuwait for the years ended 31 December 2019, 2018 and 2017, respectively.

	Average for the year ended 31 December		
	2019	**2018**	**2017**
Consumer Price Index (base year 2013=100).....	114.2	113.0	112.3
Inflation (percentage change, year on year)	1.1	0.6	1.5

Source: Central Statistical Bureau Kuwait

Government, Political and Legal System

Kuwait is a constitutional monarchy with a parliamentary system of government. Under its Constitution, which entered into force in 1963, the head of the State is the Emir, who is chosen from among the members of the ruling Al-Sabah family and confirmed by the Kuwaiti parliament (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. The Emir's half-brother, His Highness Sheikh Mishal Al-Ahmed Al-Jaber Al-Sabah, is the current

Crown Prince. Historically, the Emir has been selected by family consensus although the Emir Succession Law provides for National Assembly input under certain circumstances.

Kuwait was the first member of the GCC to establish a directly elected National Assembly in 1963. The National Assembly comprises 50 directly elected members who serve four-year terms as well as up to 15 appointed ministers who are ex officio members. The National Assembly serves as the unicameral legislature of Kuwait and 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. A new National Assembly was elected on 5 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 in 2019. The Council of Ministers is composed of a maximum of 16 members and at least one cabinet member must be drawn from the National Assembly. The membership of the cabinet is formalised by an Emiri Decree.

Kuwait's legal system is primarily modelled on the French civil law system, Egyptian civil code and elements of Islamic Shariah 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, executive and judicial authorities. In descending order of importance, the Constitution is followed by laws and their implementing instruments such as regulations and ministerial resolutions.

Development Strategy of Kuwait

In 2010, the Government announced its new overall strategy for Kuwait's future development through the year 2035 known as "Kuwait Vision 2035" which is based on three main themes:

- recovering the pioneering regional role of Kuwait and transforming it into a financial and trade centre, attractive to investors, where the private sector plays the lead role in economic activity.

- competition and promoting efficiency, with supportive national governmental institutions providing the adequate infrastructure, appropriate legislative framework and an inspiring business environment;

- providing a climate for balanced human development, safeguarding social values and national identity and preserving the community's values; and

- strengthening the democratic system, respect for the Constitution, and the promotion of justice, political participation and freedom.

The New Kuwait Plan

On 30 January 2017, the Government updated its long-term development strategy under the slogan "**New Kuwait 2035**". The New Kuwait Plan is based on the following seven thematic pillars and objectives:

- *Public Administration*: Reform administrative and bureaucratic practices to reinforce transparency, accountability, and efficiency in the Government.

- *Economy*: Develop a prosperous and diversified economy to reduce Kuwait's dependency on oil revenues.

- *Infrastructure*: Develop and modernise the national infrastructure to improve the quality of life for Kuwait's citizens.

- *Living Environment*: Ensure the availability of accommodation through environmentally sound resources and tactics.

- *Healthcare*: Improve service quality and develop national capabilities in the public healthcare system.

- *Human Capital*: Reform the education system to better prepare Kuwait's youth to become competitive, productive and competent members of the workforce.

- *Global Position*: Enhance Kuwait's regional and global presence in spheres such as diplomacy, trade, culture and philanthropy.

Foreign Relations and International Organisations

Kuwait, together with Bahrain, Oman, Qatar, Saudi Arabia and the UAE, form the GCC. Kuwait is also a member of OPEC and the United Nations (**UN**). It is also a member of numerous international and multilateral organisations, including the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the World Trade Organization (WTO), the League of Arab States, the Organisation of the Islamic Conference, the Multilateral Investment Guarantee Agency, and the UN Educational, Scientific and Cultural Organisation (UNESCO).

BANKING INDUSTRY AND REGULATION IN KUWAIT

Central Bank of Kuwait

Kuwait's monetary, banking and financial system is regulated and supervised by the CBK, which was formed by Law No. 32 of 1968 (as amended) (the **CBK Law**). The CBK commenced operations on 1 April 1969. According to Article 15 of the CBK Law, its objectives are to:

- issue currency on behalf of Kuwait;
- secure the stability of the KD and its free convertibility into other currencies;
- direct credit policy in order to contribute to Kuwait's social and economic progress and the growth of national income;
- supervise the banking system in Kuwait;
- serve as the Government's bank; and
- render financial advice to the Government.

The CBK is largely independent of Kuwait's executive and legislative branches and is managed by a Board of Directors, consisting of the Governor of the CBK, who also acts as the Chairman, the Deputy Governor of the CBK, a representative from each of the Ministry of Finance and the Ministry of Commerce and Industry and four additional members, each of whom must be a Kuwaiti national and must be nominated by the Minister of Finance (after obtaining the approval of the Council of Ministers). The four additional board members are drawn from expert practitioners in the fields of economics, finance or banking and are appointed by an Emiri Decree for a three-year renewable term. The Governor and the Deputy Governor of the CBK are each appointed by an Emiri Decree for a five-year renewable term, pursuant to a recommendation from the Minister of Finance (which is conditional on them having experience in the banking sector).

The CBK's total assets as at 31 December 2019 were KD 11.6 billion, an increase of 7.6 per cent. as compared to KD 10.8 billion as at 31 December 2018. This increase was primarily a result of an increase in deposits and investment in foreign currency held by the CBK. Deposits and investment in foreign currency as at 31 December 2019 were KD 11.4 billion, an increase of 7.5 per cent. as compared to KD 10.6 billion as at 31 December 2018. The CBK's total assets as at 31 December 2018 were KD 10.8 billion, an increase of 12.8 per cent. as compared to KD 9.6 billion as at 31 December 2017. This increase was primarily a result of an increase in deposits and investment in foreign currency held by the CBK. Deposits and investment in foreign currency as at 31 December 2018 were KD 10.6 billion, an increase of 11.2 per cent. as compared to KD 9.5 billion as at 31 December 2017.

Bank 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 (previously known as the Kuwait Stock Exchange) or engage in securities activities as discussed further below. The CBK's 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.

Off-site and On-site Supervision Department

The CBK's off-site supervision department receives periodic financial reports from institutions under its supervision, issues supervisory regulations, resolutions and instructions to such institutions, examines ongoing banking and financial trends and monitors their impact on the soundness and stability of these institutions. The department also conducts studies to assess applications to establish new banking and financial institutions or for new branches, articles of association, banking services and by-laws; and organises and maintains registers of the institutions subject to CBK supervision. The off-site supervision department also prepares CBK recommendations on issues concerning banking and supervisory conditions, and develops a dialogue with worldwide supervisory bodies and concerned international institutions, to stay informed and updated on the latest global trends and developments in the area of supervision of banking and financial activities.

The CBK also has an on-site supervision department that is responsible for monitoring the activities of institutions under its supervision to ensure their compliance with the provisions of relevant laws and supervisory regulations and instructions, 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 Anti-Money Laundering section within the on-site supervision department), following up on complaints and appeals submitted to CBK by those dealing with CBK-regulated entities, and proposing related supervisory regulations and instructions.

Financial Stability Office

The CBK has also established a Financial Stability Office (the **FSO**), which aims to contribute to a sound financial system in Kuwait capable of withstanding financial and economic shocks by identifying key vulnerabilities in the financial system and suggesting appropriate corrective measures. The FSO annually publishes its flagship Financial Stability Report (the **FSR**), covering key developments in the banking sector (making an assessment of financial intermediation, analysing key risks in the banking sector and examining the trends in banks' profitability, solvency and resilience against major shocks), domestic markets (money, foreign exchange, equity and real estate markets) and the payment and settlement systems. The aim of publishing the annual FSR is to identify risks to the stability of the financial system and to promote transparency and encourage informed public discourse on various developments in the financial system.

The FSO also prepares other analytical reports, for internal use on major developments and key risks in the banking sector and financial markets, making use of appropriate tools and techniques, such as stress testing, in early identification of vulnerabilities in the financial system.

Bank Regulation

Liquidity Regulations

Prior to 2020, the CBK required banks to maintain 18 per cent. of their KD customer deposits in the form of balances with the CBK and Kuwait Government treasury bonds.

Bank liquidity in Kuwait is monitored using the "Maturity Ladder Approach" under which future cash inflows are compared with future cash outflows. The resulting liquidity mismatches are then examined in time bands against approved limits for each band. The relevant instruction relating to liquidity establishes the elements to be included when calculating assets and liabilities for the purpose of determining liquidity.

The CBK also introduced, in 2014, the liquidity coverage ratio regulations (**LCR**) and, later in 2015, the net stable funding ratio (**NSFR**) guidelines, which are aimed at improving banks' capacity to withstand liquidity stress and to 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 1 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. The requirement to maintain an NSFR of 100 per cent. became effective in 1 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 remain subject to further review by the CBK at the end of 2020.

Capital Adequacy Regulations

Over the past few years, the CBK has refined its existing regulations to reflect global best practices. The CBK has already implemented the full set of Basel III regulations, covering capital adequacy, leverage, and liquidity.

The CBK has enhanced its capital adequacy regime by setting out higher and better quality capital for Kuwaiti banks to further strengthen their loss absorbing capacity. The CBK has also put up additional capital requirements for systemically important banks and introduced the Leverage Ratio (which is defined as the "capital" measure – made up of Tier 1 capital – divided by the "exposure" measure – being the sum of on-balance sheet assets, derivative exposures and off-balance sheet exposures) as a supplementary measure to ensure that Kuwaiti banks do not become overly leveraged.

The CBK's Instructions relating to Basel III require that the terms and conditions of Tier 1 or Tier 2 instruments issued by a licensed bank in Kuwait must contain a provision that permits such instruments to either be written-off or converted into common equity, as determined by the CBK, should a "Trigger Event" occur (as defined below). Pursuant to the Instructions, a **Trigger Event** will have occurred if either of the following events occurs:

(i) the issuing bank is instructed by its regulator to write-off or convert such instruments, on the grounds of non-viability; or

(ii) an immediate injection of capital is required, by way of an emergency intervention, without which the issuing bank would become non-viable.

Notwithstanding the definition of Trigger Event set out above, the Conditions only allow for a Write-down (as defined in the Conditions), and not a conversion into ordinary shares, of the Subordinated Notes to take place following the occurrence of a Trigger Event.

Credit Risk Regulations

- *Loan/financings to deposit ratio* - Kuwaiti banks are restricted by the CBK from lending 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.

- *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 is not paid on the maturity date or the debit balance exceeds the drawing limits determined for the customer.

- *Consumer and instalment loans*: Consumer credit facilities are granted with 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 is a long-term personal loan intended for non-commercial purposes, in particular for renovation or purchase of a private residence. The maximum limit on instalment loans is KD 70,000 (which is in addition to the maximum limit on any "consumer" loan advanced to the same customer). The maximum repayment tenor for an instalment loan is 15 years. A customer's total monthly repayment liability (consumer and instalment loans) 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 KD to non-residents without the need for prior consent from the CBK only in connection with financing contracts awarded by government bodies in Kuwait whose value does not exceed KD 40 million and where the loan does not exceed 70 per cent. of the total value of the contract. In all other cases, CBK consent is required for KD loans to non-residents.

- *Foreign exchange transactions* - Local banks may deal with foreign banks for foreign exchange transactions, may deposit Kuwaiti dinar with foreign banks and may enter into foreign exchange swap and other derivative transactions, including options, futures and forward contracts.

Concentration Risk Regulations

- *Investment limits*: The total ratio of the securities portfolio held by a Kuwaiti bank should not exceed 50 per cent. of the bank's capital in its comprehensive concept, as defined under the CBK's instructions to the local banks in respect of the Capital Adequacy Ratio and the CBK instruction no. BS/101/1995 (as amended) in respect of the credit concentration limits. Further, the ratio of the investment in the securities of any one issuer should be the lower of 10 per cent. of the bank's capital in its comprehensive concept or 10 per cent. of the issuer's capital.

- Maximum limit for credit concentration: Subject to certain exceptions or where prior CBK approval has been obtained, the total credit liabilities of any single customer (including its legally or economically associated entities) to a bank may not exceed 15 per cent. of the bank's regulatory capital.

- Clustering limit – total limit for large concentrations: The aggregate of large credit concentrations (being concentrations which exceed 10 per cent. of a bank's regulatory capital), including any exceptions approved by the CBK, may not exceed four times a bank's regulatory capital.

Interest Rate Cap Regulations

The CBK's resolutions issued in respect of interest rate ceilings provide that the maximum limits for interest rates on KD loans to corporates should not exceed:

- 2.5 per cent. over the CBK's discount rate in the case of commercial loans with a maturity of one year or less; and

- 4 per cent. over the CBK's discount rate in the case of commercial loans exceeding one year.

Interest rates for consumer and instalment loans denominated in KD are currently capped at the CBK discount rate plus 3 per cent. for each block of five years. Such interest rates may be adjusted by no more than plus or minus 2 per cent. for each subsequent block of five years.

Interest rates for loans in currencies other than the KD are not regulated by the CBK.

Corporate Governance

On 10 September 2019, the CBK issued a revised version of the "Rules and Standards of Corporate Governance" (the **Corporate Governance Rules**) which apply to all banks in Kuwait and are required to be implemented with effect from 30 June 2020. This new regulation replaces the previous "Rules and Standards of Corporate Governance in Kuwaiti Banks" issued in 2012. The Corporate Governance Rules provide principles that should be applied by Kuwaiti banks in order to ensure proper governance. These include nine pillars that cover, amongst other things, board composition, independent board members, risk management governance, compliance governance, cyber security, disclosure and transparency, remuneration policies and systems, and overall protection of shareholder and stakeholder's rights. The Corporate Governance Rules require each bank to adopt a corporate governance manual and establish a corporate governance committee, tasked with devising an overall framework for adherence with the governance manual.

The Corporate Governance Rules require the existence of independent directors in the composition of a banks' board of directors and the board committees. With effect from 30 June 2020, a bank's board must comprise no less than 11 board members, two of whom must be deemed "independent" but in no circumstance should the independent board members occupy more than half of the board seats. Another two independent board members are to be included to provide a total of four independent board members from the minimum of 11 board members. Following the outbreak of the Covid-19 pandemic, the CBK granted Kuwaiti banks an extension to this requirement until 31 December 2020.

The Corporate Governance Rules provide principles that should be applied by Kuwaiti banks in order to ensure proper governance. They comprise nine pillars that cover, amongst other things, board composition, independent board members, risk management governance, compliance governance, cyber security, disclosure and transparency, remuneration policies and systems, and overall protection of shareholder and stakeholder's rights. The Corporate Governance Rules require each bank to adopt a corporate governance manual and establish a corporate governance committee, tasked with devising an overall framework for the adherence to the governance manual.

The Corporate Governance Rules 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 internal and external audit committee, and any other committees that have an active role in the business of the bank.

The Board adopts and implements internationally recognised corporate governance practices and adheres to the CBK's requirements under the Corporate Governance Rules.

Third party portfolio management

Instructions apply to portfolios managed by banks and investment companies for the account of third parties and invested in foreign securities and other financial instruments.

Other Instructions

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

Application of CBK Regulations to the Bank

The Bank is incorporated as a public shareholding company in Kuwait. The Bank is licensed by the CBK to conduct banking activities and operates under its supervision. The Bank is also listed on the Boursa Kuwait. As a company incorporated in Kuwait under the applicable companies' laws, for the Bank to perform any commercial activities, it must have a valid commercial license issued by the Ministry of Commerce and Industry (**MOCI**). The MOCI issued commercial license is renewable every four years. The Bank has a valid commercial license which was recently renewed on 19 September 2019 and expires on 18 September 2023. The Bank has no reason to believe that its commercial licence will not be renewed by MOCI.

The CBK is tasked with maintaining the stability of Kuwait's banking system. As an entity subject to the CBK's oversight, the Bank is required to submit various periodic and one-off reports to the CBK. The CBK also conducts inspections of banking and financial institutions (banks, investment companies and money exchange companies) which are subject to its supervision in order to ascertain their financial sustainability and their adherence to their constitutive documents. These inspections may be in the form of a specific inspection or a full audit of all activities. The CBK routinely and periodically inspects all entities subject to its oversight. The CBK's most recent comprehensive inspection of the Bank was conducted during the period from 14 January 2019 to 30 May 2019, following which the final inspection report was issued by the CBK on 8 October 2019. The final inspection report revealed no issue that may have a material adverse financial impact on the Bank. Furthermore, the CBK's most recent inspection was conducted during the period from 25 July 2019 to 16 September 2019, though the CBK’s final inspection report is yet to be issued.

Alongside the CBK, 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

The Kuwaiti banking sector currently comprises five locally incorporated conventional commercial banks, one specialised bank, five locally incorporated Sharia-compliant banks, branches of 11 non-Kuwaiti conventional banks and a non-Kuwaiti Sharia-compliant bank.

The Kuwait banking sector has experienced increased competition and diversification from the entry of international banks establishing branches in Kuwait, following the promulgation of Law No. 28 of 2004 amending certain provisions of Law No. 32 of 1968 concerning Currency, CBK and the Organisation of Banking Business. As at 31 December 2019, total local bank assets in the Kuwaiti banking sector amounted to KD 71.0 billion and total credit facilities to Kuwaiti residents advanced by local banks amounted to KD 38.4 billion (source: CBK).

In addition, 12 foreign bank branches also operate in Kuwait. These are the Bank of Bahrain and Kuwait, BNP Paribas, HSBC, First Abu Dhabi Bank, Citibank, Qatar National Bank, Doha Bank, Mashreq Bank, Al-Rajhi Bank, Bank Muscat, Union National Bank and Industrial and Commercial Bank of China Limited.

Financial Stability Law and Deposit Guarantee Law

In response to the global financial crisis in 2008, the Government took a number of measures, including the passing of Decree No. 2 of 2009 (the **Financial Stability Law**). The Financial Stability Law sought to stabilise the financial sector in Kuwait and other economic sectors so as to encourage the financing of such sectors by local banks. The Financial Stability Law applies only to specific classes of economic ventures which had been entered into as at 31 December 2008.

As a further measure, the Government passed Law No. 30 of 2008 regarding the guarantee of deposits held with local banks (the **Deposit Guarantee Law**). Under the Deposit Guarantee Law, the Government has undertaken to guarantee the principal (but not interest) of all deposits held with local banks in Kuwait, including savings accounts and current accounts.

TAXATION

The following is a general description of certain Kuwait, EU and United States tax considerations relating to the Subordinated Notes. It does not purport to be a complete analysis of all tax considerations relating to the Subordinated Notes. Prospective purchasers of Subordinated Notes should consult their tax advisers as to the consequences under the tax laws of the countries of their respective citizenship, residence or domicile of acquiring, holding and disposing of Subordinated Notes and receiving payments under the Subordinated Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Kuwait

*This 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 Ministry of Finance and Ministry of Finance Administrative Order No. 2028 of 2015 (together, the **Taxation Laws**) as interpreted and implemented by the DIT as at the date of this Prospectus. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT would alter and affect this summary.*

Income tax

Under the Taxation Laws, income tax (at a flat rate of 15 per cent.) is levied on, *inter alia*, the net income and capital gains realised by any corporate entity (interpreted by the DIT to mean any form of company or partnership), wherever incorporated, that conducts business in Kuwait. However, the DIT to date has granted a concession to such corporate entities incorporated in Kuwait or in any other GCC country (being referred to in this Prospectus as GCC corporate entities) and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Prospectus as non-GCC corporate entities) which, for the avoidance of doubt, includes shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in Kuwait. The following paragraphs in this section are therefore applicable only to non-GCC corporate entities.

Pursuant to 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.

Pursuant to Law No. 22 of 2015 amending Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and the Regulating of Securities Activities (the **CMA Law Amendment**), yields of securities, bonds, finance sukuk and all other similar securities regardless of the issuer thereof shall be exempted from taxation. The CMA Law Amendment was acknowledged by the Ministry of Finance Administrative Resolution No. 2028 of 2015 (the **Administrative Resolution**).

However, see "*Risk Factors – The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Subordinated Notes 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 5 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 principal and interest payments. Given that neither the CMA Law Amendment 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 Issuer) could be required to deduct 5 per cent. from every payment made by it to a payee (such as the holders of the Subordinated Notes), which amount would be released by the payer upon presentation to it by the payee of a tax clearance certificate from the DIT.

However, the holders of Subordinated Notes shall be able to rely on the provisions in the Conditions (in particular, on Condition 9 (*Taxation*)) which require the Issuer to gross up each payment by an amount equal to any deduction, irrespective of whether a tax clearance certificate is presented or not and accordingly, in practice, a holder would not need to present such a tax clearance certificate.

Other taxes

Save as described above, all payments in respect of the Subordinated Notes may be made without withholding, deduction or retention for, or on account of, present taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Kuwait.

No stamp, registration or similar duties or taxes will be payable in Kuwait by holders of Subordinated Notes in connection with the issue or any transfer of the Subordinated Notes.

The Proposed Financial Transactions Tax (*FTT*)

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

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Subordinated Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Commission Regulation (EC) No 1287/2006 are expected to be exempt.

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

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

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

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (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 Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Kuwait) 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 Subordinated Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Subordinated Notes, 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 Subordinated Notes, 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 Subordinated Notes 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. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Subordinated Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Subordinated Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the **Subscription Agreement**) dated 10 December 2020 between the Issuer and the Joint Lead Managers, the Issuer has agreed to issue U.S.$500,000,000 in aggregate principal amount of the Subordinated Notes and, subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe or procure subscribers for the Subordinated Notes at the issue price of 100.00 per cent. of the principal amount of Subordinated Notes less certain commissions as described below.

The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and the offering of the Subordinated Notes. To the extent permitted by law, the Issuer and the Joint Lead Managers may agree that commissions or fees may be paid to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Subordinated Notes purchased by such intermediary and/or its customers. Any disclosure and other obligations in relation to the payment of such commission to such intermediary are solely the responsibility of the relevant intermediary and none of the Issuer, the Joint Lead Managers or any of their affiliates, nor any person who controls or is a director, officer, employee or agent of any such person accepts any liability or responsibility whatsoever for compliance with such obligations. Each customer of any such intermediary is responsible for determining for itself whether an investment in the Subordinated Notes is consistent with its investment objectives.

The Joint Lead Managers will also be reimbursed for certain of their expenses in connection with the issue of Subordinated Notes and the Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

United States

The Subordinated Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this section have the meanings given to them by Regulation S.

Each Joint Lead Manager has represented and agreed that, except in certain transactions exempt from or not subject to the registration requirements of the Securities Act, it has not offered, sold or delivered, and will not offer, sell or deliver the Subordinated Notes: (a) as part of their distribution at any time; or (b) otherwise until the expiration of 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer (whether or not participating in the offering) to which it sells the Subordinated Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Subordinated Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Subordinated Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until the expiration of 40 days after the commencement of the offering of the Subordinated Notes, an offer or sale of Subordinated Notes within the United States by any manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act, unless the dealer makes the offer or sale in compliance with an exemption from registration under the Securities Act.

Each Joint Lead Manager has represented and agreed that it has not entered into and will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Subordinated Notes, except with its affiliates or the prior written consent of the Issuer.

Prohibition of Sales to EEA and UK Retail Investors

Each Joint Lead Manager has represented and agreed, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Subordinated Notes which are the subject of the offering contemplated by the Prospectus in relation thereto to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) received by it in connection with the issue or sale of any Subordinated Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Subordinated Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Subordinated Notes other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Subordinated Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Subordinated Notes 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.

Japan

The Subordinated Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and it will not, directly or indirectly, offer or sell any Subordinated Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), 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 other relevant laws, regulations and ministerial guidelines of Japan.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Subordinated Notes or caused such Subordinated Notes to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Subordinated Notes or cause such Subordinated Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Subordinated Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Subordinated Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Subordinated Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Subordinated Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Subordinated Notes 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 (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.

State of Kuwait

Each Joint Lead Manager has represented and agreed that the Subordinated Notes have not been and will not be offered, marketed and/or sold in Kuwait, except through a licensed person duly authorised to undertake such activity pursuant to the CMA Rules and unless all necessary approvals from the CMA pursuant to the CMA Rules, together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature or type), or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing and/or sale of the Subordinated Notes.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Subordinated Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Subordinated Notes pursuant to an offering should note that the offer of Subordinated Notes is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the Capital Market Authority resolution number 3-45-2018 dated 23 April 2018 (the **KSA Regulations**), made through an authorised person licensed to carry out arranging activities by the Capital Market Authority (the **CMA**) and following a notification to the CMA under Article 11 of the KSA Regulations.

The Subordinated Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Subordinated Notes by it to a Saudi Investor will be made in compliance with Article 11 and either Article 9 or Article 10 of the KSA Regulations.

Each offer of Subordinated Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but shall be subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. In particular, any Saudi Investor who has acquired Subordinated Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Subordinated Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and where one of the following requirements is met:

(i) The Subordinated Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations);

(ii) The price to be paid for the Subordinated Notes in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or

(iii) The offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Subordinated Notes except on a private placement basis to persons in 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).

State of Qatar

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell, directly or indirectly, any Subordinated Notes in Qatar, including the Qatar Financial Centre, except: (a) in compliance with all applicable laws and regulations 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 Qatar. This Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange and is only intended for specific recipients, in compliance with the foregoing.

General

None of the Issuer nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Subordinated Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Subordinated Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers any Subordinated Notes or possesses or distributes this Prospectus.

Neither the Issuer nor any of the Joint Lead Managers represents that Subordinated Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. Persons into whose possession this Prospectus or the Subordinated Notes may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of Subordinated Notes.

In connection with the offering of the Subordinated Notes, each Joint Lead Manager and/or its affiliate(s) may act as an investor for its own account and may take up Subordinated Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Subordinated Notes being offered should be read as including any offering of the Subordinated Notes to the Joint Lead Managers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

GENERAL INFORMATION

Authorisation

The issue of Subordinated Notes by the Issuer and its entry into the Agency Agreement and the Subscription Agreement was duly authorised by resolutions of the Board of Directors of the Issuer on 12 August 2020. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Subordinated Notes and the execution and performance of the Agency Agreement and the Subscription Agreement.

Approval of the Prospectus, Admission to Trading and Listing of Subordinated Notes

Application has been made to Euronext Dublin for the Subordinated Notes to be admitted to the Official List and to trading on the regulated market of Euronext Dublin. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II. It is expected that the listing of the Subordinated Notes on the Official List and admission of the Subordinated Notes to trading on the regulated market of Euronext Dublin will be granted on or around 15 December 2020. The total expenses related to the admission to trading are estimated at €5,000.

Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Issuer in relation to the Subordinated Notes and is not itself seeking admission of the Subordinated Notes to the Official List or to trading on the regulated market of Euronext Dublin.

Documents Available

For the life of this Prospectus, and following the date of this Prospectus, physical copies of the following documents will, when published, be available for inspection from the specified office of the Paying Agent for the time being in London and will be available for viewing at http://www.burgan.com:

(a) the Memorandum and Articles of Association (with an English translation thereof if applicable) of the Issuer;

(b) the consolidated financial statements of the Group in respect of the financial years ended 31 December 2019 and 31 December 2018, in each case together with the audit reports prepared in connection therewith;

(c) the unaudited interim condensed consolidated financial information for the three and nine months ended 30 September 2020 of the Group together with the review report thereon;

(d) the most recently published unaudited interim financial information of the Group, in each case together with any review reports prepared in connection therewith;

(e) the Agency Agreement (which contains the forms of the Global Certificate); and

(f) a copy of this Prospectus.

Clearing Systems

The Subordinated Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 226536949 and ISIN XS2265369491.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

As at the date of this Prospectus, there has been no significant change in the financial performance or financial position of the Issuer or the Group since 30 September 2020 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2019.

Litigation

Neither the Issuer nor any member of the Group has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have, or has had in the recent past, significant effects on the financial position or profitability of the Issuer or the Group.

Yield

The yield of the Subordinated Notes is 2.750 per cent. (per annum). The yield is calculated as at the Issue Date of the Subordinated Notes on the basis of the issue price and the Initial Interest Rate and assuming (solely for the purposes of calculating the yield) a redemption of the Subordinated Notes on the Reset Date and that no Write-down occurs in respect of the Subordinated Notes. Any actual redemption would be subject to the Conditions. It is not an indication of future yield.

Independent Auditors

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 have been jointly audited by EY Kuwait with license no. 68-A and Deloitte Kuwait with license no. 62-A in accordance with International Standards on Auditing as stated in their report incorporated by reference herein. The consolidated financial statements of the Group as at and for the year ended 31 December 2019 has been jointly audited by EY Kuwait and RSM with license no. 91-A in accordance with International Standards on Auditing as stated in their report incorporated by reference herein. The interim condensed consolidated financial information of the Group as at and for the three and nine month periods ended 30 September 2020 has not been audited but has been jointly reviewed by EY Kuwait and RSM in accordance with the International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as stated in their review report incorporated by reference herein.

With respect to the 2020 Interim Financial Statements, EY Kuwait and RSM have jointly reported that they have applied limited procedures in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Auditor of the Entity". However, their review report dated 12 November 2020, incorporated by reference herein, states that they did not audit and they do not express any audit opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Websites

The contents of any website referred to in this Prospectus do not form part of this Prospectus.

Joint Lead Managers Transacting with the Issuer

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer (and its affiliates) in the ordinary course of business. In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and/or engage in related hedging activity. Such investments and securities activities may involve securities and/or instruments of the Issuer or

the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Subordinated Notes. Any such short positions could adversely affect future trading prices of Subordinated Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ISSUER

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FISCAL AGENT, REGISTRAR, TRANSFER AGENT AND CALCULATION AGENT

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From 1 January 2019
RSM (Albaziea & Co)
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