



NBK SPC LIMITED

(incorporated in the Dubai International Financial Centre as a special purpose company and converted to a prescribed company on 31 October 2019)

U.S.\$5,000,000,000

Global Medium Term Note Programme

unconditionally and irrevocably guaranteed by

NATIONAL BANK OF KUWAIT S.A.K.P.

(incorporated as a Public Shareholding Company in the State of Kuwait)

Under this U.S.\$5,000,000,000 Global Medium Term Note Programme (the "**Programme**"), NBK SPC Limited (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The obligations of the Issuer will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by National Bank of Kuwait S.A.K.P. ("**NBK**", the "**Bank**" or the "**Guarantor**").

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to any increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer or by NBK (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks, see "Risk Factors" on page 1.

This Base Prospectus has been approved as a base prospectus by the Central Bank of Ireland (the "**CBI**") as competent authority under Regulation (EU) 2017/1129, as amended (the "**EU Prospectus Regulation**"). The CBI only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, the Guarantor or the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to listing on the official list of Euronext Dublin (the "**Official List**") and to trading on its regulated market (the "**Regulated Market**"). The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**EU MiFID II**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of EU MiFID II and/or which are to be offered to the public in any member state of the European Economic Area (the "**EEA**").

References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on the Regulated Market or have been admitted to trading on such further stock exchanges or markets as may be specified in the applicable Final Terms (as defined below).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes and the issue price of Notes will be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on Euronext Dublin, will be delivered to the CBI and Euronext Dublin.

Copies of Final Terms in relation to Notes to be listed on Euronext Dublin will also be published on the website of Euronext Dublin.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Neither the Notes nor the Guarantee have been nor will be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or the benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and the offer or sale is made in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Notes are being offered and sold outside the United States in offshore transactions to persons that are not U.S. persons in reliance on Regulation S ("**Regulation S**") under the Securities Act and within the United States only to persons who are "**qualified institutional buyers**" ("**QIBs**") in reliance on Rule 144A ("**Rule 144A**") under the Securities Act. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Base Prospectus, in the case of listed Notes only, if appropriate, will be made available, which will describe the effect of the agreement reached in relation to such Notes.

The rating of certain Series of Notes to be issued under the Programme and the credit rating agency issuing such rating may be specified in the applicable Final Terms.

NBK has been assigned a long term rating of A and a short term rating of A-1 from S&P Global Ratings Europe Limited ("**S&P**"); a long term rating of A1 and a short term rating of P-1 by Moody's Investors Service Cyprus Ltd. ("**Moody's**"); and a long term rating of A+ and a short term rating of F1 by Fitch Ratings Ltd. ("**Fitch**").

Each of S&P and Moody's is established in the European Union ("**EU**") and is registered under Regulation (EC) No. 1060/2009, as amended (the "**EU CRA Regulation**"). As such, each of S&P and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the EU CRA Regulation. The ratings issued by S&P have been endorsed by S&P Global Ratings UK Limited, which is established in the United Kingdom ("**UK**") and registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK CRA Regulation**"). The ratings issued by Moody's have been endorsed by Moody's Investors Service Ltd., which is established in the UK and registered under the UK CRA Regulation. Fitch is established in the UK and registered under the UK CRA Regulation. Fitch appears on the latest update of the list of registered credit rating agencies (as of 1 September 2021) on the UK Financial Conduct Authority's (the "**FCA**") Financial Services Register at <https://register.fca.org.uk/s/>. The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited, which is established in the EU and registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by ESMA on its website (at <https://www.esma.europa.eu/credit-rating-agencies/cra-authorisation>) in accordance with the EU CRA Regulation. Where an issue of

Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Interest or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011, as amended (the "**EU Benchmarks Regulation**"). Details of the administrators of such benchmarks, including details of whether or not, as at the date of this Base Prospectus, each such administrator's name appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the EU Benchmarks Regulation are set out in the paragraph entitled "*Use of Benchmarks*".

Arrangers

Citigroup

J.P. Morgan

NBK Capital

Dealers

**Citigroup
Goldman Sachs International
NBK Capital**

**Emirates NBD Capital
HSBC**

**First Abu Dhabi Bank
J.P. Morgan
Standard Chartered Bank**

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the EU Prospectus Regulation.

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

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of each of the Issuer and the Guarantor, the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect its import.

Certain information contained in "*Risk Factors*", "*Description of the Group*" and "*Overview of Kuwait*" (as indicated therein) has been extracted from the following independent, third party sources: The International Monetary Fund (the "**IMF**"), the Organisation of Petroleum Exporting Countries ("**OPEC**"), the Sovereign Wealth Fund Institute, the Central Bank of the State of Kuwait (the "**CBK**") and the Kuwait Central Statistical Bureau (the "**CSB**"). Each of the Issuer and the Guarantor confirms that all third party information contained in this Base 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. The source of third party information contained in this Base Prospectus is stated where such information appears in the Base Prospectus. Where information has not been independently sourced, it is the Group's own information.

This Base Prospectus is to be read in conjunction with any amendments or supplements hereto and with any documents incorporated herein by reference (see "*Documents Incorporated by Reference*") and, in relation to any Tranche of Notes, should be read in conjunction with the applicable Final Terms. Other than in relation to the documents that are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers do not form part of this Base Prospectus.

None of the Arrangers or the Dealers or their affiliates 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 Arrangers or the Dealers or their affiliates as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or for the acts or omissions of the Issuer, the Guarantor or any other person (other than the relevant Dealer) or any other information provided by either of the Issuer or the Guarantor in connection with the Programme, the Notes or their distribution. None of the Arrangers or the Dealers or their affiliates accept any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme, the Notes or their distribution.

The only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the relevant subscription agreement as the relevant Dealers or the Managers, as the case may be.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Arrangers or any of the Dealers.

Neither this Base Prospectus, nor any other information supplied in connection with the Programme or any 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, the Guarantor, the Arrangers or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, the Arrangers or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Base Prospectus. The Arrangers and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Goldman Sachs International, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the UK, is acting for NBK and no one else in connection with the Programme and will not be responsible to anyone other than NBK for providing the protections afforded to clients of Goldman Sachs International, or for giving advice in connection with the Programme or any matter referred to herein.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Arrangers and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any 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 assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arrangers or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base 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 Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA, the United Kingdom, Japan, the United Arab Emirates (the "UAE") (excluding the Dubai International Financial Centre ("**DIFC**")), the DIFC, the Kingdom of Saudi Arabia, the Kingdom of Bahrain ("**Bahrain**"), the State of Qatar (including the Qatar Financial Centre), Singapore, Hong Kong, Malaysia, the State of Kuwait ("**Kuwait**"), Switzerland and Canada. See "*Subscription and Sale and Transfer and Selling Restrictions*".

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by the applicable Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation, in each case, in relation to such offer.

None of the Issuer, the Guarantor, any Arranger or any Dealer has authorised, nor does it authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer, the Guarantor or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. The Notes and the Guarantee have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes constitute legal investments for it; (ii) Notes can be used as collateral

for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Notes by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules and regulations.

In particular, potential investors should note that although the Kuwaiti Government has in the past supported the domestic banking industry, for example, following the global financial crisis in 2008, there can be no assurance that it will continue to provide support to the domestic banking industry in the future. The Notes will not be guaranteed by the Kuwaiti Government.

None of the Arrangers, the Dealers, the Issuer or the Guarantor makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

None of the Arrangers, the Dealers or their affiliates make any representation or provide any assurance as to the suitability of any Sustainable Notes (as defined herein), including the listing or admission to trading thereof on any dedicated "green", "environmental", "sustainable", "social" or other equivalently-labelled segment of any stock exchange or securities market, or to fulfil any green, social, environmental or sustainability criteria required by any prospective investors. None of the Arrangers, the Dealers or their affiliates have undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Sustainable Assets (as defined herein), any verification of whether the Eligible Sustainable Assets meet such criteria, the monitoring of the use of proceeds of any Sustainable Notes (or amounts equal thereto) or the allocation of the proceeds by the Issuer or the Guarantor to particular Eligible Sustainable Assets. A prospective investor should have regard to the information set out in "*Use of Proceeds*" below and determine for itself the relevance of such information for the purposes of an investment in Sustainable Notes together with any other investigation it deems necessary. None of the Arrangers, the Dealers or their affiliates make any representation as to the suitability or contents of the Sustainable Financing Framework (as defined herein), any second party opinion delivered in respect thereof or any public reporting by or on behalf of the Issuer or the Guarantor in respect of the application of the proceeds of any issue of Sustainable Notes, all of which are not, nor shall be deemed to be, incorporated in and/or form part of the Base Prospectus.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be 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 Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes

will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

U.S. INFORMATION

This Base Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes and the Guarantee have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, subject to certain exceptions. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and the U.S. Treasury regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to persons who are QIBs pursuant to an exemption from or in transactions not subject to registration under the Securities Act in reliance on Rule 144A or any other applicable exemption. Prospective purchasers are hereby notified that sellers of Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Restricted Global Certificate or any Notes issued in registered form in exchange or substitution therefor (together "Restricted Notes") will be deemed, by its acceptance or purchase of any such Restricted Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "**restricted securities**" within the meaning of Rule 144(a)(3) of the Securities Act, each of the Issuer and the Guarantor has undertaken in a deed poll dated 25 September 2023 (the "**Deed Poll**") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by them, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "**restricted securities**" within the meaning of Rule 144(a)(3) of the Securities Act and each of the Issuer and the Guarantor is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, (the "**Exchange Act**") nor exempt from reporting requirements pursuant to and in compliance with Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a prescribed company incorporated in the DIFC and the Guarantor is a Public Kuwaiti Shareholding Company established in Kuwait. All of the officers and directors of the Issuer and the Guarantor named herein reside outside the United States and all or a substantial portion of the assets of each of the Issuer and the Guarantor and its officers and directors are located outside the United States. As a result:

- it may not be possible for investors to effect service of process outside the DIFC upon the Issuer or its officers and directors, or to enforce judgments against them predicated upon United States federal securities laws or the securities laws of any state or territory within the United States; and
- it may not be possible for investors to effect service of process outside Kuwait upon the Guarantor or its officers and directors, or to enforce judgments against them predicated upon United States federal securities laws or the securities laws of any state or territory within the United States.

The Notes and the Guarantee are governed by English law and disputes in respect of them may be settled by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**") in London, England.

Investors may have difficulties in enforcing an arbitration award against the Issuer or the Guarantor in the courts of Kuwait to the extent that such arbitration award is deemed to be in contravention of Kuwaiti public policy rules and/or in view of the timing and requisite procedural formalities required for enforcing a foreign arbitral award. Moreover, judicial precedent in Kuwait has no binding effect on subsequent decisions and there is no formal or updated system of reporting court decisions in Kuwait. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions. See "*Risk Factors – Risks related to enforcement under Kuwaiti Law*".

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 "**CML 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 Notes, the Notes may not be offered for sale, nor sold, in Kuwait. Neither this Base Prospectus nor any of the information contained herein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

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

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in Bahrain, Notes issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain ("**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 Base Prospectus does not constitute an offer of securities in Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Notes, 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 this Base Prospectus or any related offering documents and it has not in any way considered the merits of the 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 Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this

Base Prospectus. No offer of securities will be made to the public in Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This document 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 Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial advisor.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

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

NOTICE TO RESIDENTS OF MALAYSIA

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

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

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) in the relevant subscription agreement (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of 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 relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

IMPORTANT – EEA RETAIL INVESTORS

If the applicable Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the 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. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); (ii) a customer within the

meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in the EU Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS

If the applicable Final Terms in respect of any Notes include a legend entitled "Prohibition of Sales to UK Retail Investors", the 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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MiFID II PRODUCT GOVERNANCE / TARGET MARKET

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

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

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET

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

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

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION)

The applicable Final Terms in respect of any Series of Notes may include a legend entitled "*Singapore Securities and Futures Act Product Classification*" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "SFA").

The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for the purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for the purposes of section 309B(1)(c) of the SFA.

INFORMATION RELATING TO SUSTAINABLE NOTES ISSUED UNDER THE PROGRAMME

The Final Terms relating to a specific Tranche of Notes identified therein as "Sustainable Notes" (the "**Sustainable Notes**") will provide that it is the Issuer's intention to apply an amount at least equal to the net proceeds of the issue of such Sustainable Notes (the "**equivalent amount**"), to finance and/or refinance, in whole or in part, eligible sustainable assets ("**Eligible Sustainable Assets**") in accordance with the Issuer's Sustainable Financing Framework (as amended, supplemented, restated and/or otherwise updated on the Issuer's website from time to time, the "**Sustainable Financing Framework**"). A prospective investor should have regard to the information set out in the section "*Use of Proceeds*" and seek advice from their independent financial adviser or other professional adviser regarding their purchase of any Sustainable Notes before deciding to invest and must determine for themselves the relevance of such information, together with any other investigation such investor deems necessary for the purpose of assessing the suitability of an investment in such Notes in light of its investment criteria, guidelines, requirements or expectations.

No assurance is given by the Issuer, the Arrangers, the Dealers or any other person that such use of proceeds will meet, in whole or in part, any present or future investment expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required, or intend, to comply, whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, the subject of or related to, the Sustainable Financing Framework. None of the Arrangers or the Dealers or their respective affiliates have undertaken, nor are they responsible for, any assessment or due diligence of, the Eligible Sustainable Assets, or any related projects or the application, impact or monitoring of the use of the proceeds (or any amount equivalent thereto) of any Sustainable Notes. None of the Arrangers or Dealers or their respective affiliates have undertaken any due diligence, or makes any representation as to the suitability or contents, of the Sustainable Financing Framework, any second party opinion delivered in respect thereof or any public reporting by or on behalf of the Issuer in respect of the application of the proceeds of any issue of Sustainable Notes, all of which are not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus.

No assurance or representation is or can be given by the Issuer, the Arrangers the Dealers or any other person that Eligible Sustainable Assets will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called "**EU Taxonomy**") or Regulation (EU) 2020/852 as it forms part of domestic law of the United Kingdom by virtue of the EUWA), as regards any investment criteria or guidelines with which such investor or its investments are required to comply or that any adverse environmental and/or other impacts will not occur during the implementation of any projects funded by or related to any Eligible Sustainable Assets. Each prospective investor should have regard to the factors described in the Sustainable Financing Framework and the relevant information contained in this Base Prospectus and seek advice from their independent financial adviser or other professional adviser regarding its purchase of any Sustainable Notes before deciding to invest. None of the Arrangers or Dealers or their respective affiliates shall be responsible for (i) the suitability of any Sustainable Notes to fulfil environmental, social and/or sustainability criteria required by prospective investors, (ii) whether the equivalent amount will be used to finance and/or refinance Eligible Sustainable Assets, (iii) any assessment of the Eligible Sustainable Assets, or (iv) the ongoing monitoring of the use of proceeds in respect of any such Sustainable Notes.

None of the Issuer, the Arrangers or the Dealers or their respective affiliates makes any representation or provide any assurance as to the suitability of any Sustainable Notes, including the listing or admission to trading thereof on any dedicated "green", "environmental", "sustainable", "social" or other equivalently-labelled segment of any stock exchange or securities market, to fulfil any green, social, environmental or sustainability criteria required by any prospective investors. None of the Arrangers or the Dealers or their respective affiliates have undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Sustainable Assets financed or refinanced with the proceeds of the issuance of the Sustainable Notes, any verification of whether the Eligible Sustainable Assets meet such criteria, the monitoring of the use of proceeds of any Sustainable Notes (or amounts equal thereto) or the allocation of the proceeds by the Issuer to particular Eligible Sustainable Assets. Each prospective investor should have regard to the information set out in "*Use of Proceeds*" below and determine for itself the relevance of such information for the purposes of an investment in Sustainable Notes together with any other investigation it deems necessary.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Bank's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this document, 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*" and "*Description of the Group*" and other sections of this Base Prospectus. The Bank has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Bank believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Base Prospectus, if one or more of the risks or uncertainties detailed in the section entitled "*Risk Factors*" materialise, or if any of the Bank's underlying assumptions prove to be incomplete or inaccurate, the Bank's actual results of operations may vary from those expected, estimated or predicted.

These forward-looking statements speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Bank expressly disclaims any obligation or undertaking to disseminate after the date of this Base 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 CERTAIN FINANCIAL AND OTHER INFORMATION

Historical Financial Statements

This Base Prospectus contains:

- the unaudited interim condensed consolidated financial information of the Group as at and for the six months ended 30 June 2023 (with comparative data for the six months ended 30 June 2022) (the "**Interim Financial Statements**");
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022 (with comparative data for the year ended 31 December 2021) (the "**2022 Financial Statements**"); and
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021 (with comparative data for the year ended 31 December 2020) (the "**2021 Financial Statements**").

In this Base Prospectus, the 2022 Financial Statements and the 2021 Financial Statements are together referred to as the "**Annual Financial Statements**" and the Interim Financial Statements and the Annual Financial Statements are together referred to as the "**Financial Statements**".

The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "*Interim Financial Reporting*". The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the Annual Financial Statements. The Interim Financial Statements have been jointly reviewed by Ernst & Young Al Aiban, Al Osaimi & Partners with license no. 208A ("**E&Y**") and Deloitte & Touche Al Wazzan & Co. with license no. 62A ("**Deloitte**") in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in their review report included elsewhere in this Base Prospectus.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted by the Central Bank of Kuwait in the State of Kuwait and comply with the regulations for financial services institutions as issued by the Central Bank of Kuwait in the State of Kuwait (the "**CBK regulations**"). The Annual Financial Statements have been jointly audited by E&Y and Deloitte in accordance with International Standards on Auditing as stated in their audit reports incorporated by reference in this Base Prospectus.

The CBK regulations, including the CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, require banks, including the Bank, and other financial institutions regulated by the CBK to adopt IFRS with certain amendments. As a result, the Financial Statements have not been prepared in accordance with IFRS as endorsed in the European Union based on Regulation (EC) No 1606/2002. The only material differences between IFRS as adopted by Kuwait for financial services institutions regulated by the Central Bank of Kuwait and IFRS as endorsed in the European Union are as follows:

- expected credit loss ("**ECL**") on credit facilities is to be measured at the higher of the expected credit loss amount computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by the CBK instructions along with its consequent impact on related disclosures (as discussed in note 2 to the 2022 Financial Statements under the heading "*Measurement of ECLs*"); and
- modification losses on financial assets arising from payment holidays to customers extended during 2020 as a result of COVID-19 are to be recognised in retained earnings, as required by the CBK circular no. 2/BS/IBS/461/2020, instead of in the statement of income as required by IFRS 9. However, modification losses on financial assets arising from any other payment holidays to customers (including payment holidays to customers extended during 2021) were recognised in the statement of income. The application of the policy resulted in the application of different accounting presentation for modification losses in 2020 and 2021. There were no modification losses in 2022 and the six months ended 30 June 2023.

The Group's financial year ends on 31 December and references in this Base Prospectus to "2022", "2021" and "2020" are to the 12-month period ending on 31 December in each of those years.

The Financial Statements incorporated by reference in this Base Prospectus should be read in conjunction with the respective notes thereto. Prospective investors are advised to consult their professional advisers for an understanding of:

- (i) the differences between IFRS and U.S. generally accepted accounting principles ("US GAAP") or any other systems of generally accepted accounting principles in the jurisdictions of such prospective investors and how those differences might affect the financial information included or incorporated by reference in this Base Prospectus; and
- (ii) the impact that future additions to, or amendments of, IFRS may have on the Group's results of operations or financial condition, as well as on the comparability of the prior periods.

In addition, this Base Prospectus includes certain non-IFRS financial measures and ratios. See "*Non-IFRS Financial Measures and APMs*" below.

All financial information regarding the Group in this Base Prospectus as at, and for the six months ended, 30 June 2023 and 30 June 2022 is unaudited and has been extracted or derived from the Interim Financial Statements or from the Group's unaudited management accounts based on accounting records, as applicable, or is based on calculations of figures from these sources. In addition, all financial information regarding the Group in this Base Prospectus as at, and for the years ended, 31 December 2022 and 31 December 2021 has been extracted or derived from the 2022 Financial Statements and, except where indicated, all financial information regarding the Group in this Base Prospectus as at, and for the year ended, 31 December 2020 has been extracted or derived from the 2021 Financial Statements or, in either case, from the Group's unaudited management accounts based on accounting records, as applicable, or, in either case, is based on calculations of figures from these sources. As disclosed by the Group in Note 2.1 to the 2022 Financial Statements, certain amounts (i.e., net fees and commissions, net gains from dealing in foreign currencies and other administrative expenses) for the year ended 31 December 2021 have been reclassified in order to conform to the current year presentation. Such reclassifications did not affect previously reported assets, liabilities, equity and profit for 2021. The comparative information for the year ended 31 December 2020 provided in this Base Prospectus, where indicated, reflects reclassified corresponding amounts for 2020. All such reclassified financial information for the year ended 31 December 2020 is unaudited.

Certain numerical figures set out in this Base Prospectus, including financial and operating data, have been rounded and some of these and other figures are also presented in KD millions or billions rather than in KD thousands as in the Annual Financial Statements. Therefore, the sums of amounts given in some columns or rows in the tables and other lists presented in this Base Prospectus may slightly differ from the totals specified for such columns or rows. Similarly, some percentage values presented in the tables in this Base Prospectus have been rounded and the totals specified in such tables may not add up to 100 per cent. Percentages and amounts reflecting changes over time periods relating to financial and other data set out in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the relevant Annual Financial Statements.

The financial information included or incorporated by reference in this Base Prospectus is not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations which would apply if Notes issued under the Programme were being registered with the U.S. Securities and Exchange Commission (the "SEC").

Terminology

The Group conducts both conventional and, through its majority-owned subsidiary, Boubyan Bank K.S.C.P. ("**Boubyan Bank**"), Islamic banking activities. As a result, the Group earns both interest income and murabaha and Islamic financing income and incurs both interest expense and finance cost and distribution to depositors which give rise to both net interest income and net income from Islamic financing. For convenience, in certain places in this Base Prospectus, including "*Management's Discussion and Analysis of Financial Condition and Results of Operations*":

- interest income and murabaha and Islamic financing income are together referred to as "**finance income**"; and
- interest expense and finance cost and distribution to depositors are together referred to as "**financing cost**".

Average Balances and Interest Rates

This Base Prospectus includes information relating to average balances of interest income and financing income-earning assets (together referred to as "**income-earning assets**") and interest expense and financing cost-bearing liabilities (together referred to as "**cost-bearing liabilities**") of the Group, the amounts of finance income and financing cost of the Group and the average rates at which finance income was earned on such assets and financing cost was incurred on such liabilities by the Group for the six months ended 30 June 2023 and 30 June 2022 and for each of 2022, 2021 and 2020. This information is presented in the sections "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Selected Statistical Data*". Unless otherwise specified in this Base Prospectus, average balances of assets and liabilities for the Group for the six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December in each of 2022, 2021 and 2020 were calculated as the sum of assets or liabilities on a quarterly basis divided by three for the six months or five for the annual periods. The average interest rate for any line item is calculated by dividing finance income or financing cost, as applicable, by the average balance for such line item for the relevant period.

This Base Prospectus also includes information on changes in finance income or financing cost of the Group, which are attributed to either: (i) changes in average balances (volume change) of income-earning assets or cost-bearing liabilities; or (ii) changes in average rates (rate change) at which finance income was earned on such assets or at which financing cost was incurred on such liabilities. This information also appears in the section "*Selected Statistical Data*". Changes in the Group's finance income and financing cost have been allocated between changes in average volume and changes in average rates for the six months ended 30 June 2023 and 30 June 2022 and for each of the years ended 2022, 2021 and 2020. The volume and rate variances are calculated based on the movements of average balances over the period and changes in average rates on income-earning assets and cost-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances.

The information with respect to the Group presented in "*Selected Statistical Data*" has not been prepared in accordance with, and is not intended to comply with, the applicable accounting requirements of the Securities Act and the related rules and regulations of the SEC which would apply if the Notes were being registered with the SEC. In particular, the average balances and related data presented in "*Selected Statistical Data*" are based on materially less frequent averaging methods than those used by other banks in the United States, Western Europe and other jurisdictions in connection with similar offers of securities. Prospective investors should be aware that the results of the analysis for the Group would likely be different if alternative or more frequent averaging methods were used and such differences could be material.

Non-IFRS Financial Measures and APMs

This Base Prospectus contains references to certain non-IFRS measures, including capital adequacy, leverage and certain other ratios contained in "*Selected Consolidated Financial Data*" and referred to elsewhere in this Base Prospectus. In addition, all of the average information contained in "*Selected Statistical Data*" and referred to elsewhere in this Base Prospectus is also non-IFRS data and APMs. All of these measures constitute alternative performance measures (as defined in the European Securities and Markets Authority guidelines (the "**ESMA Guidelines**") on Alternative Performance Measures ("**APMs**").

The Group believes that the APMs included in this Base Prospectus provide useful supplementary information to both investors and to the Group's management ("**Management**"), as they facilitate the evaluation of underlying operating performance and financial position across financial reporting periods. However, investors should note that, since not all companies calculate financial measurements, such as the APMs presented by the Group in this Base Prospectus, in the same manner, these are not always directly comparable to performance metrics used by other companies.

The APMs contained in this Base Prospectus should not be considered in isolation and are not measures of financial performance or liquidity under IFRS. These non-IFRS measures should not be considered as an

alternative to revenues, profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of liquidity derived in accordance with IFRS. Non-IFRS measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of actual results of operations. In addition, the APMs in this Base Prospectus may not be comparable to other similarly titled measures used by other companies. The Group believes that net interest margin and other non-IFRS measures presented in this Base Prospectus are useful indicators of financial performance that are widely used by investors to monitor the results of banks generally. Because of the discretion that the Group and other companies have in defining these measures and calculating the reported amounts, care should be taken in comparing these measures with similar measures used by other companies.

The APMs contained in this Base Prospectus have also not been prepared in accordance with US GAAP, SEC requirements or the accounting standards of any other jurisdiction.

Monetary and Exchange Rate Policy

Kuwait's monetary and exchange rate policy is set and managed by the CBK. The CBK's main monetary policy objective is to maintain monetary stability with the aim to mitigate the impacts of inflation and to enhance social and economic progress in Kuwait and the growth of national income.

The CBK's policy for the Kuwaiti dinar exchange rate aims at maintaining and enhancing the relative stability of the Kuwaiti dinar against other currencies and shielding the domestic economy against the impacts of imported inflation. These responsibilities reflect the importance of the exchange rate policy in the Kuwaiti economy where no restrictions are imposed on the movement of capital.

Since 1975, the Kuwaiti dinar has been pegged to an undisclosed weighted basket of international currencies of Kuwait's major trade and financial partner countries (the "**Kuwaiti Dinar Basket**"), except between January 2003 and May 2007, when the Kuwaiti dinar was pegged to the U.S. dollar within margins around a parity rate.

This exchange rate policy contributes to maintaining the relative stability of the KD exchange rate against other currencies and strengthens the CBK's ability to implement a monetary policy aimed at reducing inflationary pressures, particularly those resulting from fluctuations in the exchange rates of world currencies. The CBK has the ability to adjust the Kuwaiti Dinar Basket at its discretion.

The following table shows the Kuwaiti dinar per U.S.\$1.00 exchange rate based on daily data for the six months ended 30 June 2023 and for the years ended 31 December in each of 2022, 2021 and 2020.

	<u>High U.S.\$/KD</u>	<u>Low U.S.\$/KD</u>	<u>Difference</u>	<u>Difference (%)</u>
30 June 2023	0.307	0.305	0.003	0.92
31 December 2022	0.311	0.302	0.009	2.90
31 December 2021	0.303	0.300	0.003	1.02
31 December 2020	0.310	0.303	0.007	2.29

Source: Central Bank of Kuwait

Definitions

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

- references to "**GCC**" are to the Gulf Cooperation Council;
- reference to the "**Group**" are to the Bank and its subsidiaries taken as a whole;
- references to "**Kuwait**" are to the State of Kuwait;
- references to a "**Member State**" are references to a Member State of the European Economic Area; and
- references to the "**MENA region**" are to the Middle East and North Africa region.

Certain Conventions

Certain figures and percentages included in this Base 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.

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

All references in this Base Prospectus to:

- **"U.S. dollars", "U.S.\$ "** and **"\$"** refer to United States dollars being the legal currency for the time being of the United States of America;
- **"dinar"** and **"KD"** refer to Kuwaiti dinar being the legal currency for the time being of Kuwait;
- **"euro", "EUR"** and **"€"** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended;
- **"GBP"** refer to the British Pound, being the legal currency for the time being of the United Kingdom; and
- **"Egyptian pounds"** and **"EGP"** refer to the legal currency for the time being of the Arab Republic of Egypt.

USE OF BENCHMARKS

Amounts payable under the Notes may be calculated by reference to:

- (i) the rate quoted for an eligible depository institution in Kuwait to borrow-short terms funds from the CBK (the "**CBK Discount Rate**"), which is provided by the CBK;
- (ii) the Emirates Interbank Offered Rate ("**EIBOR**"), which is provided by the Central Bank;
- (iii) the Euro Interbank Offered Rate ("**EURIBOR**"), which is provided by the European Money Markets Institute;
- (iv) the Hong Kong Interbank Offered Rate ("**HIBOR**"), which is provided by the Treasury Markets Association;
- (v) the Kuwait Interbank Offered Rate ("**KIBOR**"), which is provided by the Central Bank of Kuwait;
- (vi) the Kuala Lumpur Interbank Offered Rate ("**KLIBOR**"), which is provided by Bank Negara Malaysia;
- (vii) the Saudi Arabia Interbank Offered Rate ("**SAIBOR**"), which is provided by Refinitiv;
- (viii) the Secured Overnight Financing Rate ("**SOFR**"), which is provided by the Federal Reserve Bank of New York;
- (ix) the Sterling Overnight Index Average ("**SONIA**"), which is provided by the Bank of England;
- (x) the Singapore Interbank Offered Rate ("**SIBOR**"), which is provided by the ABS Benchmarks Administration Co Pte Ltd;
- (xi) the Tokyo Interbank Offered Rate ("**TIBOR**"), which is provided by the JBA TIBOR Administration;
- (xii) the Turkish Lira Interbank Offered Rate ("**TRLIBOR**" or "**TRYLIBOR**"), which is provided by the Banks Association of Turkey; or
- (xiii) the Euro Short-Term Rate ("**€STR**"), which is provided by the European Central Bank.

As at the date of this Base Prospectus, the administrators of EURIBOR and SIBOR are included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the EU Benchmarks Regulation.

As at the date of this Base Prospectus, the administrators of the CBK Discount Rate, EIBOR, HIBOR, KIBOR, KLIBOR, SAIBOR, SOFR, SONIA, TIBOR, TRLIBOR and €STR are not included in ESMA's register of administrators and benchmarks under the EU Benchmarks Regulation. As far as the Issuer and the Guarantor are aware: (i) the CBK Discount Rate, EIBOR, KIBOR, KLIBOR, SOFR, SONIA and €STR do not fall within the scope of the EU Benchmarks Regulation by virtue of Article 2 of that regulation; and (ii) the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that the Treasury Markets Association, Refinitiv, the JBA TIBOR Administration and the Banks Association of Turkey are not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence).

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OVERVIEW OF THE PROGRAMME

This overview must be read as an introduction to this Base Prospectus. Any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference herein, by any investor. This overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980.

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

Issuer	NBK SPC Limited (LEI: 549300P1ANDK86KWB419)
Guarantor	National Bank of Kuwait S.A.K.P. (LEI: 549300NB7FE83IH6BW96)
Description	U.S.\$5,000,000,000 Global Medium Term Note Programme.
Arrangers	Citigroup Global Markets Limited, J.P. Morgan Securities plc and Watani Investment Company K.S.C.C. (known as "NBK Capital").
Dealers	Citigroup Global Markets Limited, Emirates NBD Bank P.J.S.C., First Abu Dhabi Bank P.J.S.C., Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, NBK Capital and Standard Chartered Bank.

The Issuer and the Guarantor may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme.

Certain restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ") including the following restrictions applicable as at the date of this Base Prospectus.
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Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the UK, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see "*Subscription and Sale and Transfer and Selling Restrictions*").

Fiscal Agent, Transfer Agent and Exchange Agent	Citibank N.A., London Branch
Registrar	Citibank N.A., London Branch
Programme Size	Up to U.S.\$5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of

	the Programme in accordance with the terms of the Programme Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer, the Guarantor and the relevant Dealer.
Maturities	The Notes will have such maturities as may be agreed between the Issuer, the Guarantor and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in " <i>Form of the Notes</i> ". Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none"> (a) on the basis of the relevant Reference Rate as adjusted for any applicable margin; or (b) on such other basis as may be agreed between the Issuer, the Guarantor and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer, the Guarantor and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>If a Benchmark Event or a Benchmark Transition Event and its related Benchmark Replacement Date occurs in relation to the relevant Reference Rate when any Rate of Interest (or the relevant component thereof) remains to be determined by such Reference Rate, then the provisions set out in Condition 6.2(h) (<i>Benchmark replacement</i>) shall apply as specified in the applicable Final Terms.</p>
Other provisions in relation to Floating Rate Notes	Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, the Guarantor and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, the Guarantor and the relevant Dealer.
Interest Period and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series.

Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the applicable Final Terms.

Zero Coupon Notes Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption..... The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified in the applicable Final Terms prior to such stated maturity, and at a price or prices specified in the applicable Final Terms and on such other terms as may be agreed between the Issuer, the Guarantor and the relevant Dealer.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain restrictions*" above.

Denomination of Notes..... The Notes will be issued in such denominations as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain restrictions*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public either in a Member State of the EEA or in the UK in circumstances which would otherwise require the publication of a prospectus under either the EU Prospectus Regulation or the UK Prospectus Regulation will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency).

Taxation All payments in respect of the Notes and under the Guarantee will be made without deduction or retention for or on account of withholding taxes imposed by any Relevant Tax Jurisdiction as provided in Condition 9 (*Taxation*) unless such withholding, retention or deduction is required by law.

In the event that any such deduction or retention is made, the Issuer and the Guarantor will, save in certain limited circumstances provided in Condition 9 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 5 (*Negative Pledge*).

Cross-Default..... The terms of the Senior Notes will contain a cross-default provision as further described in Condition 11 (*Events of Default*).

Status of the Senior Notes	The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.
Status of the Guarantee in respect of the Senior Notes	The obligations of the Guarantor under the Guarantee in respect of Senior Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (<i>Negative Pledge</i>)) unsecured obligations of the Guarantor and will rank <i>pari passu</i> and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.
Status and Subordination of the Subordinated Notes	The Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves. The rights and claims of the Noteholders against the Issuer in respect of the Subordinated Notes will be subordinated as described in Condition 4.3 (<i>Status of the Subordinated Notes</i>).
Status of the Guarantee in respect of the Subordinated Notes	The Guarantee in respect of the Subordinated Notes will be direct, unsecured and subordinated obligations of the Guarantor. The rights and claims of the Noteholders against the Guarantor under the Guarantee in respect of the Subordinated Notes will be subordinated as described in Condition 4.4 (<i>Status of the Deed of Guarantee in respect of the Subordinated Notes</i>).
Rating	<p>The Guarantor has been assigned a long term rating of A and a short term rating of A-1 from S&P; a long term rating of A1 and a short term rating of P-1 by Moody's; and a long term rating of A+ and a short term rating of F1 by Fitch.</p> <p>The Programme is expected to be assigned a rating of A1 by Moody's and A+ by Fitch.</p> <p>Each Series of Notes may be unrated or rated by all or one or two only of the credit rating agencies. Where a Series of Notes is rated, such rating will be specified in the applicable Final Terms.</p> <p>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.</p>
Approval, Listing and Admission to trading	<p>Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on its Regulated Market.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer, the Guarantor and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>

Clearing Systems	Euroclear and/or Clearstream, Luxembourg and/or DTC or, in relation to any Tranche of Notes, any other clearing system.
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, Japan, the United Arab Emirates (excluding the DIFC), the DIFC, the Kingdom of Saudi Arabia, Bahrain, the State of Qatar (including the Qatar Financial Centre), Singapore, Hong Kong, Malaysia, Kuwait, Switzerland and Canada and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ").
United States Selling Restrictions	Regulation S, Category 2. Rule 144A and TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms. See " <i>Certain ERISA Considerations</i> " for ERISA-related restrictions.

RISK FACTORS

Any investment in the Notes is subject to a number of risks and uncertainties. Prospective investors should consider carefully the risks and uncertainties associated with the Group's business and any investment in the Notes, together with all of the information that is included in this Base Prospectus, and should form their own view before making an investment decision with respect to the Notes. In particular, prospective investors should evaluate the risks and uncertainties referred to or described below, which may have a material adverse effect on the Issuer's or the Bank's business, results of operations and financial condition. Should one or more of the following events or circumstances occur at the same time or separately, the value of the Notes could decline and an investor might lose part or all of its investment.

Each of the Issuer and the Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer's and the Bank's inability to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer and the Bank do not represent that the statements below regarding the risks of holding the Notes are exhaustive. Additional risks not presently known to the Issuer or the Bank or that the Issuer or the Bank currently deem immaterial may also impair the Issuer's or the Bank's ability to pay interest, principal or other amounts on or in connection with the Notes.

This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. The Issuer's and the Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Issuer and the Bank described below and elsewhere in this Base Prospectus. See "Forward-Looking Statements".

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH NOTES ISSUED UNDER THE PROGRAMME

The Issuer has a limited operating history and no material assets

The Issuer is a special purpose company with limited liability, incorporated under the laws of the DIFC on 30 April 2017 and, accordingly, only has a limited operating history. The Issuer has not engaged, and will not engage, in any business activity other than the issuance of Notes under the Programme, the issuance of shares in its capital and other related activities as required in connection therewith, including lending the proceeds of issuance of the Notes to the Bank.

The Issuer is not expected to have any income except payments received from the Bank in respect of loans made by the Issuer to the Bank, which will be the only material source of funds available to meet the claims of the Noteholders. Accordingly, the Issuer is subject to the same risks that affect the Bank to the extent that those risks limit the Bank's ability to satisfy in full, and on a timely basis, its obligations under any such loans.

In the absence of sufficient repayment of any inter-company loan, the Issuer's ability to pay principal and interest and other amounts will depend on the Bank's ability to obtain additional external financing. As a result, the Issuer is subject to all the risks to which the Bank and other Group companies are subject, to the extent that such risks could limit their ability to satisfy in full and on a timely basis their respective obligations to the Issuer under any such loans. Please see "*Factors that may affect the Bank's ability to fulfil its obligations in respect of Notes issued under the Programme and/or the Guarantee*" above for a further description of these risks.

FACTORS THAT MAY AFFECT THE BANK'S ABILITY TO FULFIL ITS OBLIGATIONS IN RESPECT OF NOTES ISSUED UNDER THE PROGRAMME

Economic risks

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

The Group, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. The economies of many oil producing countries in the Middle East, including Kuwait, were adversely impacted by market conditions prevailing

over the last few years, including the impact of COVID-19, volatility in commodity prices (including oil), rising interest rates and increasing inflation.

The Group's operations are concentrated in Kuwait and the MENA region. For the six months ended 30 June 2023, 75.2 per cent. of the Group's net operating income was derived from its operations in Kuwait (compared to 73.6 per cent. in 2022, 75.2 per cent. in 2021 and 75.5 per cent. in 2020). As at 31 December 2022, 73.3 per cent. of its maximum exposure to credit risk (including contingent liabilities) was concentrated in the MENA region, principally in Kuwait.

Kuwait's economy was adversely impacted in 2020, principally as a result of low oil prices and the lockdowns and business closure measures put in place to address the COVID-19 pandemic. According to the IMF, Kuwait's real GDP fell by 8.9 per cent. in 2020 but increased by 1.3 per cent. in 2021 and by 8.2 per cent. in 2022. According to data published by the Kuwait Ministry of Finance, the fiscal accounts achieved a surplus of 12.2 per cent. of GDP in the fiscal year ended 31 March 2023 compared to a deficit of 7.1 per cent. of GDP in the fiscal year ended 31 March 2022 and a deficit of 33.2 per cent. of GDP in the fiscal year ended 31 March 2021. On 4 March 2020, the CBK lowered its benchmark interest rate by 25 basis points to 2.50 per cent. followed by another decrease on 16 March 2020 by 100 basis points resulting in a benchmark rate of 1.50 per cent. However, in response to rising global inflationary pressures in part driven by the impact of the Russia-Ukraine conflict on commodity prices, the CBK increased its benchmark interest rate by 0.25 per cent. six times in 2022 and by an additional 0.5 per cent. in each of December 2022 and January 2023, and then by 0.25 per cent. in July 2023 resulting in a benchmark interest rate of 4.25 per cent. During 2022 and 2023 to date, the U.S. Federal Reserve increased its benchmark rate by 525 basis points to between 5.25 per cent. and 5.50 per cent.

According to data published by the CBK, the exchange rate of the Kuwaiti dinar remained relatively stable against other currencies. During the fiscal year ended 31 March 2023, the average rate of the Kuwaiti dinar against the US Dollar amounted to 307 fils to one US Dollar compared to 302 fils in the fiscal year ended 31 March 2022, 306 fils in the fiscal year ended 31 March 2021 and 304 fils in the fiscal year ended 31 March 2020. Despite this relative stability, the exchange rate of the Kuwaiti dinar against other currencies could fluctuate due to macro-economic volatility.

Outside Kuwait, the Group's largest operation within the MENA region is that of its 99.1 per cent. owned Egyptian subsidiary, National Bank of Kuwait – Egypt S.A.E. ("**NBK Egypt**"), which accounted for 7.7 per cent. of the Group's net operating income in 2022 (compared to 7.6 per cent. for 2021 and 8.1 per cent. for 2020). Egypt, in past years, and particularly since the 2011 Egyptian revolution, experienced a turbulent period including significant political unrest and multiple terrorist attacks which culminated in a period of economic instability before the COVID-19 outbreak. Egypt is still facing a number of risks, including high exposure to external shocks and high debt servicing costs, an acceleration in inflation which was 35.8 per cent. as of June 2023 as well as further economic fallout from the slowdown in global growth and global monetary tightening given higher global inflation. In addition, through its consolidation of NBK Egypt, the Group is impacted by exchange rate movements in the Egyptian pound. The significant decline in the value of the Egyptian Pound in 2022 negatively impacted the Group's balance sheet and, to a lesser degree, the Group's profit for the year ended 31 December 2022, when compared with year ended 31 December 2021. The value of the Egyptian Pound further declined in 2023, negatively impacting the Group's balance sheet and profit for the six months ended 30 June 2023. Any further devaluation of the Egyptian pound could have a material adverse effect on the Group's business, results of operations and financial condition. Any developments of a similar nature involving the major GCC economies may also have an adverse effect on the Group.

Any significant deterioration in macro-economic conditions in the MENA region, and particularly in Kuwait and Egypt, could have a material adverse effect on the Group's business, results of operations and financial condition, in particular through increased provisions for credit losses and reduced demand for loans and other banking services. See also "*—Credit risks—The Group's credit facilities and debt securities portfolios are concentrated by geography, sector and client*" below.

Credit risks

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

As a result of market conditions prevailing over the last few years, including the impact of COVID-19, volatility in commodity prices (including oil), rising interest rates and increasing inflation, companies to which the Group directly extends credit have experienced, and may continue to experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs and some of these companies have been unable to meet their debt service obligations or other expenses as they become due, including amounts payable to the Group.

As at 30 June 2023, the Group's loans, advances and Islamic financing provided to customers (before provisions), amounted to KD 22,416 million compared to KD 21,826 million as at 31 December 2022, KD 20,356 million as at 31 December 2021 and KD 18,192 million as at 31 December 2020. The Group's non-performing loans, advances and Islamic financing as at the same dates amounted to KD 391 million, KD 310 million, KD 211 million and KD 312 million, respectively, equal to 1.75 per cent., 1.42 per cent., 1.04 per cent. and 1.72 per cent., respectively, of the total. The increase in non-performing assets in the first six months of 2023 was primarily driven by non-performing loans in the overseas real estate sector, which are primarily secured loans. The increase in non-performing assets in 2022 was primarily driven by the overseas corporate portfolio and the Kuwait consumer portfolio due to the end of the repayment holiday waiver. The decrease in non-performing assets in 2021 relates to an overall improvement in the credit profile largely from regularisation of exposures in the Kuwait corporate portfolio.

Any such increase in customer and counterparty defaults could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's credit facilities and debt securities portfolios are concentrated by geography, sector and client

The Group's loans, advances and Islamic financing to customers and its debt securities portfolio (including its holding of Kuwaiti Government treasury bonds and CBK bonds) together constituted KD 28,473 million, or 78.9 per cent. of its total assets, as at 30 June 2023, KD 27,407 million, or 75.4 per cent. of its total assets, as at 31 December 2022, KD 25,596 million, or 77.0 per cent. of its total assets, as at 31 December 2021 and KD 23,251 million, or 78.2 per cent. of its total assets, as at 31 December 2020.

In terms of geographical concentration, of the Group's total portfolio of loans, advances and Islamic financing (before provisions) as at 30 June 2023, the borrowers in respect of 85.4 per cent. were located in the MENA region (principally in Kuwait). The Group's total portfolio of loans, advances and Islamic financing (after provisions) located in the MENA region (principally in Kuwait) were 85.6 per cent. as at 31 December 2022, 87.2 per cent. as at 31 December 2021 and 87.9 per cent. as at 31 December 2020. In addition, the Group's debt securities portfolio has significant exposure to MENA region issuers which are principally Kuwaiti and other governments. As at 30 June 2023, KD 5,289 million, or 76.5 per cent., of the total debt securities portfolio comprised exposure primarily to MENA region issuers (KD 5,046 million, or 78.7 per cent., as at 31 December 2022, KD 5,111 million, or 87.0 per cent., as at 31 December 2021 and KD 4,959 million, or 86.3 per cent., as at 31 December 2020).

As a result of the concentration of the Group's credit facilities and debt securities portfolios in Kuwait and the MENA region, any significant deterioration in general economic conditions in Kuwait or the MENA region could have a material adverse effect on the Group's business, results of operations and financial condition. In particular, since the Group has indirect exposure to the oil and gas sector including through entities and projects related to the sovereign, any deterioration in oil and gas prices may both directly adversely impact the Group through its exposure to these projects and indirectly adversely impact the Group as a result of a deterioration in other sectors of the Kuwait economy.

In terms of sector concentration, the Group discloses the overall sectoral breakdown inclusive of loans, advances and Islamic financing, debt securities and off-balance sheet items reflecting its maximum exposure to credit risk. However, the Group does not disclose the stand alone sectoral breakdown of its loans, advances and Islamic financing and debt securities portfolios. The Group's maximum exposure to credit risk totalled KD 40,170 million as at 30 June 2023, KD 40,244 million as at 31 December 2022, KD 37,147 million as at 31 December 2021 and KD 33,843 million as at 31 December 2020. The Group's maximum exposure to

credit risk has concentrations of exposure to particular economic sectors, including banks and financial institutions which, as at 31 December 2022, accounted for KD 12,810 million, or 31.8 per cent. of its maximum total exposure to credit risk. Other significant sectoral concentrations as at 31 December 2022 were the retail/consumer segment, which accounted for KD 7,382 million, or 18.3 per cent., of the Group's maximum exposure to credit risk, the government sector, which accounted for KD 3,497 million, or 8.7 per cent., of the Group's maximum exposure to credit risk and the real estate sectors, which together accounted for KD 4,230 million, or 10.5 per cent., of the Group's maximum exposure to credit risk. Each of these sectors presents different levels of risk. For example, the banking sector is particularly exposed to adverse economic conditions, see "*Economic risks—Macro-economic and financial market conditions have materially adversely affected and may continue to materially adversely affect the Group's business, results of operations and financial condition*" above. In addition, the real estate market is cyclical and the retail/consumer segment is also impacted by economic conditions, particularly inflation, unemployment, wage freezes and house price declines. The Group's retail/consumer segment was also impacted by the deferral programmes announced as a result of the impact of the measures imposed to combat COVID-19 on the consumer sector.

In terms of client concentration, the Group's 20 largest loans, advances and Islamic financing provided to customers outstanding as a percentage of its gross financing portfolio as at 30 June 2023 was 15 per cent. (as at 31 December in each of 2022, 2021 and 2020: 15 per cent., 16 per cent. and 15 per cent., respectively). The Group is therefore particularly exposed to a default by the borrowers under any one or more of these large exposures.

Such defaults could have a material adverse effect on the Group's business, results of operations and financial condition.

A substantial increase in impairment allowances, or incurred losses greater than the level of existing provisions for credit losses, would adversely affect the Group's results of operations and financial condition

Credit facilities granted by the Group comprise loans and advances, Islamic financing to customers, letters of credit and financial guarantee contracts, and commitments to grant credit facilities.

The Group is required to recognise impairment allowances for credit facilities at an amount equal to the higher of (i) the ECL under IFRS 9 according to CBK guidelines and (ii) the provisions as required by CBK instructions. In 2020, the Group was exceptionally allowed to charge losses on financial assets (consumer and other instalment loans and credit card receivables) arising from payment holidays granted to customers in response to COVID-19 in relation to instalments due during the period 1 April 2020 to 30 September 2020 (referred to as "**modification losses**") directly against retained earnings, instead of recognising them in the consolidated statement of income as required by IFRS 9. The impact of the modification losses was reflected in the Group's asset values as at 31 December 2020. These payment holidays to customers and absence of delinquency experienced during such period also temporarily disrupted the Bank's normal procedures in assessing the risk in the portfolio. With respect to other financial assets, the Group is required to adopt IFRS 9 in compliance with the requirements of Kuwait Law No. 1 of 2016 on the Promulgation of the Companies Law.

The Group's overall level of impairment allowances is based upon a wide range of factors, including the volume and type of lending and financing being conducted, the collateral held, applicable regulations, past due facilities, economic conditions and other factors related to the recoverability of various facilities. Although the Group endeavours to establish an appropriate level of impairment allowances in accordance with applicable requirements, there can be no assurance that the Group has taken sufficient impairment allowances, particularly as a result of the heightened uncertainty as a result of the ongoing impact of COVID-19. Accordingly, the Group may have to significantly increase its impairment allowances for credit losses in the future as a result of increases in non-performing assets, deteriorating economic conditions (especially from the impact of increases in interest rates, rising inflation and any other macro-economic disruptions) leading to increases in defaults and bankruptcies, or for other reasons. As at 30 June 2023, the Group's impaired loans ratio (defined as impaired loans as a percentage of total gross loans) was 1.75 per cent. (as at 31 December in each of 2022, 2021 and 2020: 1.42 per cent., 1.04 per cent. and 1.72 per cent., respectively). The increase in the first six months of 2023 was primarily driven by non-performing loans in the overseas real estate sector, which are primarily secured loans. The increase in 2022 was primarily driven by the overseas corporate portfolio and the Kuwait consumer portfolio due to the end of the repayment holiday waiver.

As at 30 June 2023, the Group had KD 391 million of impaired loans, advances and Islamic financing and its total provision for credit losses on its loans, advances and Islamic financing was KD 852 million, in each case calculated in accordance with CBK requirements. The Group's expected credit loss on credit facilities, determined in accordance with IFRS 9, was KD 610 million as at 30 June 2023. As at 31 December 2022, the Group had KD 310 million of impaired loans, advances and Islamic financing and its total provision for credit losses on its loans, advances and Islamic financing was KD 828 million, in each case calculated in accordance with CBK requirements. The Group's expected credit loss on credit facilities, determined in accordance with IFRS 9, was KD 577 million as at 31 December 2022. As at 31 December 2021, the Group had KD 211 million of impaired loans, advances and Islamic financing and its total provision for credit losses on its loans, advances and Islamic financing was KD 634 million, in each case calculated in accordance with CBK requirements. The Group's expected credit loss on credit facilities, determined in accordance with IFRS 9, was KD 462 million as at 31 December 2021. As at 31 December 2020, the Group had KD 312 million of impaired loans, advances and Islamic financing and its total provision for credit losses on its loans, advances and Islamic financing was KD 687 million, in each case calculated in accordance with CBK requirements. The Group's expected credit loss on credit facilities, determined in accordance with IFRS 9, was KD 605 million as at 31 December 2020.

As at 30 June 2023, the Group's provision for credit losses on loans, advances and Islamic financing covered 217.9 per cent. of its impaired loans, advances and Islamic financing (as at 31 December in each of 2022, 2021 and 2020: 267.0 per cent., 300.0 per cent. and 220.0 per cent., respectively).

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

Collateral provided in favour of the Group may not be sufficient to cover any losses and certain security interests may not be legally enforceable in Kuwait

The Group typically requires collateral in the form of cash and/or other assets in situations where the Group may not be able to exercise rights over pledged shares or where it enters into guarantees or other third party credit support arrangements for credit facilities granted to individuals and corporations.

The estimated fair value of the collateral which the Group held against its loans, advances and Islamic financing to customers individually determined to be non-performing as at 31 December 2022 was KD 198 million. Collateral held as security against impaired loans, advances and Islamic financing primarily relates to real estate and securities. Where the collateral is enforced and the value realised exceeds the outstanding debt owed to the relevant member of the Group, the excess is returned to the customer concerned and is not available for offset against other debts. Reflecting this fact and the fact that at the time when enforcement is required collateral values may be adversely affected, particularly if, for example, the enforcement results from a period of significant adverse economic conditions, there is no assurance that the value of the Group's collateral will be sufficient to cover all defaulting debts, and any losses recorded in such case, to the extent they have not already been provided for, will be recorded as a charge to the Group's income statement.

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

In addition, even if such security interests are enforceable in Kuwaiti courts, the time and costs associated with enforcing security interests in Kuwait may make it uneconomic for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its credit losses. As at 30 June 2023, the Group had loans, advances and Islamic financing to customers (net of provisions) totalling KD 21,564 million (as at 31 December in each of 2022, 2021 and 2020: KD 20,998 million, KD 19,722 million and KD 17,504 million, respectively). For each of 2022, 2021 and 2020, respectively, on average 45 per cent. of the Group's loans, advances and Islamic financing to customers portfolio (excluding consumer loans and net of provisions) was secured by collateral, primarily comprising cash, shares and real estate collateral.

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

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

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

The Group is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial institutions. This risk is particularly relevant to the Group since banks and other financial institutions represented 31.8 per cent. of the Group's maximum exposure to credit risk as at 31 December 2022 (as at 31 December 2021 and 31 December 2020: 30.2 per cent. and 29.4 per cent., respectively).

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 globally in 2008 and 2009 and more recently in the United States with the failure of Silicon Valley Bank, Signature Bank and First Republic Bank in the first half of 2023, concerns about, or a default by, one institution could also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a particular counterparty may lead to market-wide liquidity problems and losses or defaults by the Group or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom the Group interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on the Group's ability to raise new funding and on its business, financial condition and results of operations.

Liquidity risks

The Group's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations

If the Group's cash flow from its operations is not sufficient to meet its short- and medium-term contractual and contingent payment obligations coming due, it could experience liquidity issues. Such liquidity issues could occur if the Group's available liquidity is not sufficient to enable it to service its debt, fulfil loan commitments or meet other on-or off-balance sheet payment obligations on specific dates, even if the Group continues to receive new deposits from customers, proceeds from new financings or future revenue streams. Such liquidity issues could also arise if there is an unexpected outflow of customer deposits, if there is a material decline in the value of the Group's liquid securities portfolio or if the Group is unable to secure short-term funding at commercially acceptable rates to bridge this funding gap.

As at 30 June 2023, the Group had cash and short-term funds of KD 3,819 million (as at 31 December in each of 2022, 2021 and 2020: KD 5,323 million, KD 5,082 million and KD 3,903 million, respectively) and a liquid asset ratio (defined as the sum of cash and short-term funds, CBK bonds, Kuwaiti Government treasury bonds, deposits with banks and investment securities excluding those at amortised cost, divided by total assets) of 32.8 per cent. (as at 31 December in each of 2022, 2021 and 2020: 34.8 per cent., 33.5 per cent. and 34.1 per cent., respectively).

The Group is subject to the Basel III Liquidity Coverage Ratio ("LCR") as adopted by the CBK. The LCR is a metric introduced by the Basel Committee on Banking Supervision as part of the Basel III criteria to measure a bank's ability to manage a sustained outflow of customer funds in a liquidity stress event over a 30-day period. The ratio is calculated by taking a financial institution's stock of high quality liquid assets ("HQLAs") – which include low-risk, highly marketable asset classes, designed to provide significant sources of liquidity in such a stress scenario – and dividing it by its projected net cash outflows over the immediately following 30-day period. The LCR requires that banks have sufficient HQLAs in their liquidity buffer to cover the difference between expected cash outflows and expected capped cash inflows over a 30-day stressed period. Basel III requires the minimum value of the ratio be 100 per cent. (i.e., an institution's stock of HQLAs should at least equal projected total net cash outflows). Kuwaiti banks are required to submit, along with existing liquidity reports, their LCR reports on a monthly basis (including daily figures for the

month) for monitoring purposes as well as quarterly by major currency. The Group's three months average LCR as at 30 June 2023 was 156.3 per cent., its HQLAs (post-factor) were valued at KD 7,865 million and its net cash outflow was KD 5,072 million (as at 31 December in each of 2022, 2021 and 2020: an average LCR ratio of 140.7 per cent., 153.8 per cent. and 145.2 per cent., respectively, quarterly average HQLAs valued at KD 7,393 million, KD 7,714 million and KD 6,626 million, respectively, and average net cash outflows of KD 5,264 million, KD 5,025 million and KD 4,569 million, respectively).

The Group's requirement to comply with the LCR and the associated requirement to maintain a significant buffer of HQLAs may affect the Group funding structure, causing more dependency on funding from non-financial sources and longer-term deposits. Moreover, the inherent cost of maintaining an HQLA portfolio of sufficient size and quality to cover regulatory outflow assumptions embedded in the LCR may adversely impact the return on assets.

The Group is also subject to the Basel III Net Stable Funding Ratio ("NSFR") as adopted by the CBK. The NSFR is a metric introduced by the Basel Committee on Banking Supervision as part of the Basel III criteria to measure a bank's ability to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits over reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. The NSFR is defined as the amount of available stable funding ("ASF") relative to the amount of required stable funding ("RSF"). ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. RSF is defined as the portion of assets and off-balance sheet exposures expected to be funded on an ongoing basis over a one-year horizon. The amount of the stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures. Basel III requires the minimum value of the ratio be 100 per cent. (i.e., ASF divided by RSF must be greater than or equal to 100 per cent.). Kuwaiti banks are required to submit, along with existing liquidity reports, their NSFR reports on a monthly basis (including a daily report for the month) for monitoring purpose. As at 30 June 2023, the Group had an NSFR ratio of 109.7 per cent. (as at 31 December in each of 2022, 2021 and 2020: 112.5 per cent., 110.3 per cent. and 115.1 per cent., respectively).

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

If, as a result of insufficient liquidity, the Group defaults on any contractual or contingent payment obligation, such default would have a material adverse effect on its business, results of operations and financial condition.

The Group relies on short-term demand and time deposits as a major source of funding but primarily has medium- and long-term assets, which may result in asset-liability maturity gaps and this risk is increased by significant concentrations in the Group's customer deposit portfolio

The Group is exposed to liquidity risk as a result of mismatches in maturity dates of assets and liabilities. Many of the Group's liabilities are short-term demand and time deposits, whereas its assets are generally medium to long-term loans. Mismatches between the Group's maturities of assets and liabilities could arise if the Group is incapable of obtaining new deposits or alternative sources of finance or the cost of obtaining them becomes prohibitive.

Although the Group has accessed wholesale funding, including through international financial markets, in order to diversify and increase the maturity of its funding sources, such borrowings have not eliminated the Group's asset-liability maturity gaps. As at 30 June 2023, 81.3 per cent. of the Group's funding (which comprises total liabilities and equity) had remaining maturities of one year or less or were payable on demand (as at 31 December in each of 2022, 2021 and 2020: 81.5 per cent., 81.2 per cent. and 80.5 per cent., respectively).

The Group's customer deposits amounted to KD 20,270 million, or 64.6 per cent. of its total liabilities, as at 30 June 2023 (as at 31 December in each of 2022, 2021 and 2020: KD 20,178 million, or 63.6 per cent., KD 18,281 million, or 63.5 per cent. and KD 17,104 million, or 66.9 per cent., respectively). Kuwaiti Government and quasi-government deposits ranged from a high of 19 per cent. in 2020 to a low of 10 per cent. in 2022 of the Group's total funding in the period between 1 January 2020 and 30 June 2023. In terms of liabilities, the Group's 20 largest customer deposits constituted 23 per cent. of its total customer deposits as at 30 June 2023 (as at 31 December in each of 2022, 2021 and 2020: 23 per cent., 23 per cent. and 21 per cent., respectively).

As at 30 June 2023, 68.8 per cent. of the Group's deposits had maturities of less than three months or were repayable on demand (as at 31 December in each of 2022, 2021 and 2020: 72.9 per cent., 80.2 per cent. and 85.6 per cent., respectively), although as is typical in the Kuwaiti banking industry, these deposits have generally proved to be "sticky" in nature and a stable source of funding based on historical behaviour analysis. Nevertheless, they are repayable on demand or very short notice contractually.

The Group's deposit base is subject to fluctuation due to factors outside the Group's control, including possible loss of confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time or may cause the Group to increase the return paid on its deposits to ensure it retains sufficient deposits. The Group may also experience outflows of deposits at times when liquidity is constrained generally in Kuwait and the MENA region or when its major depositors experience short- or longer-term liquidity requirements. Particularly if international oil and gas prices fall significantly, the Group's large depositors (including the Government and quasi-governmental depositors) may start to withdraw part or even all of their deposits with it. There has been a decrease in Kuwaiti Government and quasi-government deposits accepted by the Group in June 2023 compared to 2020. Although the Group has been able to diversify its deposit base in recent years and increase its retail deposits, if a substantial portion of the Group's depositors, or any of its large depositors, withdraw their demand deposits or do not roll over their time deposits upon maturity, or the Group fails to refinance some of its large short- to medium-term borrowings, the Group may need to access more expensive sources to meet its funding requirements. No assurance can be given that the Group will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Group's inability to refinance or replace such deposits with alternative funding could materially adversely affect the Group's liquidity, business, results of operations and financial condition and, in extreme cases, could, potentially, result in its insolvency.

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

As part of its normal banking business, the Group issues irrevocable commitments to grant credit, guarantees, letters of credit and acceptances. All of these are accounted for off-balance sheet until such time as they are actually funded or cancelled. Although these commitments are contingent they, nonetheless, subject the Group to related credit, liquidity and market risks. As at 30 June 2023, the Group had KD 5,714 million outstanding in contingent liabilities and irrevocable commitments to grant credit (as at 31 December in each of 2022, 2021 and 2020: KD 5,492 million, KD 5,485 million and KD 5,704 million, respectively), equal to 20.9 per cent. of its combined loans, advances and Islamic financing to customers and contingent liabilities and commitments (as at 31 December in each of 2022, 2021 and 2020: 20.7 per cent., 21.8 per cent. and 24.6 per cent., respectively). As at 30 June 2023, the Group had a KD 41 million provision in relation to its non-cash facilities (as at 31 December in each of 2022, 2021 and 2020: KD 40 million, KD 35 million and KD 37 million, respectively).

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

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

The Group has an issuer credit rating of A with a stable outlook from S&P, a long-term bank deposits rating of A1 with a stable outlook from Moody's and a long-term foreign currency issuer default rating of A+ with a stable outlook from Fitch. In September 2020, Moody's downgraded the long-term foreign currency deposits rating for the Group to A1 from Aa3. On 26 July 2021, S&P revised its outlook on the Group's long-term foreign currency issuer default rating of A to negative from stable and in July 2022 it revised the outlook

back to stable. On 30 January 2023, Fitch affirmed the long-term foreign currency issuer default rating for the Group at A+ with a stable outlook. Furthermore, Fitch Ratings has assigned ex-government support or 'xgs' ratings to the Bank of "A-", which matches the Bank's viability rating. This rating action followed the publication of Bank Ex-Government Support Ratings Criteria on 11 April 2023. The Bank's long-term foreign currency issuer default ratings were unaffected by the rating action. These ratings, which are intended to measure the Group's ability to meet its debt obligations as they mature, are an important factor in determining the Group's cost of borrowing funds.

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

- limit the ability of the Group and any of its members to raise funding;
- increase the cost of borrowing of the Group and any of its members; and
- limit the ability of the Group and any of its members to raise capital,

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

According to each of Moody's, S&P and Fitch, a significant factor underpinning the Group's ratings (excluding any 'xgs' rating) is their assessment of support for the Group from the Kuwaiti authorities. Any negative change in the sovereign ratings of Kuwait could trigger a reduction in the Group's ratings. See "*Risks Relating to the Region in which the Group Principally Operates—The Kuwaiti Government is under no obligation to support the Group*" below.

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

Market risks

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

The Group's operations are affected by, among other things, fluctuations in interest rates and funding costs. In particular, the Group's activities depend on the Group's interest rate risk management, as well as the connections between market rates, interest and Islamic debt margins. The income from financings achieved by the Group largely depends on the level of the Group's interest-bearing and income-yielding assets and liabilities, as well as the average returns and yields thereon and funding costs.

Interest rates and funding costs are sensitive to many factors beyond the Group's control, including the policies of central banks, such as the CBK and the U.S. Federal Reserve, political factors and domestic and international economic conditions. In response to rising global inflationary pressures, the CBK tightened its monetary policy through increasing its benchmark interest rate by 0.25 per cent. six times in each of March 2022, April 2022, June 2022, July 2022, August 2022 and September 2022 and by an additional 0.5 per cent. in each of December 2022 and January 2023, resulting in a benchmark interest rate of 4.00 per cent as of 30 June 2023. The CBK further raised the benchmark interest rate by 0.25 per cent. to 4.25 per cent. in July 2023. During 2022 and 2023 to date, the U.S. Federal Reserve increased its benchmark rate by 525 basis points to between 5.25 per cent. and 5.50 per cent.

If interbank reference rates/yields rise, the Group's principal exposure arises where its deposit rates increase without a matching increase in its loan rates, reflecting the generally shorter term of its deposits. The Group's marginal cost of funding may increase as a result of a variety of factors, including deterioration of conditions in the financial markets or loss of confidence by and between financial institutions. If the Group fails to pass on any increases in funding cost to its customers in a timely manner or at all due to market, competitive or other conditions, it could have a material adverse effect on its business, results of operations and financial

condition. Given the repricing characteristics of the Group's balance sheet, the Group is generally exposed in a scenario of falling interest rates/yields.

In the case of certain retail loans denominated in Kuwaiti dinar, the Group is exposed to some interest rate risk, since interest rates on those loans are not re-priced for the first five years and then the subsequent permitted adjustments are restricted in amount.

Any shortage of liquidity in markets that are sources of funding for the Group could contribute to an increase in the Group's marginal borrowing costs. Similarly, any increase in interbank reference rates could also affect the value of certain assets that are subject to changes in applicable interest rates. The Group's interest/funding rate sensitivity position as at 31 December 2022, 2021 and 2020 was based on contractual re-pricing arrangements and is set out elsewhere in this Base Prospectus. See "*Risk Management—Principal Risks—Market Risk—Interest rate risk*".

The Group may experience challenges with the transition to alternative benchmark rates following the cessation of LIBOR in 2021

The Group has a significant amount of income-earning assets and a much lower amount of cost-bearing liabilities which have floating interest rates which are tied to LIBOR. The evolving developments surrounding the cessation of LIBOR quotations for various major currencies and the consequent adoption of alternative benchmark rates will impact the Group's financial products which use LIBOR as the reference rate. The Group believes that the main challenges to the transition will lie in dealing with the significant changes to documentation, valuation, models/infrastructure and operational processes, as well as the effects on legal, tax and accounting rules for both its assets and liabilities. The Group is monitoring the developments closely and is actively working on the transition to alternative rates, including implementing the necessary changes to contracts and payment calculations (based on recommendations from global and professional bodies) and upgrading its infrastructure. However, there are no assurances as to how various market participants may react to interest rate volatility after the cessation of LIBOR which could have a material adverse effect on the Group's business, financial condition and results of operations. The Group has established a cross-functional committee (the "**IBOR Committee**") to manage its transition from LIBOR to alternative rates. The objectives of the IBOR Committee include evaluating the extent to which the Group's assets and liabilities are referenced to LIBOR cash flows, whether LIBOR based contracts need to be amended as a result of the cessation of LIBOR and how to effectively manage communications with contractual counterparties. The Group has successfully transitioned its non-US Dollar LIBOR based contracts and majority of US Dollar LIBOR based contracts to alternative rates and is actively working on transitioning the remaining contracts.

Changes in equity and debt securities prices may affect the values of the Group's investment portfolios

The Group holds investment securities (both equity and fixed-income). A significant proportion of these investments are held at fair value through other comprehensive income and a small proportion are held at fair value through the statement of income. As a result, changes in the fair value of these securities from period to period are recorded in the Group's statement of comprehensive income or statement of income, as the case may be, and these changes can be material.

Any changes in the fair value of these securities, for example as a result of changing equity prices where the securities are quoted on an active market, has an impact on the Group's equity – see "*Risk Management—Principal Risks—Market Risk—Equity price risk*", which illustrates the Group's sensitivity to a 5 per cent. increase in relevant market indices as at 31 December 2022, 2021 and 2020. In addition, the Group'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 Group cannot predict the amount of realised or unrealised gain or loss for any future period, and variations from period to period, which may be significant, are not indicative of future performance. Gains on the Group's investment portfolio may not continue to contribute to net income at levels consistent with those from recent periods or at all.

The Group's financial condition and results of operations could be adversely affected by foreign exchange risks

As a financial intermediary, the Group is exposed to foreign exchange rate risk. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency

exchange rates as well as the possibility that the Group may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Group attempts to match the currencies of its assets and liabilities and any open currency position is maintained within the limits set by the CBK. However, where the Group is not so hedged, it is exposed to fluctuations in foreign exchange rates and any such hedging activity may not, in all cases, protect the Group against such risks. See "*Risk Management—Principal Risks—Market Risk—Foreign exchange risk*", which illustrates the Group's sensitivity to a 5 per cent. strengthening in the exchange rate of a number of different currencies against the Kuwaiti dinar as at 31 December 2022, 2021 and 2020. As at 31 December 2022, 36 per cent. of the Group's gross portfolio of loans, advances and Islamic financing was denominated in currencies other than Kuwaiti dinar (namely, in order of largest exposure, U.S. dollars, Egyptian pounds, pounds Sterling and other currencies).

Certain foreign currency positions that are of a "structural" nature remain unhedged, principally relating to the Group's investments denominated in currencies other than the Kuwaiti dinar, in consolidated subsidiaries and branches and in associated entities.

The Group's derivative transactions, which are designed to hedge its exposures to foreign exchange rate and interest rate risks, may not always be effective, may give rise to significant losses and do not protect the Group against all risks associated with foreign exchange rate and interest rate movements

The Group enters into derivative transactions, such as interest rate swaps and forward foreign exchange contracts, both to manage its own interest rate risk on its interest bearing assets and liabilities and its foreign currency open positions and cash flows and to provide interest rate and foreign exchange rate solutions to its customers. These derivative contracts had a notional value of KD 8,519 million as at 30 June 2023 (as at 31 December in each of 2022, 2021 and 2020: KD 8,697 million, KD 7,372 million and KD 6,268 million, respectively) and the Group's derivatives portfolio had a net positive fair value of KD 345 million as at 30 June 2023 (as at 31 December in each of 2022, 2021 and 2020: net positive fair value of KD 315 million, and net negative fair values of KD 108 million and KD 215 million, respectively). There is no assurance that the Group's derivative contracts will be successful in mitigating its interest rate and foreign exchange exposures or that the Group will not experience significant losses on its derivatives contracts from time to time.

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

Ultimately, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future volatility in interest rate or currency exchange rates, which could have a material adverse effect on its business, financial condition and results of operations.

Operational risks

The Group's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks, which could result in material losses

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

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

Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Reliance on such information could result in unexpected or unforeseen fluctuations in foreign exchange rates or interest rates which could affect the Group's income or the value of its holdings of financial instruments.

Changes in the fair value or future cash flows of a financial instrument could occur due to sudden changes in market prices resulting from factors specific to the individual financial instrument or from factors affecting all similar financial instruments traded in the market. Any material deficiency in the Group'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 its business, financial condition and results of operations.

The Group's risk management and internal control capabilities are also limited by the information tools and technologies available to it. Any material deficiency in the Group'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 Group's business, results of operations and financial condition.

The Group 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 Group's ability to maintain and grow its business will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The Group is likely to face challenges in recruiting qualified personnel to manage its business. In common with other banks in the GCC, the Group experiences a shortage of qualified employees residing in Kuwait, which requires it to recruit from outside Kuwait. In addition, even after hiring its employees, the Group has faced 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 70 per cent. of a bank's total personnel should consist of Kuwaiti nationals. The Bank's Kuwaitisation level as at 30 June 2023 was 75.7 per cent. If the Group 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 Group depends on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent the Group from implementing its strategies. The Group is also not insured against losses which may be incurred in the event of the loss of any member of its key personnel.

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

The Group's business may be adversely affected if there is any disruption to its operational systems or a loss of business continuity

The Group operates in businesses that are highly dependent on information systems and technologies and relies heavily on its financial, accounting and other data processing systems. For example, the Group depends on its systems to process a large number of transactions on an accurate and timely basis and to store and process substantially all of the Group's business and operating data. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other systems, as well as the communication networks between its branches and main data processing centres, are critical to its business and its ability to compete effectively. If any of these systems do not operate properly or are disabled, the Group could suffer financial loss, a disruption of its business, liability to clients, regulatory intervention and reputational damage.

In addition, the Group's current information systems and technologies may not continue to be able to accommodate the Group's growth unless the Group continues to invest in upgrading its operational systems, for example the Group has implemented a datacentre on Tier 2 model (Uptime Institute) as well as several systems on an Active – Active resilience model in the datacentre. Any failure by the Group to accommodate growth, or an increase in costs related to its information systems, would have a material adverse effect on the

Group's business. The cost of improving or upgrading the Group's information systems and technologies may be substantial and the cost of maintaining such systems is likely to increase from its current level.

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

The Group's employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients' funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. Although the Group's operational and risk management systems are designed to detect and deter such misconduct, these systems may not always be effective and there can be no assurance that measures undertaken to combat employee misconduct will be successful. Such actions by employees could expose the Group to financial losses resulting from (i) the need to reimburse clients, co-investors or other business partners who suffered loss as a result of the actions or (ii) fines or other regulatory sanctions, and could also damage the Group's reputation, which would in turn be likely to materially adversely affect the Group's business, results of operations and financial condition.

The Group's business operations and business processes are also vulnerable to damage or interruption from fires, floods, extreme weather, power loss, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters or other extreme events. These systems may also be subject to criminal damage, vandalism, theft and similar wrongdoing. If there is a disaster or other disruption and the Group's disaster recovery plans are found to be inadequate for any reason (including, for instance, due to the Group's geographically concentrated operations), there could be an adverse impact on the Group's business, results of operations and financial condition.

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

Future events may be different from those reflected in the management assumptions and estimates used in the preparation of the Group's financial statements, which may cause unexpected losses in the future

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

Management has identified the most significant judgments and estimates made by it in note 2.36 to the 2022 Financial Statements. These judgments and estimates include, for example, the determination of when certain assets (such as goodwill and investment in associates) may be impaired, the classification of financial assets, the determination of estimated credit losses and fair values of assets and liabilities.

A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. The Group has established policies and control procedures that are intended to ensure its significant accounting estimates and judgments are well-controlled and applied consistently. In addition, the policies and procedures are intended to ensure the process for changing methodologies occurs in an appropriate manner. However, due to the uncertainty surrounding the Group's judgments and the estimates pertaining to these matters, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future. Should the estimated values for such items prove substantially different to actual values, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future IFRS rules or interpretations, the Group may experience unexpected losses.

Regulatory risks

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

The Group is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic, social and other objectives and limit their exposure to risk. These controls include liquidity regulations, Basel III capital adequacy and leverage regulations, credit risk regulations, concentration risk regulations and interest cap regulations, see "*Banking Industry and Regulation in Kuwait*". These controls include laws and regulations promulgated by the CBK, the Kuwait Capital Markets Authority (the "CMA") and the Boursa Kuwait, as well as the laws and regulations of the other countries in which the Group operates, including the United States, the United Kingdom, France, Switzerland, China, Singapore, Lebanon, the Cayman Islands, Iraq, Saudi Arabia, Bahrain, United Arab of Emirates and Egypt.

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

Furthermore, the Group's ability to satisfy minimum capital adequacy requirements may be adversely impacted by many factors, including, among other things: (i) an increase in risk-weighted assets at the Group; (ii) an increase in credit risk, credit losses or impairment allowances; (iii) an inability to obtain capital; (iv) the results of the Group's activities; (v) a decline in the value of the Group's securities portfolio; (vi) any inaccurate estimates adopted by the Group regarding the amount of capital required to cover operating risk; (vii) changes in accounting principles or recommendations related to the calculation of the capital adequacy ratio of banks; (viii) fluctuations in exchange rates which influence the value of assets denominated in foreign currencies; (ix) changes in interest rates; and (x) changes in regulations or in the methods by which the regulatory authorities, including the CBK, apply capital adequacy regulations. Any non-compliance with applicable regulatory guidelines could expose the Group to potential liabilities and fines. In addition, the potential adoption by the CBK (and the implementation phase) of the final (and future) standards published by the Basel Committee, including the revised standardised approach for credit risk and for market and operational risks and others, may have adverse impact on the Group's ability to satisfy minimum capital adequacy requirements.

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

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

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

To the extent that the Group fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged and it could be subject to fines or other monetary penalties. This could have a material adverse effect on the Group's business, financial condition and results of operations.

RISKS RELATING TO THE REGION IN WHICH THE GROUP PRINCIPALLY OPERATES

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

The oil sector is the principal contributor to Kuwait's economy and oil revenues account for the majority of the Kuwaiti Government's total revenues and export earnings. According to the CSB, the oil sector (excluding refining) accounted for 53.9 per cent., of Kuwait's real GDP in 2020. The oil sector continues to be the main contributor to Kuwait's annual revenues, accounting for 92.7 per cent. of total Government revenues for the fiscal year ended 31 March 2023, 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 seen significant volatility since early 2020 when it fell significantly as a result of the COVID-19 pandemic. In early April 2020, 'OPEC plus' announced that it had reached an agreement to cut production by 9.7 million barrels per day and that supplies would be gradually reintroduced to the market over the course of two years, in line with the recovery in the global economy and global oil demand. Although the OPEC Reference Basket price returned to pre-COVID 19 levels by the last quarter of 2021, as a result of continued OPEC plus supply restraint, supply shortfalls and strengthening oil demand, it experienced further volatility in 2022 in the aftermath of Russia's invasion of Ukraine. In the first half of 2022, the OPEC Reference Basket price per barrel increased significantly, reaching U.S.\$117.72 in June 2022 against a backdrop of a recovery in global oil demand from its pandemic lows and concerns over the oil supply outlook due to fallout from the Russia-Ukraine conflict. However, prices soon reversed course, falling each month in the second half of 2022, as markets grew increasingly concerned about the health of the global economy amid soaring inflation, tightening monetary policy and the economic damage caused by China's continuing struggle with COVID-19. By August 2022, those producers with spare production capacity, such as key GCC oil exporters, had largely attained their pre-pandemic output levels. In October 2022, in order to pre-empt softening global economic activity and oil demand, 'OPEC plus' extended its cooperation deal, announcing an aggregate production cut of 2 million barrels per day from the August reference levels for a period of fourteen months, from November 2022 through December 2023. While this 'OPEC plus' production cut announcement in October helped provide some support for prices in that month, it was only short term, and by December, the OPEC Reference Basket had fallen to a year-low of U.S.\$79.68. The removal of strict COVID-19 lockdowns in China in early 2023 failed to boost oil prices significantly. Russia pledged to voluntarily cut output by 500 thousand barrels per day from March and in April 2023, several 'OPEC plus' members led by Saudi Arabia announced voluntary output cuts totaling 1.65 million barrels per day (including the extension of the Russian output cuts) from May to year-end. This, however, was insufficient to stem oil price weakness. In June, Saudi Arabia surprised markets with a unilateral and voluntary cut of 1 million barrels per day for July, that was later extended to August. Russia, meanwhile, also pledged to reduce oil exports by 500 thousand barrels per day in August. The annual average OPEC Reference Basket prices were U.S.\$41.47 in 2020, U.S.\$69.89 in 2021 and U.S.\$100.08 in 2022. The monthly average OPEC Reference Basket prices were U.S.\$81.62 in January 2023, U.S.\$81.88 in February 2023, U.S.\$78.45 in March 2023, U.S.\$84.12 in April 2023, U.S.\$75.82 in May 2023, U.S.\$75.19 in June 2023, and U.S.\$81.06 in July 2023.

Based on statistics published by the CSB, Kuwait's nominal GDP fell by 0.9 per cent. in 2019 and by 21.5 per cent. in 2020, whilst its real GDP declined by 0.6 per cent. in 2019 and by 8.9 per cent. in 2020. According to preliminary IMF data (as of April 2023), Kuwait's real GDP is estimated to have increased by 1.3 per cent. in 2021 and 8.2 per cent. in 2022 and is projected to increase by 0.1 per cent. in 2023. Kuwait's current account balance recorded a surplus of KD 1.5 billion in 2020, KD 11.3 billion in 2021 and KD 19.3 billion in 2022 according to the CBK. The Kuwaiti government recorded fiscal deficits in each fiscal year from and including its 2015/16 financial year to and including the 2021/2022 financial year, while in the financial year 2022/23 the government achieved a surplus of KD 6.4 billion according to the Kuwait Ministry of Finance. The Ministry of Finance's draft budget for the fiscal year 2023/24 projects a deficit of KD 6.8 billion based on an oil price of U.S.\$70 per barrel. The budget appears expansionary with spending expected to increase by 11.7 per cent. compared to the previous year's budget. Capital expenditures are targeted to be KD 2.5 billion.

Kuwait's economy is generally negatively impacted by sustained periods of prevailing low oil prices. In addition, ancillary industrial activities related to oil and gas exploration and production are also negatively affected by low oil prices and sectors that are dependent on Government consumption may be adversely affected by lower levels of economic activity that may result from lower Government revenue from oil and gas production. Additionally, although the CBK has the ability to adjust the components of the

Kuwaiti Dinar Basket against which the Kuwaiti dinar is pegged, there can be no assurance that the CBK will maintain the Kuwaiti Dinar Basket at its current level, which could lead to higher inflation and negatively affect confidence in the Kuwaiti economy.

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

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

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

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

Investors should also note that the Group's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of inter-relationships within the global financial markets. In addition, the implementation by the Kuwaiti Government of restrictive fiscal or monetary policies or regulations, including changes with respect to interest rates, new legal interpretations of existing regulations or the introduction of taxation or exchange controls could have a material adverse effect on the Group's business, financial condition and results of operations and thereby affect the Issuer's or the Bank's ability to perform its obligations in respect of any Notes issued under the Programme.

Although Kuwait generally enjoys domestic political stability and healthy international relations, it is located in a region that is strategically important and parts of this region have experienced regional geopolitical instability in the last decade. In recent years, there has been social and political unrest and/or armed conflict in a range of countries in the MENA region, including the multinational conflict with the Islamic State of Iraq and the Levant ("**ISIL**"), also known as Daesh or ISIS. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war, and has also given rise to significantly increased political uncertainty across the region. These situations have caused significant disruption to the economies of the affected countries and have had a destabilising effect on international oil and gas prices.

Tensions in the Gulf region have increased following the seizure by Iran of a British tanker in July 2019 and, more broadly, due to several incidents including oil tankers in the Strait of Hormuz and Gulf of Oman. On 14 September 2019, the Abqaiq processing facility and the Kurais oil field in Saudi Arabia were damaged to a significant extent in apparent drone attacks, which caused an immediate significant reduction in the output of Saudi Aramco, Saudi Arabia's national oil company. There have been further attacks on Saudi Arabian oil and gas facilities, most recently in March 2022, as well as reported attacks on UAE oil and gas facilities, most recently in January 2022. There can be no assurance that similar incidents could not occur elsewhere in the Gulf region.

Furthermore, other world events could have an impact on the political and security situation in Kuwait and the wider MENA region. Since the 1990 Gulf War, Kuwait and the United States have enjoyed close economic and strategic ties. Joseph R. Biden, Jr. became President of the United States in January 2021. On 16 July 2022, President Biden met with Crown Prince Sheikh Mishal Al-Ahmad Al-Jabir Al-Sabah of Kuwait to reaffirm the longstanding friendship between the United States and Kuwait. A shift in the relationship between Kuwait and the United States or changing U.S. political priorities in the region could have a material adverse effect on Kuwait's economic, political or financial condition. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations and thereby affect the Issuer's or the Bank's ability to perform its obligations in respect of any Notes issued under the Programme.

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

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

The Kuwaiti banking sector comprises five locally based conventional commercial banks and branches of 11 other non-Kuwaiti banks. In addition, a specialised bank, five banks operating according to the provisions of Islamic Shari'a (one of which is a subsidiary of the Group) and a branch of a Saudi Arabian bank are also licensed to operate in Kuwait. While the domestic consumer banking sector is dominated by Kuwaiti banks in terms of market share, particularly as a result of the relatively high barriers to entry for non-Kuwaiti banks, in terms of local licensing requirements, access to KD liquidity and the need for a Kuwaiti branch network, the Group faces greater competition from non-Kuwaiti banks in the domestic corporate and private banking sector.

The Group believes that, in order to compete effectively, it will need to continue to upgrade its existing IT capabilities and infrastructure, with a particular focus on automation and the need to move beyond frameworks towards a greater array of capabilities at higher rates in the deployment of technology-enabled solutions.

In addition, the Group believes the Bank's large size has been, to some extent, a constraint on its ability to grow its credit portfolio across different business groups as the size of its portfolio requires significantly more effort to grow at a faster rate than smaller competitors in order to maintain the Bank's net market share. Separately, there have been a number of recently announced and completed bank mergers affecting banks in the GCC, particularly in the UAE. Should any future mergers involve one or more of the Bank's principal competitors in Kuwait, the Bank could face significantly increased competition.

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

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

As at the date of this Base Prospectus, the Group is not currently subject to corporation tax on its earnings within Kuwait and Kuwait does not impose value-added tax ("VAT") on the sale of goods and services. However, investors should be aware that certain GCC states, not including Kuwait, have recently implemented VAT on goods and services as part of a GCC-wide VAT framework. Currently, the Kuwaiti Government has not announced plans to introduce VAT in 2022. In addition, the Kuwaiti Government is implementing fiscal reforms which may include introducing a proposed 10 per cent. corporate income tax in the future.

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

Kuwait may introduce corporate income tax

The Group is not currently subject to corporation tax on its earnings within Kuwait. However, on 14 March 2016 the Kuwait Cabinet of Ministers approved plans to implement a corporate tax of 10 per cent. on the

annual profits of Kuwaiti incorporated entities (the "**Proposed Corporate Income Tax**"), which may be applicable to the Group for future financial years. As at the date of this Base Prospectus, the Proposed Corporate Income Tax does not have the force of law until such time as it has been ratified by the Kuwaiti Parliament, signed by the Emir and published in the Official Gazette. It is currently uncertain as to whether the Proposed Corporate Income Tax will be promulgated into law in the form in which it has been proposed by the Cabinet of Ministers, or at all. If the Kuwaiti authorities impose new tax regimes on the Group (whether in the form of the Proposed Corporate Income Tax or otherwise), or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

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

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

The legal system in Kuwait may not provide the same degree of protection or require the levels of disclosure of information that would be the case in Western Europe or the United States. Any unexpected changes in the legal systems in Kuwait may have a material adverse effect on the rights of holders of any Notes issued under the Programme or the investments that the Group has made or may make in the future, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

Investing in securities involving emerging markets countries, such as Kuwait, generally involves a higher degree of risk than investments in securities of issuers from more-developed countries

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

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

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

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

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

The Notes may be subject to optional redemption by the Issuer

Any optional redemption feature that any Notes may include is likely to limit their market value. During any period when the Issuer may elect to redeem certain Notes, the market value of such Notes generally will not rise substantially above the price at which they may be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes may be redeemed prior to their final maturity date for tax reasons

If the Issuer becomes obliged to pay any additional amounts in respect of the Notes as provided or referred to in Condition 9 (*Taxation*) or the Guarantor is unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Relevant Tax Jurisdiction (as defined in Condition 9 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer may redeem all but not some only of the outstanding Notes of such Tranche in accordance with Condition 8 (*Redemption and Purchase*) of the Notes.

In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security with a similar rate of return, which may have an adverse effect on the position of such investor. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the Early Redemption Amount. Potential investors should consider reinvestment risk in light of other investments available at that time.

Partly-paid Notes are subject to additional risks

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Regulation and reform of benchmarks may adversely affect the trading market for, value of and return on Floating Rate Notes based on such benchmarks

Interest rates or other types of rates and indices which are deemed to be benchmarks are the subject of recent national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Floating Rate Notes referencing such a benchmark.

The EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU and the UK Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK.

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Floating Rate Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation, as applicable, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Such factors may have (without limitation) the following effects on certain benchmarks: (a) discouraging market participants from continuing to administer or contribute to a benchmark; (b) triggering changes in the rules or methodologies used in the benchmark; and/or (c) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Floating Rate Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

On 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk Free Rates had been mandated with implementing a broad-based transition to SONIA across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, *inter alia*, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the Euro area financial system. On 11 May 2021, the Euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates. On 13 September 2018, the working group on Euro risk free rates recommended €STR as the new risk free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

If the applicable Final Terms specify that Condition 6.2(h)(i) (*Independent Adviser*) is applicable, the Conditions provide that where a Benchmark Event (as defined in the Conditions) occurs, including if the relevant Reference Rate (as defined in the Conditions), and/or any page on which the relevant Reference Rate may be published, becomes unavailable, there is a possibility that the Rate of Interest could alternatively be set by an Independent Adviser or the Guarantor (without a requirement for the consent or approval of Noteholders) by reference to a Successor Rate or an Alternative Reference Rate, and (in either case) an Adjustment Spread may be applied to such Successor Rate or Alternative Reference Rate. The use of any such Successor Rate or Alternative Reference Rate and, in either case, an Adjustment Spread to determine the Rate of Interest is likely to result in Floating Rate Notes initially linked to or referencing the relevant Reference Rate performing differently (which may include payment of a lower Interest Amount) than they would do if the relevant Reference Rate were to continue to apply in its current form. Further, the market (if any) for Floating Rate Notes linked to any such Successor Rate or Alternative Reference Rate may be less liquid than the market for Floating Rate Notes linked to the relevant Reference Rate.

In addition, the application of an Adjustment Spread may result in the Floating Rate Notes performing differently (which may include payment of a lower Interest Amount) than they would do if the relevant Reference Rate were to continue to apply in its current form. The consent of the Noteholders shall not be required in connection with effecting a Successor Rate or an Alternative Reference Rate (as applicable) and/or (in either case) an Adjustment Spread or such other changes, including for the execution of any documents or other steps by the Fiscal Agent to ensure the proper operation of such Successor Rate or Alternative Reference Rate and (in either case) the Adjustment Spread.

The Guarantor may be unable to appoint an Independent Adviser or the Independent Adviser appointed by the Guarantor may fail to determine the Successor Rate or failing which the Alternative Reference Rate and/or (in either case) an Adjustment Spread, in which case, the Guarantor may (acting in good faith and in a commercially reasonable manner), determine the Successor Rate or the Alternative Reference Rate and (in either case) an Adjustment Spread. Where the Guarantor has been unable to appoint an Independent Adviser or the Independent Adviser or the Guarantor (as applicable) has failed to determine a Successor Rate or an Alternative Reference Rate prior to the Interest Determination Date relating to the next succeeding Interest Period, the Rate of Interest applicable to such Interest Period shall be equal to the Rate of Interest last

determined in relation to the Floating Rate Notes in respect of the immediately preceding Interest Period which may be the initial Rate of Interest. Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in Floating Rate Notes linked to or referencing the relevant Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant Reference Rate were to continue to apply, or if a Successor Rate or Alternative Reference Rate and/or (in either case) an Adjustment Spread could be determined. In particular, applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in the effective application of a fixed rate for the next succeeding Interest Period. Any of the foregoing could have a material adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference a benchmark.

If the applicable Final Terms specify that Condition 6.2(h)(ii) (*ARRC*) is applicable, if the Guarantor determines that a Benchmark Transition Event and its related Benchmark Replacement Date (each as defined in the Conditions) has occurred, the then-current Benchmark (as defined in the Conditions) will be replaced by a Benchmark Replacement (determined by the Guarantor in accordance with the Conditions) for all purposes relating to the relevant Floating Rate Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

Investors in Floating Rate Notes should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or UK Benchmarks Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Floating Rate Notes linked to or referencing a benchmark and the material adverse effect these may have on the value or liquidity of, and return on, any Floating Rate Notes which reference any such benchmark.

The market continues to develop in relation to risk free rates (including overnight rates) which are possible reference rates for Floating Rate Notes

Investors should be aware that the market continues to develop in relation to risk free rates, such as SOFR, SONIA and €STR, as reference rates in the capital markets for sterling, U.S. dollar or Eurobonds, as applicable, and their adoption as alternatives to the relevant interbank offered rates. In addition, market participants and relevant working groups are exploring alternative reference rates based on risk free rates, including term SOFR, SONIA and €STR reference rates (which seek to measure the market's forward expectation of an average SOFR, SONIA or €STR over a designated term). The continued development of risk free reference rates for the Eurobond markets, as well as the continued development of SOFR, SONIA and €STR based rates and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Floating Rate Notes.

The substance of the calculation of, and the adoption of market infrastructure for the issuing and trading of Eurobonds referencing, SOFR, SONIA and €STR continues to develop. In particular, investors should be aware that several different SOFR methodologies have been used in notes referencing SOFR issued to date and no assurance can be given that any particular methodology, including the compounding formula in the Conditions, will gain widespread market acceptance.

The market or a significant part thereof may adopt an application of risk free rates that differs significantly from that set out in the Conditions and used in relation to Floating Rate Notes that reference risk free rates issued under the Programme. The Issuer may in the future also issue Floating Rate Notes referencing risk free rates that differ materially in terms of interest determination when compared with any previous Floating Rate Notes issued by it under the Programme. The development of risk free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Floating Rate Notes that reference risk free rates issued under the Programme from time to time.

In addition, the manner of adoption or application of risk free rates in the Eurobond markets may differ materially compared with the application and adoption of risk free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of risk free rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Floating Rate Notes referencing risk free rates.

In particular, investors should be aware that several different methodologies have been used in risk free rates notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Floating Rate Notes, will gain widespread market acceptance. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. If the relevant risk-free rates do not prove to be widely used in securities like the Floating Rate Notes, the trading price of such Floating Rate Notes linked to such risk-free rates may be lower than those of Floating Rate Notes referencing indices that are more widely used.

Investors should consider these matters when making their investment decision with respect to any Floating Rate Notes which reference risk free rates or any related indices.

Risk free rates differ from inter-bank offered rates in a number of material respects and has a limited history

Risk free rates differ from inter-bank offered rates ("**IBORs**", which include EURIBOR) in a number of material respects. These include (without limitation) that in most cases risk free rates are backwards-looking, calculated on a compounded or weighted average and risk free basis, overnight rate, whereas IBORs are generally expressed on the basis of a forward-looking term and include a risk-element based on inter-bank lending. As such, investors should be aware that IBORs and risk free rates may behave materially differently as interest reference rates for the Floating Rate Notes.

Interest on Floating Rate Notes which reference a backwards looking risk free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Floating Rate Notes which reference such risk free rates to reliably estimate the amount of interest which will be payable on such Floating Rate Notes and some investors may be unable or unwilling to trade such Floating Rate Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Floating Rate Notes. Further, in contrast to Floating Rate Notes referencing an IBOR, if the Floating Rate Notes become due and payable as a result of an Event of Default under Condition 11 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Floating Rate Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Floating Rate Notes become due and payable or are scheduled for redemption.

The use of risk free rates as a reference rate for Eurobonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such risk free rates.

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

Investors should consider these matters when making their investment decision with respect to any Floating Rate Notes.

The administrator of SOFR, SONIA or €STR may make changes that could change the value of SOFR, SONIA or €STR or discontinue SOFR, SONIA or €STR

The Bank of England, the Federal Reserve, the Bank of New York or the European Central Bank (or their respective successors), as administrators of SOFR, SONIA and €STR, respectively, may make methodological or other changes that could change the value of SOFR, SONIA or €STR, including changes

related to the method by which SOFR, SONIA or €STR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, SONIA or €STR, or timing related to the publication of SOFR, SONIA or €STR. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR, SONIA or €STR (in which case a fallback method of determining the interest rate on the Floating Rate Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SOFR, SONIA or €STR. Any of the foregoing could have a material adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference SOFR, SONIA or €STR.

Inverse Floating Rate Notes are subject to increased volatility

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of those Floating Rate Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Floating Rate Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Floating Rate Notes.

Fixed/Floating Rate Notes are subject to additional risk

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes issued at a substantial discount or premium are subject to increased volatility

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

The Subordinated Notes and the Guarantee in respect of the Subordinated Notes are expressed to rank junior to unsubordinated creditors of, respectively, the Issuer and the Guarantor

The Subordinated Notes and the Guarantee in respect of the Subordinated Notes shall constitute subordinated obligations of, respectively, the Issuer and the Guarantor, as more particularly described in Condition 4 (*Status*). Accordingly, in the event of a winding-up or administration of the Issuer or the Guarantor, as the case may be, or an analogous process under the laws of the DIFC or Kuwait, the rights and claims of the holders of Subordinated Notes will be contractually subordinated to, respectively, Senior Creditors of the Issuer (as defined in Condition 4.3 (*Status of the Subordinated Notes*)) or Senior Creditors of the Guarantor (as defined in Condition 4.4 (*Status of the Deed of Guarantee in respect of the Subordinated Notes*)), as the case may be, and the relevant liquidator, applying the contractual terms, would first apply assets of, respectively, the Issuer or the Guarantor, as the case may be, to satisfy claims of, respectively, all Senior Creditors of the Issuer or all Senior Creditors of the Guarantor, as the case may be. The Subordinated Notes will share equally in payment with the subordinated obligations of the Issuer or, as the case may be, the Guarantor if, respectively, the Issuer or, as the case may be, the Guarantor, does not have sufficient funds to make full payment on all of them. In such a situation, holders of Subordinated Notes could lose all or some of their investment.

Certain bearer notes, the denomination of which involves integral multiples, may be illiquid and difficult to trade

If an issue of Bearer Notes is in denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in

amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Bearer Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures

Notes issued under the Programme will be represented on issue by one or more Global Notes or Global Certificates that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for the Depository Trust Company ("DTC"). Except in the circumstances described in each Global Note or Global Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note or Global Certificate held through it. While the Notes are represented by a Global Note or Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants and the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note or Global Certificate.

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

The Issuer may, without the consent of the Noteholders, issue additional Notes. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, may be treated as a separate series for U.S. federal income tax purposes

The Issuer may, without the consent of the holders of the Notes of the relevant Series, issue additional Tranches of Notes which may be consolidated and form a single Series with one or more Tranches previously issued. Notwithstanding the foregoing, such additional Tranches may be treated as a separate series for U.S. federal income tax purposes. In such a case, the Notes of any such additional Tranche may be considered to have been issued with "original issue discount" for U.S. federal income tax purposes and this may reduce the market value of the Notes of such Tranche to certain classes of investor.

A secondary market may not develop for any Notes

The Notes may have no established trading market when issued. A market may not develop for such Notes and, if a market does develop, such market may not be liquid. The liquidity of any market for the Notes will depend on a number of factors, including, but not limited to:

- the method of calculating the principal and interest in respect of the Notes;
- the time remaining to the maturity of the Notes;
- the outstanding amount of the Notes;
- the redemption features of the Notes; and
- the level, direction and volatility of market interest rates generally.

As a result, investors may not be able to sell their Notes easily or at prices that will provide a yield comparable to similar investments that have a developed secondary market. Such risks are heightened for any Notes that: (i) are especially sensitive to interest rate risks, currency risk or other market risks; (ii) have been designed for specific investment objectives or strategies; or (iii) have been structured to meet the investment requirements of certain limited categories of investors, as such types of Notes generally would have a more

limited secondary market and increased price volatility than conventional debt securities. The relative illiquidity of Notes may have a severely adverse effect on such Notes' market value.

Notes may be subject to exchange rate risks and exchange controls

Neither the Issuer nor the Guarantor has any control over factors that generally affect exchange rate risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility with a variety of currencies may continue in the future.

The Issuer or, as the case may be, the Guarantor will pay principal and any interest due on any Notes in the currency specified in the applicable Final Terms (the "**Specified Currency**"). If an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency, it may therefore bear certain exchange rate risks. These include: (i) the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency); and (ii) the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Any appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note would not be available at such Note's maturity.

The Notes are subject to modification by a majority of Noteholders without the consent of all Noteholders

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests. These provisions permit defined majorities to bind all Noteholders (including Noteholders who did not attend or vote at the relevant meeting as well as Noteholders who did attend the relevant meeting, but voted in a manner contrary to the majority). Accordingly, there is a risk that the Conditions of the Notes may be modified, waived or amended in circumstances where a Noteholder does not agree to such modification, waiver or amendment, which may adversely impact the rights of such Noteholder.

Taxation risks on payments

Payments made by the Issuer and the Guarantor in respect of the Notes and the Guarantee, respectively, could become subject to taxation. Condition 9 (*Taxation*) requires the Issuer or Guarantor 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 or duties of whatever nature is imposed, levied, collected, withheld or assessed by or on behalf of the UAE (including the DIFC) and/or Kuwait or any political subdivision or any authority thereof or therein having power to tax in respect of payments under the Notes or the Guarantee, as the case may be, such that net amounts received by the holders of the Notes after such withholding, deduction or retention shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the 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 Notes or vary their terms. See "*Terms and Conditions – Redemption and Purchase – Redemption for tax reasons*".

The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the 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, introduced pursuant to Law No. 22 of 2015 ("**Article 150 (bis)**"), provides that, without prejudice to the tax on profits arising from the disposal of securities issued by companies listed on the Boursa Kuwait, the returns in respect of securities, bonds, financial sukuk and all other similar securities, regardless of the issuer, are exempt from taxes.

In addition, the Kuwait Ministry of Finance has issued Administrative Resolution No. 2028 of 2015 (the "**Administrative Resolution**"), which essentially endorses the provisions of Article 150 (bis).

However, the Kuwait 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 any Notes, or to a particular holder of any Notes, such 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 the Administrative Resolution addressed the issue of whether or not there remains an obligation (as described under "*Taxation — Kuwait*") to deduct five per cent. of the amount of any payments made by the Guarantor to the Issuer or directly to Noteholders. Accordingly, there is a possibility that the deduction of the five per cent. obligation may be applied in certain circumstances, pending resolution of their tax position. The deducted five per cent. would be released by the Guarantor upon presentation to it by the Issuer (or, where applicable, by the Noteholders) of a tax clearance certificate from the DIT. In any event, any deducted amounts would be required to be grossed up by the Guarantor pursuant to the provisions of the Conditions (see Condition 9 (*Taxation*)) and accordingly, in practice, a Noteholder 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) or the Administrative Resolution and/or their 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 any 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 such Notes and receiving payments under such Notes.

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

Value Added Tax

As at the date of this Base 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 (the "**VAT Framework**"), to be introduced at a rate of 5 per cent. 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 Base Prospectus. Therefore, although the Kuwait parliament has previously indicated that it will postpone its introduction of VAT, 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 in Kuwait, are not known as at the date of this Base Prospectus. If the Guarantor becomes subject to VAT in Kuwait, its profitability may be adversely affected which may then impact its ability to fulfil its obligations under the Guarantee.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Guarantor or any Notes. Any ratings of either the Guarantor or the Notes may not reflect the potential impact of all risks related to the transaction structure, market, additional factors discussed above, and other factors that may affect the value of any 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 Guarantor's credit ratings or the ratings of the Notes generally will affect the market value of the 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 EU CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU 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 third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country

rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU 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 publication of an updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (i) endorsed by a UK registered credit rating agency; or (ii) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to: (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended; and (b) transitional provisions that apply in certain circumstances.

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

The use of proceeds of the Notes of any Series identified as Sustainable Notes in the applicable Final Terms may not meet investor expectations or requirements or be suitable for an investor's investment criteria

The Final Terms relating to a specific Tranche of Notes identified therein as Sustainable Notes will provide that it is the Issuer's intention to apply an amount at least equal to the net proceeds of the issue of such Sustainable Notes, to finance and/or refinance, in whole or in part, Eligible Sustainable Assets in accordance with the Issuer's Sustainable Financing Framework.

The Guarantor will exercise its judgement and sole discretion in determining the businesses and projects that will be financed by the equivalent amount. If the use of the proceeds of Sustainable Notes is a factor in any potential investor's decision to invest in Sustainable Notes, that investor should carefully consider the disclosure in "*Use of Proceeds*" and consult with its legal or other advisers before making an investment in Sustainable Notes. In particular, no assurance is given by the Issuer, the Guarantor, the Dealers, the Agents or any other person that the use of the equivalent amount for any Eligible Sustainable Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. In addition, the Sustainable Financing Framework is subject to change at any time without notice.

Furthermore, notwithstanding the Guarantor's intention stated above, potential investors should be aware that the Guarantor has no contractual obligation to use the equivalent amount as stated in, or to provide the reports described in, "*Use of Proceeds*". Any failure by the Guarantor to use the equivalent amount as stated or to provide the reports will not constitute an Event of Default under Condition 11 (*Events of Default*) with respect to the Sustainable Notes but may affect the value and/or the trading price of the Sustainable Notes and/or have adverse consequences for certain investors with portfolio mandates to invest in green assets.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green" or such other equivalent label performance objectives, including the EU Taxonomy or Regulation (EU) 2020/852 as it forms part of domestic law in the UK by virtue of the EUWA and no assurance can be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not change significantly.

Accordingly, no assurance is or can be given (whether by the Issuer, the Guarantor, the Dealers, the Agents or any other person) to investors that: (a) any projects or uses the subject of, or related to, any Eligible Sustainable Assets will meet any or all investor expectations regarding such "green" or other equivalently labelled performance objectives; (b) any adverse environmental, social and/or other impacts will not occur

during the implementation of any projects or uses the subject of, or related to, any Eligible Sustainable Assets; or (c) the Sustainable Financing Framework will be aligned with the EU Taxonomy or any other sustainability framework or guidelines.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Guarantor) which may be made available in connection with the issue of the Sustainable Notes and in particular with any of the businesses and projects funded with the equivalent amount to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should it be deemed to be, a recommendation by the Issuer, the Guarantor, the Dealers, the Agents or any other person to buy, sell or hold Sustainable Notes. Any such opinion or certification is only current as at the date that opinion or certification was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in Sustainable Notes. The providers of such opinions and certifications are not currently subject to any specific regulatory or other regime or oversight. Any information on, or accessible through, the Group's website relating to any Sustainable Financing Framework which the Group may publish from time to time and the information in such framework(s) and any related opinion or certification including any second party opinion is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus.

If Sustainable Notes are at any time listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Guarantor, the Dealers, the Agents or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from any Sustainable Notes. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Guarantor, the Dealers, the Agents or any other person that any such listing or admission to trading will be obtained in respect of any Sustainable Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Sustainable Notes concerned.

While it is the Guarantor's intention to apply the equivalent amount and obtain and publish the relevant reports and opinions in, or substantially in, the manner described in "*Use of Proceeds*", there can be no assurance (whether by the Issuer, the Guarantor, the Dealers, the Agents or any other person) that the Guarantor will be able to do this. Nor can there be any assurance that any Eligible Sustainable Assets will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event as described in the last sentence of the preceding paragraph or failure by the Guarantor to apply the equivalent amount for any Eligible Sustainable Assets or to obtain and publish any such reports and opinions, will not give rise to any claim in contract of a holder of Sustainable Notes against the Issuer, the Guarantor, any Dealer, the Agents or any other person. The withdrawal of any such report or opinion, or any report, assessment, opinion or certification attesting that the Guarantor is not complying in whole or in part with any matters for which that report, assessment, opinion or certification is reporting, assessing, opining or certifying, and/or any Sustainable Notes no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of the Sustainable Notes concerned and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

The net proceeds of the issue of any Sustainable Notes which, from time to time, are not allocated as funding for Eligible Sustainable Assets are intended by the Guarantor to be invested in green bond funds or otherwise in cash, cash equivalents and/or marketable securities, in accordance with the Group's cash management policies and excluding investments covered by the exclusions referenced in "*Use of Proceeds*" below. While the Guarantor intends to place the net proceeds of the issue of any Sustainable Notes in a segregated account, there can be no assurance that the Sustainable Notes or any proceeds therefrom will not be used to absorb any and all losses of the Guarantor, regardless of whether or not such losses stem from green, sustainable or

other assets, in the same way as the Guarantor's other instruments not classified as Sustainable Notes which may be called upon to cover all losses on the balance sheet.

Risks related to 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

Notwithstanding that the provisions of the Guarantee relating to the ranking of the Guarantor's payment obligations are expressed to be governed by English law, in the event of the Guarantor's insolvency, the Kuwaiti insolvency law implemented through Law No. 71 of 2020 (the "**Insolvency Law**") shall apply. It is to be noted that the previous Kuwait bankruptcy regime has recently been replaced by the Insolvency Law which has recently come into full force and effect on 25 July 2021. The Kuwait bankruptcy regime may, in the event of the Guarantor's insolvency, adversely affect the Guarantor's ability to perform its obligations under the Guarantee, and obtaining a final bankruptcy judgment in Kuwait may take several years. There is little precedent to predict how any claims by Noteholders against the Guarantor would be resolved in the event of the Guarantor's insolvency and therefore there can be no assurance that Noteholders will receive payment of their claims in full or at all in these circumstances.

Enforceability of the Guarantor's obligations under the Guarantee

Under Kuwaiti law, the obligations of a guarantor are incidental to the obligations of the principal debtor, and the obligations of the guarantor will only be valid to the extent of the continuing obligations of the principal debtor. In addition, in order to enforce a guarantee under Kuwaiti law, the underlying debt obligation for which such guarantee has been granted may need to be proved before the Kuwaiti courts.

Accordingly, if Kuwaiti law is applied to the Guarantee, the obligations of the Guarantor under the Guarantee will be treated as incidental obligations and dependent on the validity and the enforceability of the Issuer's obligations under any Notes and the Issuer's obligations under any Notes may, therefore, need to be proved before the courts of Kuwait in order for the obligations of the Guarantor under the Guarantee to be enforceable.

There is a risk that the Kuwaiti courts will assume jurisdiction

The Notes, the Deed of Covenant, the Guarantee and the Agency Agreement (each as defined under "*Terms and Conditions of the Notes*") each contain a provision to the effect that disputes arising thereunder will be referred to arbitration under 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 Notes, the Guarantee and the Agency Agreement, notwithstanding that the Notes, the Guarantee and the Agency Agreement 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. The Kuwaiti courts will not recognise or give effect to the choice of the laws of England to govern the Notes, the Guarantee and the Agency Agreement, nor enforce a foreign judgment or foreign arbitral award to the extent that any of such laws, judgments or arbitral awards are found by the Kuwaiti courts to be contrary to rules of public order or morality of Kuwait.

Noteholders will only be able to enforce their contractual rights under the Notes, the Guarantee and the Agency Agreement through arbitration under the LCIA Rules and LCIA awards relating to disputes arising under the Notes may not be enforceable in Kuwait

The Notes, the Deed of Covenant, the Guarantee and the Agency Agreement provide that disputes arising thereunder will be referred to arbitration under the LCIA Rules. Noteholders will therefore only have recourse to LCIA arbitration in order to enforce their contractual rights under any Notes, and will not have the right to bring proceedings relating to any Notes before the English courts.

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

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

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

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

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 Base Prospectus:

- the unaudited interim condensed consolidated financial information of the Group as at and for the six month period ended 30 June 2023, together with the review report thereon and the notes thereto (available at: <https://www.nbk.com/dam/jcr:dd794a49-a621-47fd-86de-164b10abe1e0/NBK%20FS%2030%20June%202023%20-%20English.pdf>);
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022, together with the audit report thereon and the notes thereto (available at: <https://www.nbk.com/dam/jcr:ff30774e-9d5f-4910-80d3-e1661145c159/NBK%20FS%2031%20Dec%202022%20-%20English.pdf>);
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021, together with the audit report thereon and the notes thereto (available at: <https://www.nbk.com/dam/jcr:9f207a17-7f65-4ba5-b124-15934c9f2523/NBK-Financials-2021-E.pdf>);
- the Terms and Conditions of the Notes contained on pages 52 to 96 (inclusive) in the base prospectus dated 5 September 2022, an electronic copy of which is available at <https://www.nbk.com/dam/jcr:3250ff74-0a8e-43c0-86b1-1c53a4653fb6/NBK%20SPC%20Limited%20-%20GMTN%20Programme%20Base%20Prospectus.pdf>;
- the Terms and Conditions of the Notes contained on pages 49 to 92 (inclusive) in the base prospectus dated 3 September 2021, an electronic copy of which is available at <https://www.nbk.com/dam/jcr:d12d024b-3999-42d3-a95b-ad2d03863f52/NBK%20SPC%20Limited%20-%20Base%20Prospectus-2021.pdf>; and
- the Terms and Conditions of the Notes contained on pages 41 to 72 (inclusive) in the base prospectus dated 11 May 2017, an electronic copy of which is available at <https://www.nbk.com/dam/jcr:a627ee3d-4703-46c5-9b50-955598c7a5bd/NBK%20SPC%20Limited%20-%20GMTN%20Issuance%20Programme%20Prospectus.pdf>.

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

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

If at any time the Issuer shall be required to prepare a supplement to the Base Prospectus pursuant to the EU Prospectus Regulation, the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Regulated Market, shall constitute a supplemental base prospectus as required by the EU Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Global Note**") and, together with a Temporary Global Note, the "**Global Notes**" which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg. Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased such Bearer Note for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Fiscal Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for: (a) interests in a Permanent Global Note of the same Series; or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given **provided that** purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification.

Each Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) an Event of Default (as defined in Condition 11 (*Events of Default*)) has occurred and is continuing; or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 1 year and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note certificate in registered form (an "**Unrestricted Global Certificate**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in an Unrestricted Global Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Unrestricted Global Certificate will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may also be offered and sold in private transactions to persons who are QIBs. The Registered Notes of each Tranche sold to QIBs will be represented by one or more global note certificates in registered form (a "**Restricted Global Certificate**" and, together with an Unrestricted Global Certificate, the "**Global Certificates**").

Global Certificates will either: (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC; or (ii) be deposited with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Global Certificates will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4 (*Payments in respect of Registered Notes*)) as the registered holder of the Global Certificates. None of the Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4 (*Payments in respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) an Event of Default has occurred and is continuing; (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; or (iii) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange. Any such exchange shall occur no later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests in Global Certificates

Interests in a Global Certificate may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Certificate. No beneficial owner of an interest in

a Global Certificate will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions*".**

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note or Global Certificate and the Global Note or Global Certificate (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note or Global Certificate then the Global Note or Global Certificate will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note or Global Certificate credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer or, failing which, the Guarantor on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (a "**Deed of Covenant**") dated 25 September 2023 and made by the Issuer and a deed of guarantee (a "**Deed of Guarantee**") dated 25 September 2023 and made by the Guarantor. In addition, holders of interests in such Global Certificate credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Certificate in accordance with DTC's standard operating procedures.

FORM OF FINAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The 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 European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]¹

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The 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 United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]²

[EU MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the]/[each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended)]/[EU MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the]/[each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the [United Kingdom]/[UK] Financial Conduct Authority ("FCA") Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the [European Union (Withdrawal) Act 2018]/[EUWA] ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act

¹ Include where "Prohibition of Sales to EEA Investors" in Part B is specified as "Applicable".

² Include where "Prohibition of Sales to UK Investors" in Part B is specified as "Applicable".

2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"/capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and ["Excluded Investment Products"/"Specified Investment Products"] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

Final Terms dated [•]

NBK SPC LIMITED
(Legal Entity Identifier ("LEI"): 549300P1ANDK86KWB419)

Issue of [•] [•] Notes due [•]
unconditionally and irrevocably guaranteed by
NATIONAL BANK OF KUWAIT S.A.K.P.
(LEI: 549300NB7FE83IH6BW96)
under the U.S.\$5,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus dated 25 September 2023 [and the supplemental prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Regulation (EU) 2017/1129 (as amended, the "**EU Prospectus Regulation**"). [This document constitutes the applicable Final Terms of the Notes described herein for the purposes of the EU Prospectus Regulation and must be read in conjunction with the Base Prospectus]³. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these applicable Final Terms and the Base Prospectus. The Base Prospectus is available for viewing on the website of Euronext Dublin (<https://live.euronext.com/en/markets/dublin>).]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus dated [11 May 2017] / [3 September 2021] / [5 September 2022] [and the supplemental prospectus dated [•]] which are incorporated by reference into the base prospectus dated 25 September 2023. [This document constitutes the applicable Final Terms of the Notes described herein for the purposes of Regulation (EU) 2017/1129 (as amended, the "**EU Prospectus Regulation**") and must be read in conjunction with the base prospectus dated 25 September 2023 [and the supplemental prospectus dated [•]], which [together] constitute[s] a base prospectus for the purposes of the EU Prospectus Regulation] (the "**Base Prospectus**"), save in respect of the Conditions. The Base Prospectus is available for viewing on the website of Euronext Dublin (<https://live.euronext.com/en/markets/dublin>).]

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|----|-----|--|--|
| 1. | (a) | Issuer: | NBK SPC Limited |
| | (b) | Guarantor: | National Bank of Kuwait S.A.K.P. |
| 2. | (a) | Series Number: | [•] |
| | (b) | Tranche Number: | [•] |
| | (c) | Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated and form a single Series with the existing tranche(s) of the Series on [the Issue Date]/[•]] |
| 3. | | Specified Currency or Currencies: | [•] |

³ Delete where the Notes are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the EU Prospectus Regulation.

4. Aggregate Nominal Amount of Notes admitted to trading: [•]
- (a) Series: [•]
- (b) Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
6. (a) Specified Denominations (in the case of Registered Notes this means the minimum integral amount in which transfers can be made): [•] [and integral multiples of [•] in excess thereof]
- (b) Calculation Amount: [•]
7. (a) Issue Date: [•]
- (b) Interest Commencement Date: [•]/[Issue Date]/[Not Applicable]
8. Maturity Date: [•]
9. Interest Basis: [[•] per cent. Fixed Rate]
[[•] +/-] [•] per cent. Floating Rate]
[Zero Coupon]
10. Redemption/Payment Basis: [Redemption at par]/[Partly Paid]/[Instalment]
11. Change of Interest Basis or Redemption/Payment Basis: [Applicable]/[Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
13. (a) Status of the Notes: [Senior]/[Subordinated]
- (b) Status of the Guarantee: [Senior]/[Subordinated]
14. Date [Board] approval for issuance of Notes and Guarantee obtained: [•] and [•], respectively

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions: [Applicable]/[Not Applicable]
- (a) Rate(s) of Interest: [•] per cent. per annum [payable [annually]/[semi-annually]/[quarterly] in arrear]
- (b) Interest Payment Date(s): [•] [, [•], [•]] [and [•]] in each year [from (and including) [•]] to [(and including)/(but excluding)] [•]/[the Maturity Date]
- (c) First Interest Payment Date: [Issue Date]/[•]
- (d) Fixed Coupon Amount(s): [[•] per Calculation Amount]/[Not Applicable]
- (e) Broken Amount(s): [[•] per Calculation Amount, payable on the Interest Payment Date falling [in]/[on] [•]]/[Not Applicable]

- (f) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]/[Actual/365 (Fixed)]
- (g) Unmatured Coupons void: Condition 7.2 (*Presentation of definitive Bearer Notes, Receipts and Coupons*) is [Applicable/Not Applicable]
- (h) Determination Date(s): [[•] in each year]/[Not Applicable]
- (i) Business Day Convention: [Floating Rate Convention]/[Following Business Day Convention]/[Modified Following Business Day Convention]/[Preceding Business Day Convention]/[Not Applicable]
16. Floating Rate Note Provisions: [Applicable]/[Not Applicable]
- (a) Specified Period(s): [•]
- (b) Specified Interest Payment Date(s): [•]
- (c) Interest Period Date: [•]
- (d) Business Day Convention: [Floating Rate Convention]/[Following Business Day Convention]/[Modified Following Business Day Convention]/[Preceding Business Day Convention]/[Not Applicable]
- (e) Additional Business Centre(s): [•]/[Not Applicable]
- (f) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination not Referencing SOFR, SONIA or €STR]/[Screen Rate Determination Referencing SOFR, SONIA or €STR]
- (g) Party responsible for calculating the Rate of Interest and Interest Amount: [[Principal Paying Agent]/[an institution other than the Principal Paying Agent] shall be the Calculation Agent]/[Not Applicable]
- (h) Screen Rate Determination not Referencing SOFR, SONIA or €STR: [Applicable]/[Not Applicable] (*If not applicable delete the remaining subparagraphs of this paragraph*)
- (i) Reference Rate: [[•] month [EIBOR]/[EURIBOR]/[HIBOR]/[KIBOR]/[K LIBOR]/[SAIBOR]/[SIBOR]/[TIBOR]/[TRLI BOR/TRYLIBOR] / [CBK Discount Rate]]
- (ii) Interest Determination Date(s): [•]/[The date falling [•] Business Days prior to the first day of each Interest Period]/[First day of each Interest Period]/[The [•][*first, second, third etc.*] Business Day immediately preceding the Interest Period Date for each Interest Period (or immediately preceding such earlier date, if any, on which the Notes are due and payable).][*provide details*]/[The Interest Period Date at the end of each Interest Period; provided that the Interest Determination Date with

respect to the last Interest Period prior to the Maturity Date or the date fixed for redemption will be the Rate Cut-off Date - *Include this wording for Payment Delay only*]

- (iii) Relevant Screen Page: [•]/[Not Applicable]
- (iv) Relevant Time: [•]/[Not Applicable]
- (v) Relevant Financial Centre: [•]/[Not Applicable]
- (i) Screen Rate Determination Referencing SOFR, SONIA or €STR: [Applicable]/[Not Applicable] (*If not applicable delete the remaining subparagraphs of this paragraph*)
 - (i) Reference Rate: [SOFR/SONIA/€STR]
 - (ii) Interest Determination Date(s): [[•]/The date falling [•] Business Days prior to the first day of each Interest Period/First day of each Interest Period/The [•][*first, second, third etc.*] Business Day immediately preceding the Interest Period Date for each Interest Period (or immediately preceding such earlier date, if any, on which the Notes are due and payable).][*provide details*]/The Interest Period Date at the end of each Interest Period; provided that the Interest Determination Date with respect to the last Interest Period prior to the Maturity Date or the date fixed for redemption will be the Rate Cut-off Date - *Include this wording for Payment Delay only*]]
 - (iii) Calculation Method: [Weighted Average]/[Compounded Daily]/[SOFR Index]/[SONIA Index]/[Not Applicable]
 - (iv) Observation Method: [Lag]/[Lock-out]/[Observation Shift]/[Payment Delay] / [Not Applicable]
 - (v) Observation Look-Back Period: [•]/[Not Applicable]
 - (vi) Effective Interest Payment Date: [The date falling [•] Business Days following each Interest Period Date, provided that the Effective Interest Payment Date with respect to the last Applicable Period will be the Maturity Date or, if the Notes are redeemed before the Maturity Date, the date fixed for redemption - *used for Payment Delay only*]/[Not Applicable]
 - (vii) Rate Cut-off Date: [The date falling [•] Business Days prior to the Maturity Date or the date fixed for redemption, as applicable - *used for Payment Delay only*]/[Not Applicable]
 - (viii) Relevant Number: [insert number being [two] or greater/Not Applicable]
 - (ix) D: [365/360/[•]]

- (x) Relevant Screen Page: [•]/[Not Applicable]
 - (xi) Relevant Time: [•]/[Not Applicable]
 - (xii) Relevant Financial Centre: [•]/[Not Applicable]
 - (j) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation]
 - (k) Margin(s): [+/-] [•] per cent. per annum
 - (l) Minimum Rate of Interest: [•] per cent. per annum/[Not Applicable]
 - (m) Maximum Rate of Interest: [•] per cent. per annum/[Not Applicable]
 - (n) Day Count Fraction: [Actual/Actual (ISDA)]/[Actual/Actual]/[Actual/365 (Fixed)]/[Actual/365 (Sterling)]/[Actual/360]
[30/360]
[360/360]
[Bond Basis] [30E/360]
[Eurobond Basis]/[30E/360 (ISDA)]
 - (o) Benchmark Replacement Fall Back: [Condition 6.2(h)(i) (*Independent Adviser*) is applicable]/[Condition 6.2(h)(ii) (*ARRC*) is applicable]
17. Zero Coupon Note Provisions: [Applicable]/[Not Applicable]
- (a) Accrual Yield: [•] per cent. per annum
 - (b) Reference Price: [•]
 - (c) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 8.5(c) (*Early Redemption Amounts*) and 8.10 (*Late payment on Zero Coupon Notes*) apply]

PROVISIONS RELATING TO REDEMPTION

18. Issuer Call: [Applicable]/[Not Applicable]
- (a) Optional Redemption Date(s): [•]
 - (b) Optional Redemption Amount: [•] per Calculation Amount
 - (c) If redeemable in part:
 - (i) Minimum Redemption Amount: [•]/[Not Applicable]
 - (ii) Maximum Redemption Amount: [•]/[Not Applicable]
 - (d) Notice period (if other than as set out in the Conditions): [•]/[Not Applicable]

19. Investor Put: [Applicable]/[Not Applicable]
- (a) Optional Redemption Date(s): [•]
- (b) Optional Redemption Amount: [•] per Calculation Amount
- (c) Notice period (if other than as set out in the Conditions): [•]
20. Final Redemption Amount: [•] per Calculation Amount
21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes: [Bearer Notes:
- [[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for definitive Notes in the limited circumstances specified in the Temporary Global Note]
- [Permanent Global Note exchangeable for definitive Notes in the limited circumstances specified in the Permanent Global Note]]
- [Registered Notes:
- [Unrestricted Global Certificate registered in the name of a nominee for [DTC]/[a common depository for Euroclear and Clearstream, Luxembourg]]
- [Restricted Global Certificate registered in the name of a nominee for [DTC]/[a common depository for Euroclear and Clearstream, Luxembourg]]
- [Reg. S Compliance Category 2; [TEFRA C]/[TEFRA D]/[TEFRA not applicable]]
23. Additional Financial Centre(s) or other special provisions relating to Payment Days: [•]/[Not Applicable]
24. Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature): [Yes]/[No]
25. Partly Paid Notes: [•]/[Not Applicable]
- (a) Instalment Amount(s): [•]/[Not Applicable]
- (b) Instalment Date(s): [•]/[Not Applicable]
26. ERISA: [ERISA eligible]/[Not ERISA eligible]

Signed on behalf of **NBK SPC Limited:**

By:.....
Duly authorised

Signed on behalf of **National Bank of Kuwait S.A.K.P.:**

By:.....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (a) Listing and Admission to trading: [Application [has been]/[is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to the official list of the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") and to trading on Euronext Dublin's regulated market with effect from [•]]/[Not Applicable]
- (b) Estimate of total expenses related to admission to trading: [•]/[Not Applicable]

2. RATINGS

Ratings: [The Notes [have been]/[are expected to be] rated:]

[Fitch: [•]]

[Moody's: [•]]

[S&P: [•]]

[Unrated]

[[•] is established in the [European Union]/[EU] and registered under Regulation (EU) No. 1060/2009, as amended (the "**EU CRA Regulation**"). As such, [•] is included in the list of credit rating agencies published by the European Securities and Markets Authority (as of [•]) on its website <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>. The rating [•] has given to the Notes is endorsed by [•], which is established in the [United Kingdom]/[UK] and registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the [European Union (Withdrawal) Act 2018]/[EUWA] (the "**UK CRA Regulation**").]

[[•] is established in the [United Kingdom]/[UK] and registered under [Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the [European Union (Withdrawal) Act 2018]/[EUWA] (the "**UK CRA Regulation**")]/the UK CRA Regulation]. The rating [•] has given to the Notes is endorsed by [•], which is established in the [European Union]/[EU] and registered under [Regulation (EU) No. 1060/2009, as amended (the "**EU CRA Regulation**")]/[the EU CRA Regulation].]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers]/[Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers]/[Dealers]

and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Guarantor or their affiliates in the ordinary course of business for which they may receive fees.]

4. **SUSTAINABLE NOTES, REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

- (a) Sustainable Notes: [Yes]/[No]
- (b) Reasons for the offer: [See "Use of Proceeds" in the Base Prospectus]/[•]
- (c) Estimated net proceeds: [•]

5. **YIELD (Fixed Rate Notes Only)**

Indication of yield: [•]

6. **OPERATIONAL INFORMATION**

- (a) ISIN: [•]
- (b) Common Code: [•]
- (c) FISN: [•]/[As set out on the website of the Association of Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Applicable]
- (d) CFI Code: [•]/[As set out on the website of the Association of Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Applicable]
- (e) CUSIP: [•]
- (f) CINS: [•]
- (g) Relevant Benchmark[s]: [[*specify benchmark*] is provided by [*administrator legal name*]. As at the date hereof, [*administrator legal name*] [appears]/[does not appear] on the European Securities and Markets Authority's register of administrators and benchmarks under Regulation (EU) 2016/1011, as amended (the "EU Benchmarks Regulation").]

[As far as the Issuer is aware, as at the date hereof, [*administrator legal name*] does not fall within the scope of [Regulation (EU) 2016/1011, as amended (the "EU Benchmarks Regulation")]/[the EU Benchmarks Regulation].]

[As far as the Issuer is aware, the transitional provisions in Article 51 of [Regulation (EU) 2016/1011, as amended (the "EU Benchmarks Regulation")]/[the EU Benchmarks Regulation] apply, such that [*administrator legal name*] is not currently required to obtain

authorisation/registration (or, if located outside the [European Union]/[EU], recognition, endorsement or equivalence).]

[Not Applicable]

- (h) Any clearing system(s) other than DTC, Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [•]/[Not Applicable]
- (i) Delivery: Delivery [against]/[free of] payment
- (j) Names and addresses of additional Paying Agent(s) (if any): [•]/[Not Applicable]
- (k) Prohibition of Sales to EEA Retail Investors: [Applicable]/[Not Applicable]
- (l) Prohibition of Sales to UK Retail Investors: [Applicable]/[Not Applicable]

7. **THIRD PARTY INFORMATION**

[[•] has been extracted from [•]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading]/[Not Applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, subject to completion in accordance with the provisions of Part A of the applicable Final Terms (and save for the text in italics) will be incorporated by reference into each Global Note or Global Certificate (each as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note or Global Certificate and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

1. Introduction

NBK SPC Limited (the "**Issuer**") has established a Global Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$5,000,000,000 in aggregate principal amount of notes (the "**Notes**") outstanding.

Notes issued under the Programme will be issued in series (each, a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches of notes (each, a "**Tranche**") issued on the same or different issue dates. The specific terms of each Tranche (which will, save in respect of the denominations, issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in the applicable Final Terms (the "**Final Terms**"), which should be read in conjunction with these terms and conditions. The terms and conditions applicable to any particular Tranche of Note are these terms and conditions, as completed by the applicable Final Terms (together, the "**Conditions**"). In the event of any inconsistency between these Conditions and the applicable Final Terms, the applicable Final Terms shall prevail. The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"), as specified in the applicable Final Terms.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of, and the Registered Notes are constituted by, a deed of covenant (the "**Deed of Covenant**") dated 25 September 2023 and made by the Issuer and are the subject of a fiscal agency agreement (as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 25 September 2023 and made between the Issuer for the benefit of holders of the Notes ("**Noteholders**" or "**holders**"), the National Bank of Kuwait S.A.K.P. as guarantor (the "**Guarantor**"), Citibank N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor fiscal agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), as an exchange agent (the "**Exchange Agent**", which expression shall include any successor exchange agent) and as a transfer agent (the "**Transfer Agent**", which expression shall include any additional or successor transfer agents) and Citibank N.A., London Branch as the registrar (the "**Registrar**", which expression shall include any successor registrar). The payment of all amounts in respect of the Notes has been guaranteed by the Guarantor pursuant to a deed of guarantee (the "**Deed of Guarantee**") dated 25 September 2023 and executed by the Guarantor.

All subsequent references in these Terms and Conditions to "**Notes**" are to the Notes of the same Series.

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes (whether in bearer form or represented by a registered global note certificate (a "**Global Certificate**")) and Bearer Notes represented by a global bearer note (a "**Global Note**") do not have Receipts, Coupons or Talons attached on issue.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note or Global Certificate, be construed as provided below.

Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

Copies of the Agency Agreement, the Deed of Guarantee, a deed poll (the "**Deed Poll**") dated 25 September 2023 and made by the Issuer and the Guarantor and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the specified office of each of the Paying Agents, the Registrar and Transfer Agent (such Agents and the Registrar being together referred to as the "**Agents**") and copies may be obtained from the registered office of the Issuer, c/o Maples Fund Services (Middle East) Limited, Unit C1407, Level 14, Burj Daman, Dubai International Financial Centre ("**DIFC**"), Dubai, 506734, United Arab Emirates. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Guarantee, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

2. **Form, Denomination and Title**

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

The Notes may be Instalment Notes, Partly Paid Notes or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

The Notes will either be unsubordinated in the manner described under Condition 4.1 (*Status of the Senior Notes*) below (a "**Senior Note**") or subordinated in the manner described under Condition 4.3 (*Status of the Subordinated Notes*) below (a "**Subordinated Note**") depending upon the status specified in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note or Global Certificate, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note or Global Certificate held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time

being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Certificate shall be treated by the Issuer, the Guarantor and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note or Global Certificate and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly.

For so long as the Depository Trust Company ("DTC") or its nominee is the registered owner or holder of a Global Certificate, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Certificate for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note or Global Certificate will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be.

References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

3. **Transfers of Registered Notes**

3.1 **Transfer**

One or more Registered Notes may be transferred, in whole or in part in the Specified Denominations set out in the applicable Final Terms and subject to the minimum transfer amounts specified therein, upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Registered Note(s), together with the form of transfer endorsed on such Registered Note(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent (as applicable) may reasonably require, including for the purposes of establishing title to the relevant Registered Note, and the identity of the person making the request. In the case of a transfer of part only of a holding of a Registered Note, a new Registered Note shall be issued to the transferee in respect of the part transferred and a further new Registered Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. A copy of the current regulations will be made available by the Registrar or any Transfer Agent or Paying Agent to any Noteholder upon request.

3.2 **Delivery**

Each new Registered Note to be issued pursuant to Condition 3.1 (*Transfer*) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the Registered Note for exchange. Delivery of the new Registered Note(s) shall be made at the specified office of the Registrar or Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer of a Registered Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Registered Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or Transfer Agent the costs of such other method of delivery and such insurance as it may specify. In this Condition 3.2 (*Delivery*), "**business day**" means a day, other than a Saturday or

Sunday, on which banks are open for business in the place of the specified office of the Registrar or Transfer Agent (as the case may be).

3.3 **No Charge**

Transfers of Registered Notes shall be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent (as applicable), but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and security as the Registrar or relevant Transfer Agent may require).

3.4 **Restrictions on Transfer**

No Noteholder may require the transfer of a Registered Note to be registered during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount or interest amount in respect of, that Registered Note.

3.5 **Forced Transfer**

As specified in the Agency Agreement, if, at any time, the Issuer determines that any beneficial owner of Notes, or any account for which such owner purchased Notes, who is required to be a QIB is not a QIB, the Issuer may (a) compel such beneficial owner to sell its Notes to a person who is (i) a U.S. person who is a QIB and that is, in each case, otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act or (ii) not a U.S. person within the meaning of Regulation S or (b) compel the beneficial owner to sell such Notes to the Issuer or an affiliate thereof at a price equal to the lesser of (x) the purchase price paid by the beneficial owner for such Notes, (y) 100% of the principal amount thereof and (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of interests in a Restricted Global Certificate or of a Note in definitive form to a U.S. person who is not a QIB.

3.6 **Definitions**

In this Condition 3 (*Transfers of Registered Notes*), the following expressions shall have the following meanings:

"**QIB**" means a "qualified institutional buyer" within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Restricted Global Certificate**" means a Global Certificate representing Registered Notes sold in the United States or to persons that are QIBs;

"**Rule 144A**" means Rule 144A under the Securities Act; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

4. **Status**

4.1 **Status of the Senior Notes**

The Senior Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding. The Issuer shall execute such instruments and do or take any such action as may be required by the DIFC to ensure the effectiveness of such ranking following any change in any law or regulation relating thereto which becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and which requires the Issuer to take such action.

4.2 **Status of the Deed of Guarantee in respect of the Senior Notes**

The obligations of the Guarantor under the Deed of Guarantee in respect of the Senior Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 5 (*Negative*

Pledge) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

4.3 Status of the Subordinated Notes

The Subordinated Notes and any relative Receipts and Coupons are direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves.

In the event of:

- (a) an order being made, or an effective resolution being passed, for the winding-up of the Issuer or an analogous process under the laws of the DIFC (except, in any such case, a solvent winding-up or an analogous process under the laws of the DIFC solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reorganisation, reconstruction, amalgamation or substitution: (x) have previously been approved by an Extraordinary Resolution; and (y) do not provide that the Subordinated Notes shall thereby become redeemable or repayable in accordance with these Conditions); or
- (b) an administrator of the Issuer (or official with an analogous position under the laws of the DIFC) being appointed and such administrator (or official with an analogous position under the laws of the DIFC) giving notice that it intends to declare and distribute a dividend,

the rights and claims of the Noteholders against the Issuer in respect of, or arising under, including any damages awarded for breach of any obligations under, the Subordinated Notes (whether on account of principal, interest or otherwise) will be subordinated to the claims of all Senior Creditors but will rank at least *pari passu* with the claims of holders of all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the payment obligations under the Subordinated Notes and will rank in priority to all claims of holders of all undated or perpetual subordinated obligations of the Issuer and to all claims of holders of all classes of share capital of the Issuer.

In this Condition 4.3 (*Status of the Subordinated Notes*), "**Senior Creditors**" shall mean creditors of the Issuer (including depositors) whose claims are admitted to proof in the winding up or administration of the Issuer (or an analogous process under the laws of the DIFC) and who are unsubordinated creditors of the Issuer.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of setoff, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note. No collateral is or will be given for the payment obligations under the Subordinated Notes 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 payment obligations under the Subordinated Notes. The Issuer shall execute such instruments and do or take any such action as may be required by the DIFC to ensure the effectiveness of such ranking following any change in any law or regulation relating thereto which becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and which requires the Issuer to take such action.

4.4 Status of the Deed of Guarantee in respect of the Subordinated Notes

The Deed of Guarantee in respect of the Subordinated Notes is a direct, unsecured and subordinated obligation of the Guarantor.

In the event of:

- (a) an order being made, or an effective resolution being passed, for the winding-up of the Guarantor (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Guarantor of a successor in business of the Guarantor, the terms of which reorganisation, reconstruction, amalgamation or substitution: (x) have previously been approved by an

Extraordinary Resolution; and (y) do not provide that the Subordinated Notes shall thereby become redeemable or repayable in accordance with these Conditions); or

- (b) an administrator of the Guarantor (or official with an analogous position under Kuwaiti law) being appointed and such administrator (or official with an analogous position under Kuwaiti law) giving notice that it intends to declare and distribute a dividend,

the rights and claims of the Noteholders against the Guarantor under the Deed of Guarantee in respect of or arising under, including any damages awarded for breach of any obligations under, the Subordinated Notes will be subordinated to the claims of all Senior Creditors but will rank at least *pari passu* with the claims of holders of all other subordinated obligations of the Guarantor which do not rank or are not expressed by their terms to rank junior to the payment obligations of the Guarantor under the Deed of Guarantee in respect of the Subordinated Notes and will rank in priority to all claims of holders of all undated or perpetual subordinated obligations of the Guarantor and to all claims of holders of all classes of share capital of the Guarantor.

In this Condition 4.4 (*Status of the Deed of Guarantee in respect of the Subordinated Notes*), "**Senior Creditors**" shall mean creditors of the Guarantor (including depositors) whose claims are admitted to prove in the winding up or administration of the Guarantor and who are unsubordinated creditors of the Guarantor.

Each holder of a Subordinated Note 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 the Deed of Guarantee in respect of the Subordinated Notes. No collateral is or will be given for the payment obligations under the Deed of Guarantee in respect of the Subordinated Notes and any collateral that may have been or may in the future be given in connection with other indebtedness of the Guarantor shall not secure the payment obligations of the Guarantor under the Deed of Guarantee in respect of the Subordinated Notes.

5. Negative Pledge

This Condition 5 (*Negative Pledge*) only applies to Senior Notes.

So long as any Senior Note remains outstanding (as defined in the Agency Agreement), the Issuer will not, and will ensure that none of its Subsidiaries will create, or have outstanding any mortgage, charge, lien, pledge or other security interest (other than (i) arising solely by operation of law or (ii) a Permitted Security Interest) (each a "**Security Interest**"), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or payment under any guarantee or indemnity granted by the Issuer or any Subsidiary in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

The Guarantor has agreed in the Deed of Guarantee in respect of the Senior Notes that, so long as any Senior Note remains outstanding (as defined in the Agency Agreement), the Guarantor will not, and will ensure that none of its Principal Subsidiaries will create, or have outstanding, any Security Interest (other than (i) arising solely by operation of law or (ii) a Permitted Security Interest), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or payment under any guarantee or indemnity granted by the Guarantor or any Principal Subsidiary in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Deed of Guarantee the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In these Conditions:

"**Excluded Subsidiary**" at any time means a Subsidiary of the Guarantor which is a prescribed company whose principal assets are constituted by a project or projects and none of whose indebtedness is directly or indirectly the subject of security or a guarantee, indemnity or any other form of assurance, undertaking or support from the Guarantor or any of its Principal Subsidiaries;

"**Group**" means the Issuer and its Subsidiaries or the Guarantor and its Subsidiaries (as the case may be);

"**Indebtedness**" shall be construed so as to include any obligation for the payment or repayment of money, whether present or future, actual or contingent;

"**Permitted Security Interest**" means any Security Interest:

- (a) in respect of any Relevant Indebtedness of any member of the Group incurred:
 - (i) to finance the ownership, acquisition, development, redevelopment or operation of any asset; or
 - (ii) to finance or facilitate the receipt of any specified revenues or receivables,

in respect of which the person or persons to whom any such Relevant Indebtedness is or may be owed (for the purposes of this definition the "**Lender**") by such member of the Group (for the purposes of this definition the "**Borrower**") has or have no recourse whatsoever to any other member of the Group for the repayment thereof other than:

- (A) recourse to the relevant Borrower for amounts limited to the cash flow or the net cash flow from such asset, revenues or receivables, as the case may be; and/or
 - (B) recourse to the proceeds of enforcement of any Security Interest (x) given by such Borrower over such asset, revenue or receivable or the income, cash flow or other proceeds deriving therefrom ("**Relevant Property**") and/or (y) given by any owner of voting equity interest in a Borrower over such equity interest ("**Related Property**") to secure such Relevant Indebtedness **provided that** the extent of such recourse to such Borrower is limited solely to the amount of any recoveries made in respect of such enforcement, or
- (b) securing Relevant Indebtedness of any person existing at the time that such person is acquired by or merged into or consolidated with any member of the Group, **provided, however, that** such Security Interest was not created in contemplation of such acquisition, merger or consolidation and does not extend to any assets or property of any member of the Group other than that of such person prior to such acquisition, merger or consolidation, as the case may be;

"**Principal Subsidiary**" means a Subsidiary of the Guarantor (not being an Excluded Subsidiary):

- (a) whose total assets represent not less than 12 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries taken as a whole; or
- (b) whose net operating income is more than 12 per cent. of the consolidated net operating income of the Guarantor and its Subsidiaries taken as a whole,

all as calculated by reference to the then latest audited consolidated accounts of the Guarantor; or

- (c) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall immediately become a Principal Subsidiary but shall cease to be a Principal Subsidiary under this sub-paragraph (c) (but without prejudice to the provisions of sub-paragraph (a) or (b) above) upon publication of its next audited accounts.

A report by the Chief Executive Officer or the Chief Financial Officer of the Guarantor that in their opinion a Subsidiary of the Guarantor is or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Relevant Indebtedness" means any Indebtedness having an original maturity of more than one year which is in the form of, or represented or evidenced by, bonds, trust certificates, notes, debentures, loan stock or other securities which (with the consent of the issuer thereof) are for the time being listed or traded on a stock exchange or other recognised securities market other than any notes, bonds, trust certificates or other debt securities issued by an acquired Subsidiary prior to the date of the acquisition and not issued in contemplation of such acquisition; and

"Subsidiary" means, in respect of any person (the **"first person"**) at any particular time, any other person (the **"second person"**):

- (a) whose affairs and policies the first person controls or has the power to control (directly or indirectly), whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

6. Interest

6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **"Fixed Interest Period"** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note or Global Certificate, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note or Global Certificate (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1 (*Interest on Fixed Rate Notes*):

- (a) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest

Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of: (A) the number of days in such Determination Period; and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (c) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365.

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Final Terms; and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

6.2 Interest on Floating Rate Notes

(a) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each "**Interest Period**" (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date)

or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

In these Conditions, if a "**Business Day Convention**" is specified in the applicable Final Terms and: (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur; or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii) (*Interest Payment Dates*) above, the Floating Rate Convention, such Interest Payment Date: (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis*; or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day; and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day save in respect of Notes for which the Reference Rate is SOFR, for which the final Interest Payment Date will not be postponed and interest on that payment will not accrue during the period from and after the scheduled final Interest Payment Date; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions:

"**Business Day**" means a day which is both:

- (i) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and
- (ii) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively); or (ii) in relation to any sum payable in euro, a day on which the Real-Time Gross Settlement system operated by the Eurosystem or any successor system (the "**T2 System**") is open; and

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the applicable Final Terms.

(b) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ***Screen Rate Determination for Floating Rate Notes not Referencing SOFR, SONIA or €STR***

(A) Where Screen Rate Determination not Referencing SOFR, SONIA or €STR is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest (other than in respect of Notes for which SOFR, SONIA or €STR is specified as the Reference Rate in the applicable Final Terms) for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

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

(B) If the Relevant Screen Page is not available or, if Condition 6.2(b)(i)(A)(1) (*Rate of Interest*) applies and no such offered quotation appears on the Relevant Screen Page, or, if Condition 6.2(b)(i)(A)(2) (*Rate of Interest*) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the Relevant Time, subject as provided below, the Issuer shall request the principal Relevant Financial Centre office of each of the Reference Banks to provide the Fiscal Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Fiscal Agent; and

(C) If paragraph (B) above applies and the Fiscal Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre interbank market or, if fewer than two of the Reference Banks provide the Fiscal Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used

for the Reference Rate, at which, the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Fiscal Agent it is quoting to leading banks in the Relevant Financial Centre interbank market provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, but without prejudice to Condition 6.2(h) (*Benchmark replacement*) the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period).

- (D) If the Rate of Interest cannot be determined because of the occurrence of a Benchmark Event, the Rate of Interest shall be calculated in accordance with the terms of Condition 6.2(h) (*Benchmark replacement*).

For the purposes of this Condition 6.2(b)(i) (*Rate of Interest*):

"Interest Determination Date" has the meaning given in the applicable Final Terms;

"Reference Banks" means four major banks selected by the Issuer in the interbank market that is most closely connected with the Reference Rate;

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

- (a) CBK Discount Rate;
- (b) EIBOR;
- (c) EURIBOR;
- (d) HIBOR;
- (e) KIBOR;
- (f) KLIBOR;
- (g) SAIBOR;
- (h) SOFR;
- (i) SONIA;
- (j) SIBOR;
- (k) TIBOR;
- (l) TRLIBOR or TRYLIBOR; and
- (m) €STR;

"Relevant Financial Centre" means the financial centre specified as such in the applicable Final Terms;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms (or such replacement page on that service which displays the information); and

"**Relevant Time**" means the time specified as such in the applicable Final Terms.

- (ii) **Screen Rate Determination for Floating Rate Notes Referencing SOFR, SONIA or €STR (other than where in the applicable Final Terms the Reference Rate is specified as being SONIA and the Calculation Method is specified as being "SONIA Index"):**

Where Screen Rate Determination Referencing SOFR, SONIA or €STR is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate specified in the applicable Final Terms is SOFR, SONIA or €STR (other than where the Calculation Method is specified as being "SONIA Index"):

- (A) Where the Calculation Method is specified in the applicable Final Terms as being "Compounded Daily", the Rate of Interest for each Interest Period will, subject as provided below, be the Compounded Daily Reference Rate plus or minus (as indicated in the applicable Final Terms the Margin, all as determined by the Fiscal Agent, where:

"**Compounded Daily Reference Rate**" means, with respect to an Interest Period, the rate of return of a daily compound interest investment in the Specified Currency (with the applicable Reference Rate (as indicated in the applicable Final Terms and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Fiscal Agent on the Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{r_{i-DD} \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

"**Applicable Period**" means,

- (a) where "Lag", "Lock-out" or "Payment Delay" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Period; and
- (b) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the Observation Period relating to such Interest Period;

"**Business Day**" or "**BD**" in this Condition means (i) where "SOFR" is specified as the Reference Rate, a U.S. Government Securities Business Day, (ii) where "SONIA" is specified as the Reference Rate, a London Banking Day or (iii) where "€STR" is specified as the Reference Rate, a TARGET Settlement Day;

"**D**" is the number specified in the applicable Final Terms;

"**d**" means, for the relevant Applicable Period, the number of calendar days in such Applicable Period;

"**d_o**" means, for the relevant Applicable Period, the number of Business Days in such Applicable Period;

"**Effective Interest Payment Date**" means any date or dates specified as such in the applicable Final Terms;

"€STR" means, in respect of any Business Day, a reference rate equal to the daily euro short term rate for such Business Day as provided by the European Central Bank, as administrator of such rate (or any successor administrator of such rate), on the European Central Bank's Website, in each case, on or before 9:00 a.m., (Central European Time) on the Business Day immediately following such Business Day;

"European Central Bank's Website" means the website of the European Central Bank currently at <http://www.ecb.europa.eu>, or any successor website officially designated by the European Central Bank;

"i" means, for the relevant Applicable Period, a series of whole numbers from one to do, each representing the relevant Business Day in chronological order from, and including, the first Business Day in such Applicable Period;

"Lock-out Period" means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Period Date;

"n_i", for any Business Day "i" in the Applicable Period, means the number of calendar days from and including such Business Day "i" up to but excluding the following Business Day;

"New York Fed's Website" means the website of the Federal Reserve Bank of New York currently at <http://www.newyorkfed.org>, or any successor website of the Federal Reserve Bank of New York;

"Observation Period" means, in respect of an Interest Period, the period from and including the date falling "p" Business Days prior to the first day of the relevant Interest Period and ending on, but excluding, the date which is "p" Business Days prior to the Interest Period Date for such Interest Period (or the date falling "p" Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"p" means, for any Interest Period:

- (a) where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of Business Days included in the Observation Look-back Period specified in the applicable Final Terms (or, if no such number is specified two Business Days);
- (b) where "Lock-out" or "Payment Delay" is specified as the Observation Method in the applicable Final Terms, zero; or
- (c) where "Observation Shift" or "SOFR Index" is specified as the Observation Method in the applicable Final Terms, the number of Business Days included in the Observation Look-back Period specified in the applicable Final Terms (which shall not be less than two Business Days without the consent of the Fiscal Agent);

"r" means:

- (a) where in the applicable Final Terms "SOFR" is specified as the Reference Rate and either "Lag" or "Observation Shift" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day;
- (b) where in the applicable Final Terms "SONIA" is specified as the Reference Rate and either "Lag" or "Observation Shift" is

specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day;

- (c) where in the applicable Final Terms "€STR" is specified as the Reference Rate and either "Lag" or "Observation Shift" is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day;
- (d) where in the applicable Final Terms "SOFR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:
 - (i) in respect of any Business Day "i" that is a Reference Day, the SOFR in respect of the Business Day immediately preceding such Reference Day, and
 - (ii) in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SOFR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (e) where in the applicable Final Terms "SONIA" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:
 - (i) in respect of any Business Day "i" that is a Reference Day, the SONIA rate in respect of the Business Day immediately preceding such Reference Day, and
 - (ii) in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SONIA rate in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (f) where in the applicable Final Terms "€STR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:
 - (i) in respect of any Business Day "i" that is a Reference Day, the €STR in respect of the Business Day immediately preceding such Reference Day, and
 - (ii) in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the €STR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (g) where in the applicable Final Terms "SOFR" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the SOFR in respect of the Rate Cut-off Date;

- (h) where in the applicable Final Terms "SONIA" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the SONIA rate in respect of the Rate Cut-off Date; and
- (i) where in the applicable Final Terms "€STR" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day, provided however that, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the €STR in respect of the Rate Cut-off Date;

"Rate Cut-off Date" has the meaning given in the applicable Final Terms;

"Reference Day" means each Business Day in the relevant Interest Period, other than any Business Day in the Lock-out Period;

" r_{i-pBD} " means the applicable Reference Rate as set out in the definition of "r" above for, (i) where "Lag" is specified as the Observation Method in the applicable Final Terms, the Business Day (being a Business Day falling in the relevant Observation Period) falling "p" Business Days prior to the relevant Business Day "i" or, (ii) otherwise, the relevant Business Day "i";

"SOFR" means, in respect of any Business Day, a reference rate equal to the daily Secured Overnight Financing Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Fed's Website, in each case on or about 5:00 p.m. (New York City Time) on the Business Day immediately following such Business Day (the **"SOFR Determination Time"**);

"SONIA" means, in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors in each case on the Business Day immediately following such Business Day; and

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

- (B) Where the Calculation Method is specified in the applicable Final Terms as being "Weighted Average", the Rate of Interest for each Interest Period will, subject to as provided below, be the Weighted Average Reference Rate (as defined below) plus or minus (as indicated in the applicable Final Terms the Margin and will be calculated by the Fiscal Agent on the Interest Determination Date and the resulting percentage will be rounded, if

necessary, to the fifth decimal place, with 0.000005 being rounded upwards, where:

"Business Day" has the meaning set out in paragraph (A) above;

"Lock-out Period" has the meaning set out in paragraph (A) above;

"Observation Period" has the meaning set out in paragraph (A) above;

"Reference Day" has the meaning set out in paragraph (A) above; and

"Weighted Average Reference Rate" means:

- (a) where "Lag" is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day; and
 - (b) where "Lock-out" is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Interest Period, calculated by multiplying each relevant Reference Rate by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Period, provided however that for any calendar day of such Interest Period falling in the Lock-out Period, the relevant Reference Rate for each day during that Lock-out Period will be deemed to be the Reference Rate in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall, subject to the proviso above, be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day.
- (C) Where the Calculation Method is specified in the applicable Final Terms as being "SOFR Index", the Rate of Interest for each Interest Period will, subject as provided below, be the SOFR Index Reference Rate (as defined below) plus or minus (as indicated in the applicable Final Terms) the Margin and will be calculated by the Fiscal Agent on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards, where:

"p" has the meaning set out in paragraph (A) above;

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

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

- (a) the SOFR Index value as published by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) as such index appears on the New York

Fed's Website at 5.00 p.m. (New York City time) on such U.S. Government Securities Business Day (the "SOFR Determination Time"); or

- (b) if a SOFR Index value does not so appear as specified in (a) above at the SOFR Determination Time, then:
- (i) if a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to the then-current Benchmark, the SOFR Index Reference Rate shall be the SOFR Index Unavailable value; or
 - (ii) if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, then the SOFR Index Reference Rate shall be the rate determined pursuant to Condition 6.2(h) (*Benchmark replacement*);

"**SOFR Index_{End}**" is the SOFR Index value for the day which is "p" U.S. Government Securities Business Days preceding the Interest Period Date relating to such Interest Period;

"**SOFR Index Reference Rate**" means:

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

where "**d_c**" is the number of calendar days from (and including) SOFR Index_{Start} to (but excluding) SOFR Index_{End} (the number of calendar days in the relevant Observation Period);

"**SOFR Index_{Start}**" is the SOFR Index value for the day which is "p" U.S. Government Securities Business Days preceding the first date of the relevant Interest Period;

"**SOFR Index Unavailable**" means if a SOFR Index_{Start} or SOFR Index_{End} is not published on the associated Interest Determination Date and a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to the then-current Benchmark, "SOFR Index Reference Rate" means, for the relevant Interest Period for which such index is not available, the rate of return on a daily compounded interest investment calculated in accordance with the formula for SOFR Averages, and definitions required for such formula, published on the Federal Reserve Bank of New York's website at <https://www.newyorkfed.org/markets/treasury-repo-referenceratesinformation>. For the purposes of this provision, references in the SOFR Averages compounding formula and related definitions to "calculation period" shall be replaced with "Observation Period" and the words "that is, 30-, 90-, or 180- calendar days" shall be removed. If the daily SOFR does not so appear for any day, "i" in the Observation Period, SOFR for such day "i" shall be SOFR published in respect of the first preceding U.S. Government Securities Business Day for which SOFR was published on the Federal Reserve Bank of New York's website.

- (D) where "SONIA" is specified as the Reference Rate in the applicable Final Terms, if, in respect of any Business Day, SONIA (as defined in paragraph (A) above) is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such Reference Rate shall be:

- (1) (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant Business Day; plus (ii) the mean of the spread of SONIA to the Bank Rate over the previous five days on which SONIA has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or
- (2) subject to Condition 6.2(h) (*Benchmark replacement*), if such Bank Rate is not available, the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors),

and in each case, "r" shall be interpreted accordingly.

- (E) Where "SOFR" is specified as the Reference Rate in the applicable Final Terms, if, in respect of any Business Day, SOFR (as defined in paragraph (A) above), is not available, subject to Condition 6.2(h) (*Benchmark replacement*), such Reference Rate shall be the SOFR for the first preceding Business Day on which the SOFR was published on the New York Fed's Website (as defined in paragraph (A) above) and "r" shall be interpreted accordingly.
- (F) Where "€STR" is specified as the Reference Rate in the applicable Final Terms, if, in respect of any Business Day, €STR (as defined in paragraph (A) above), is not available, subject to Condition 6.2(h) (*Benchmark replacement*), such Reference Rate shall be the €STR for the first preceding Business Day on which €STR was published on the European Central Bank's Website (as defined in paragraph (A) above) and "r" shall be interpreted accordingly.
- (G) If the Rate of Interest cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 6.2(h) (*Benchmark replacement*), the Rate of Interest shall be that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest relating to the first Interest Period).
- (H) If the relevant Series of Notes become due and payable in accordance with Condition 8 (*Redemption and Purchase*) or Condition 11 (*Events of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

(I) For the purposes of this Condition 6.2(b)(ii) (*Rate of Interest*), if "Payment Delay" is specified in the applicable Final Terms as being applicable, all references in these Conditions to interest on the Notes being payable on an Interest Payment Date or Interest Period Date shall be read as references to interest on the Notes being payable on an Effective Interest Payment Date instead.

(iii) **Screen Rate Determination for Floating Rate Notes where in the applicable Final Terms the Reference Rate is specified as being SONIA and the relevant Calculation Method is specified as being "SONIA Index":**

Where Screen Rate Determination Referencing SOFR, SONIA or €STR is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Reference Rate specified in the applicable Final Terms is SONIA, and the Calculation Method specified in the applicable Final Terms is "SONIA Index", the Rate of Interest for each Interest Period will, subject as provided below, be the Compounded Daily SONIA Rate (as defined below) plus or minus (as indicated in the applicable Final Terms) the Margin, all as determined by the Fiscal Agent, where:

"**Compounded Daily SONIA Rate**" means, with respect to an Interest Period, as determined by reference to the screen rate or index for compounded daily SONIA administered by the administrator of the SONIA reference rate that is published or displayed by such administrator or other information service from time to time at the relevant time on the relevant Interest Determination Date, as further specified in the applicable Final Terms (the "SONIA Compounded Index")) and in accordance with the following formula:

$$\text{"Compounded Daily SONIA Rate"} = \left(\frac{\text{SONIA Compounded Index}_{\text{IndexEnd}}}{\text{SONIA Compounded Index}_{\text{IndexStart}}} - 1 \right) \times \frac{365}{d}$$

and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards, where:

"**d**" is the number of calendar days from (and including) the day in relation to which SONIA Compounded IndexStart is determined to (but excluding) the day in relation to which SONIA Compounded IndexEnd is determined;

"**Relevant Number**" is as specified in the applicable Final Terms (or, if no such number is specified, five);

"**SONIA Compounded IndexStart**" means, with respect to an Interest Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to the first day of the relevant Interest Period; and

"**SONIA Compounded IndexEnd**" means, with respect to an Interest Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to (A) the Interest Payment Date for such Interest Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period).

(A) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions (unless the Fiscal Agent has been notified of any Successor Rate or Alternative Reference Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 6.2(h) (*Benchmark replacement*) below, if applicable), the Rate of Interest shall be determined in accordance with Condition 6.2(d) (*Determination of Rate of Interest and calculation of Interest Amounts*).

- (B) If the Notes become due and payable in accordance with Condition 11 (*Events of Default*), the final Rate of Interest shall be calculated for the Interest Period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in Condition 6.4 (*Accrual of interest*).

(c) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(d) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Fiscal Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Fiscal Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note or Global Certificate, the aggregate outstanding nominal amount of the Notes represented by such Global Note or Global Certificate (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2 (*Interest on Floating Rate Notes*):

- (a) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of: (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (b) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

- (c) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (d) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (e) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

Where:

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

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

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

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

where: "**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls; and

"**D₁**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and "**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

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

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

Where:

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

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless: (i) that day is the last day of February; or (ii) such number would be 31, in which case D₁ will be 30; and

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

(e) ***Linear Interpolation***

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Period, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate, one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period **provided that**, if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Fiscal Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"Applicable Maturity" means the period of time designated in the Reference Rate.

(f) ***Notification of Rate of Interest and Interest Amounts***

The Fiscal Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to a stock exchange and the second London Business Day after the Interest Determination Date in all other cases) and notice thereof to be published in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Guarantor, the Fiscal Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(h) ***Benchmark replacement***

(i) ***Independent Adviser***

Notwithstanding any other provisions of Condition 6.2 (*Interest on Floating Rate Notes*) but subject, in the case of Notes linked to SONIA, to Condition 6.2(iii)(D)(1) above or Condition 6.2(iv) above, if the Guarantor determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Final Terms when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply (other than where in the applicable Final Terms "Condition 6.2(h)(ii) (*ARRC*) is applicable" is specified for the Benchmark Replacement fall back):

- (A) the Guarantor shall use reasonable endeavours to appoint an Independent Adviser as soon as reasonably practicable to determine a Successor Rate or, alternatively, if the Independent Adviser determines that there is no Successor Rate, an Alternative Reference Rate and (in either case) an Adjustment Spread no later than five Business Days prior to the Interest Determination Date relating to the next succeeding Interest Period (the "**Interest Period Determination Cut-off Date**") for the purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods (subject to the operation of this Condition 6.2(h) (*Benchmark replacement*) in its entirety);
- (B) if: (1) the Guarantor is unable to appoint an Independent Adviser; or (2) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Reference Rate, and/or (in either case) an Adjustment Spread, prior to the relevant Interest Period Determination Cut-off Date in accordance with subparagraph (A) above, then the Guarantor (acting in good faith and in a commercially reasonable manner) may elect to determine a Successor Rate or, if the Guarantor determines that there is no Successor Rate, an Alternative Reference Rate and (in either case) an Adjustment Spread itself for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes for all future Interest Periods (subject to the operation of this Condition 6.2(h) (*Benchmark replacement*) in its entirety); **provided, however**, that if this subparagraph (B) applies and the Guarantor has failed to determine a Successor Rate or an Alternative Reference Rate and (in either case) the applicable Adjustment Spread, prior to the Interest Determination Date relating to the next succeeding Interest Period in accordance with this subparagraph (B), the Rate of Interest applicable to such Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period (which may be the initial Rate of Interest) (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period for which the Rate of Interest

was determined, the Margin relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period).

For the avoidance of doubt, if this subparagraph (B) applies and the Guarantor has failed to determine a Successor Rate or an Alternative Reference Rate and (in either case) the applicable Adjustment Spread, prior to the Interest Determination Date relating to the next succeeding Interest Period in accordance with this subparagraph (B), this subparagraph (B) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the operation of this Condition 6.2(h) (*Benchmark replacement*) in its entirety;

- (C) if a Successor Rate or an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or Alternative Reference Rate (as applicable) shall be the Reference Rate for all future Interest Periods (subject to the operation of this Condition 6.2(h) (*Benchmark replacement*) in its entirety including in the event of a further Benchmark Event affecting the Successor Rate or the Alternative Reference Rate);
- (D) the Adjustment Spread (or the formula for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be). If, however, the Independent Adviser (in consultation with the Guarantor) or the Guarantor (acting in good faith and in a commercially reasonable manner) (as applicable) is unable to determine, prior to the Interest Determination Date relating to the next succeeding Interest Period, the quantum of, or a formula or methodology for determining such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;
- (E) if the Independent Adviser or the Guarantor (as the case may be) determines a Successor Rate or an Alternative Reference Rate and (in each case) the applicable Adjustment Spread, in accordance with the above provisions, the Independent Adviser (in consultation with the Guarantor) or the Guarantor (acting in good faith and in a commercially reasonable manner) may also specify changes to these Conditions, including to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Day, Interest Determination Date, Interest Payment Dates and/or the definition of Reference Rate or Adjustment Spread applicable to the Notes (and in each case, related provisions and definitions), and the method for determining the fallback rate in relation to the Notes, in order to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (as applicable) (such amendments, the "**Benchmark Amendments**") and the Guarantor shall, subject to giving notice thereof in accordance with Condition 6.2(h)(i)(G) (*Independent Adviser*), without any requirement for the consent or approval of the Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice and such Benchmark Amendments shall apply to the Notes for all future Interest Periods (subject to the operation of this Condition 6.2(h) (*Benchmark replacement*) in its entirety) provided that no such Benchmark Amendments shall impose more onerous obligations on the Fiscal Agent or expose it to any additional duties or liabilities, or decrease its rights and protections, unless the Fiscal Agent consents;
- (F) an Independent Adviser appointed pursuant to this Condition 6.2(h) (*Benchmark replacement*) shall act in a commercially reasonable manner, in good faith and subject as aforesaid (in the absence of fraud), shall have

no liability whatsoever to the Guarantor, the Fiscal Agent or Noteholders for any determination made by it or for any advice given to the Guarantor in connection with any determination made by the Guarantor pursuant to this Condition 6.2(h) (*Benchmark replacement*) No Noteholder consent shall be required in connection with effecting the Successor Rate or the Alternative Reference Rate (as applicable), any Adjustment Spread or such other changes pursuant to subparagraph (E), including for the execution of any documents, amendments or other steps by the Guarantor or the Fiscal Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and Interest Amounts) (if required); and

- (G) the Guarantor shall, promptly following the determination of any Successor Rate, Alternative Reference Rate or Adjustment Spread, give notice thereof and of any Benchmark Amendments pursuant to subparagraph (E) above to the Fiscal Agent (or such other person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and Interest Amounts) and the Noteholders in accordance with Condition 15 (*Notices*).

For the purpose of these Conditions:

"Adjustment Spread" means either: (a) a spread (which may be positive, negative or zero); or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

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

"Alternative Reference Rate" means an alternative benchmark or screen rate that the Independent Adviser (in consultation with the Guarantor) or the Guarantor (acting in good faith and in a commercially reasonable manner) (as applicable) determines is customarily applied in international debt capital markets transactions for the purposes of determining floating rates of interest (or the relevant component part thereof) in respect of Notes denominated in the same Specified Currency and

of a comparable duration to the relevant Interest Period or, if the Independent Adviser (in consultation with the Guarantor) or the Guarantor (acting in good faith and in a commercially reasonable manner) (as applicable) determines that there is no such rate, such other rate as the Independent Adviser (in consultation with the Guarantor) or the Guarantor (acting in good faith and in a commercially reasonable manner) (as applicable) determines in its discretion is most comparable to the relevant Reference Rate;

"Benchmark Event" means:

- (a) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (b) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **"Specified Future Date"**); or
- (c) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a Specified Future Date, be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a Specified Future Date, be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or
- (e) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, (i) such Reference Rate is or will, by a Specified Future Date, be no longer representative of an underlying market or (ii) the methodology to calculate such Reference Rate has materially changed; or
- (f) it has or will, by a specified date within the following six months, become unlawful for the Fiscal Agent or the Guarantor to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (b), (c), (d) or (e) above and the relevant Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date;

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

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser experienced in the international capital markets, in each case appointed by the Guarantor at its own expense;

"ISDA" means the International Swaps and Derivatives Association, Inc.;

"Relevant Nominating Body" means, in respect of a Reference Rate:

- (a) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the reference rate relates, or any central bank or other

supervisory authority which is responsible for supervising the administrator of the reference rate; or

- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of:
 - (i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the reference rate relates;
 - (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate;
 - (iii) a group of the aforementioned central banks or other supervisory authorities;
 - (iv) the International Swaps and Derivatives Association, Inc. or any part thereof; or
 - (v) the Financial Stability Board or any part thereof; and

"Successor Rate" means the reference rate that is formally recommended by any Relevant Nominating Body as a successor to or replacement of the relevant Reference Rate.

(ii) *ARRC*

This Condition 6.2(h)(ii) (*ARRC*) shall apply, in the case of Notes for which the Specified Currency specified in the applicable Final Terms is U.S. dollars and the Reference Rate specified in the applicable Final Terms is SOFR, if in the applicable Final Terms "Condition 6.2(h)(ii) (*ARRC*) is applicable" is specified for the Benchmark Replacement fall back:

If the Guarantor determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Guarantor will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of Noteholders.

Any determination, decision or election that may be made by the Guarantor pursuant to this Condition 6.2(h)(ii) (*ARRC*), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

- (A) will be conclusive and binding absent manifest error;
- (B) will be made in the sole discretion of the Guarantor (acting in a commercially reasonable manner); and
- (C) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

For the purpose of this Condition:

"Benchmark" means, initially, SOFR; provided that if the Guarantor determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-

current Benchmark, then "**Benchmark**" shall mean the applicable Benchmark Replacement;

"Benchmark Replacement" means, in the case of Notes where the Reference Rate is SOFR, the first alternative set forth in the order below that can be determined by the Guarantor as of the Benchmark Replacement Date:

- (a) the sum of: (1) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark; and (2) the Benchmark Replacement Adjustment;
- (b) the sum of: (1) the ISDA Fallback Rate; and (2) the Benchmark Replacement Adjustment; or
- (c) the sum of: (1) the alternate rate of interest that has been selected by the Guarantor as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time; and (2) the Benchmark Replacement Adjustment;

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

- (a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (c) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Guarantor giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

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

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark:

- (a) in the case of clause (a) or (b) of the definition of "Benchmark Transition Event", the later of: (1) the date of the public statement or publication of information referenced therein; and (2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

- (b) in the case of clause (c) of the definition of "Benchmark Transition Event", the date of the public statement or publication of information referenced therein.

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

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

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

"ISDA Definitions" means either the 2006 ISDA Definitions as published by ISDA and as amended and updated as at the Issue Date of the first Tranche of the Notes, or the latest version of the 2021 ISDA Interest Rate Derivates Definitions as published by ISDA as at the Issue Date of the first Tranche of the Notes, as applicable;

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

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"Reference Time" with respect to any determination of the Benchmark means: (a) if the Benchmark is SOFR, the SOFR Determination Time, and (b) if the Benchmark is not SOFR, the time determined by the Guarantor after giving effect to the Benchmark Replacement Conforming Changes;

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

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

Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 6.2(h)(ii) (*ARRC*) will be notified promptly by the Guarantor to the Agents and, in accordance with Condition 15 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Fiscal Agent of the same, the Guarantor shall deliver to the Fiscal Agent a certificate signed by a director or a duly Authorised Signatory of the Guarantor:

- (a) confirming: (1) that a Benchmark Transition Event has occurred; (2) the relevant Benchmark Replacement; and (3) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 6.2(h)(ii) (*ARRC*); and
- (b) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

6.3 **Interest on Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes.

6.4 **Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

7. **Payments**

7.1 **Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*).

7.2 **Presentation of definitive Bearer Notes, Receipts and Coupons**

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 (*Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes,

and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7.1 (*Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph.

Payment of the final instalment will be made in the manner provided in Condition 7.1 (*Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

7.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment so made, distinguishing between any payment of principal and any payment of interest, will be made on any Global Note in bearer form by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

7.4 **Payments in respect of Registered Notes**

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if: (i) a holder does not have a Designated Account; or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business (in the relevant clearing system) on the day prior (whether or not such day is a business day) to the relevant due date (the "**Record Date**") at their address shown in the Register on the Record Date and at their risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition 7.4 (*Payments in respect of Registered Notes*) arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Global Certificate in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

The holder of a Global Note or Global Certificate shall be the only person entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note or Global Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for their share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note or Global Certificate.

Notwithstanding the foregoing provisions of this Condition 7 (*Payments*), if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer and the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

7.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10 (*Prescription*)) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation;
 - (ii) each Additional Business Centre specified in the applicable Final Terms;
 - (iii) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively); or (ii) in relation to any sum payable in euro, a day on which the T2 System is open; and
 - (iv) in the case of any payment in respect of a Global Certificate denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Global Certificate) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

7.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9 (*Taxation*);
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts; and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes. Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

8. Redemption and Purchase

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount, in the relevant Specified Currency on the Maturity Date, in each case, as specified in the applicable Final Terms.

8.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Notes are not Floating Rate Notes) or on any Interest Payment Date (if the Notes are Floating Rate Notes), on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Relevant Tax Jurisdiction (as defined in Condition 9 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 8.2 (*Redemption for tax reasons*), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8.2 (*Redemption for tax reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 8.5 (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 **Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (*Notices*); and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Fiscal Agent and, in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC, in the case of Redeemed Notes represented by a Global Note or Global Certificate, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note or Global Certificate will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.3 (*Redemption at the option of the Issuer (Issuer Call)*) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*) at least five days prior to the Selection Date.

8.4 **Redemption at the option of the Noteholders (Investor Put)**

This Condition 8.4 (*Redemption at the option of the Noteholders (Investor Put)*) only applies to Senior Notes.

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 (*Notices*) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem or, at the Issuer's option, purchase (or procure the purchase of), subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed or, as the case may be, purchased under this Condition in any multiple of their lowest Specified Denomination. An Investor Put can only be exercised in accordance with this Condition 8.4 (*Redemption at the option of the Noteholders (Investor Put)*), as completed by the applicable Final Terms.

To exercise the right to require redemption of Notes pursuant to this Condition 8.4 (*Redemption at the option of the Noteholders (Investor Put)*) the holder of the relevant Note must, if such Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition 8.4 (*Redemption at the option of the Noteholders (Investor Put)*) and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an

address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 3 (*Transfers of Registered Notes*). If the Notes are in definitive bearer form, the Put Notice must be accompanied by the relevant Note or evidence satisfactory to the Paying Agent concerned that such Note will, following delivery of the Put Notice, be held to its order or under its control. If the Notes are represented by a Global Note or Global Certificate or are in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of a Note the holder of the relevant Note must, within the notice period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on their instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time and if the Notes are represented by a Global Note or Global Certificate, at the same time present or procure the presentation of the Global Note or Global Certificate to the Fiscal Agent or Registrar (as applicable) for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC given by a holder of any Note pursuant to this Condition 8.4 (*Redemption at the option of the Noteholders (Investor Put)*) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 (*Redemption at the option of the Noteholders (Investor Put)*) and instead to declare such Note forthwith due and payable pursuant to Condition 11 (*Events of Default*).

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 (*Redemption for tax reasons*) above and Condition 11 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)^y$$

Where:

"RP" means the Reference Price;

"AY" means the Accrual Yield expressed as a decimal; and

"y" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360 day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360.

8.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.5 (*Early Redemption Amounts*).

8.7 **Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of Conditions 8.1 (*Redemption at maturity*) to 8.5 (*Early Redemption Amounts*) above and as completed by the applicable Final Terms.

8.8 **Purchases**

The Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor may, at any time purchase Notes (**provided that**, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent for cancellation.

8.9 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.8 (*Purchases*) (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

8.10 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1 (*Redemption at maturity*), 8.2 (*Redemption for tax reasons*), 8.3 (*Redemption at the option of the Issuer (Issuer Call)*) or 8.4 (*Redemption at the option of the Noteholders (Investor Put)*) above or upon its becoming due and repayable as provided in Condition 11 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5(c) (*Early Redemption Amounts*) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

9. **Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer and all payments under the Deed of Guarantee by the Guarantor will be made without withholding, retention or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Relevant Tax Jurisdiction unless such withholding, retention or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding, retention or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding, retention or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in a Relevant Tax Jurisdiction; or
- (b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of their having some connection with a Relevant Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on

presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6 (*Payment Day*)).

As used herein:

- (i) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*); and
- (ii) "**Relevant Tax Jurisdiction**" means in the case of any payment by the Issuer, the United Arab Emirates (including the DIFC) or, in the case of any payment by the Guarantor, the State of Kuwait or, in either case, any political subdivision or any authority thereof or therein having power to tax.

Notwithstanding anything to the contrary in these Conditions, the Issuer and the Guarantor shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, the Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Issuer, the Guarantor, any paying agent or any other person shall be required to pay any additional amounts with respect to any such withholding or deduction imposed on or with respect to any Note.

10. **Prescription**

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 10 (*Prescription*) or any Talon which would be void pursuant to Condition 7.2 (*Presentation of definitive Bearer Notes, Receipts and Coupons*).

11. **Events of Default**

11.1 **Event of Default for Senior Notes**

This Condition 11.1 (*Event of Default for Senior Notes*) only applies to Senior Notes.

If any one or more of the following events (each an "**Event of Default**") shall occur and be continuing:

(a) ***Non Payment***

Default is made in the payment of any principal or interest due in respect of the Notes or any of them or the Deed of Guarantee and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(b) ***Breach of Obligations***

The Issuer or the Guarantor fails to perform or observe any of its other obligations under the Conditions or the Deed of Guarantee and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer or the Guarantor of notice requiring the same to be remedied; or

(c) ***Cross Acceleration***

- (i) any Indebtedness of the Issuer or the Guarantor or any of the Guarantor's Principal Subsidiaries for or in respect of moneys borrowed or raised is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such Indebtedness becomes due and payable prior to its stated maturity by reason of default (however described); or
- (iii) the Issuer or the Guarantor or any of the Guarantor's Principal Subsidiaries fails to pay when due any amount payable by it under any guarantee of any Indebtedness for or in respect of moneys borrowed or raised,

provided that the events mentioned in this paragraph (c) shall not constitute an Event of Default unless the aggregate amount of all such Indebtedness for or in respect of moneys borrowed or raised, either alone or when aggregated with all other such Indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than U.S.\$50,000,000 (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) ***Liquidation and Other Events***

- (i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries, save in connection with a Permitted Reorganisation; or
- (ii) the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save in connection with a Permitted Reorganisation, or the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (iii) proceedings are initiated against the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer, the Guarantor or the relevant Principal Subsidiary, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them; and in any case (other than the appointment of an administrator) is not discharged within 30 days; or
- (iv) the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or, save in connection with a Permitted Reorganisation, any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

- (v) any event occurs which under the laws of the DIFC, the United Arab Emirates or any Emirate therein, the State of Kuwait or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iv) above.

(e) ***Authorisation and Consents***

Any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Conditions or the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes or the Deed of Guarantee admissible in evidence in the courts of the DIFC, the United Arab Emirates or any Emirate therein or the State of Kuwait is not taken, fulfilled or done; or

(f) ***Illegality***

At any time it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any or all of its obligations under or in respect of the Notes or the Deed of Guarantee or any of the material obligations of the Issuer or the Guarantor thereunder are not or cease to be legal, valid, binding or enforceable; or

(g) ***Cessation of the Deed of Guarantee***

The Deed of Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect,

then any holder of a Note may, by written notice to the Issuer and the Guarantor at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

In these Conditions:

"Permitted Reorganisation" means:

- (i) any disposal by any Subsidiary of the Guarantor of the whole or a substantial part of its business, undertaking or assets to the Guarantor or other Subsidiary of the Guarantor;
- (ii) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary of the Guarantor; or
- (iii) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution.

11.2 **Events of Default for Subordinated Notes**

This Condition 11.2 (*Events of Default for Subordinated Notes*) only applies to Subordinated Notes.

(a) ***Non Payment***

If default is made in the payment of any principal or interest due under the Notes or any of them or the Deed of Guarantee and the default continues for a period of seven days in the case of principal and 14 days in the case of interest, any Noteholder may institute proceedings in the DIFC, the United Arab Emirates or any Emirate therein (but not elsewhere) for the dissolution and liquidation of the Issuer and in the State of Kuwait (but not elsewhere) for the dissolution and liquidation of the Guarantor.

(b) ***Liquidation and other events***

If 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 or the Guarantor, save in connection with a Permitted Reorganisation; or
- (ii) the Issuer or the Guarantor ceases or threatens to cease to carry on the whole or a substantial part of its business, save in connection with a Permitted Reorganisation, or the Issuer or the Guarantor stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent;
- (iii) proceedings are initiated against the Issuer or the Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer or as the case may be, the Guarantor), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Guarantor or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Issuer or the Guarantor, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of the Issuer or the Guarantor; and in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- (iv) the Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or, save in connection with a Permitted Reorganisation, any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (v) any event occurs which under the laws of the DIFC, the United Arab Emirates or any Emirate therein, the State of Kuwait or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (i) to (iv) above,

then the holder of any Note may give written notice to the Issuer and the Guarantor at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, that such Note is due and payable, whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.

(c) ***Breach of Obligations***

To the extent permitted by applicable law and by these Conditions, a Noteholder may at its discretion institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer or the Guarantor under the Notes or the Deed of Guarantee, the Receipts or the Coupons, but the institution of such proceedings shall not have the effect that the Issuer or, as the case may be, the Guarantor shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

(d) ***Other Remedies***

No remedy against the Issuer or the Guarantor, other than the institution of the proceedings referred to in paragraph (a) or (c) above and the proving or claiming in any dissolution and

liquidation of the Issuer or the Guarantor, shall be available to the Noteholders, the Receiptholders or the Couponholders whether for the recovering of amounts owing in respect of the Notes, the Receipts or the Coupons or in respect of any breach by the Issuer or the Guarantor of any other obligation, condition or provision binding on it under the Notes, the Receipts or the Coupons.

12. **Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. **Agents**

The names of the initial Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, **provided that:**

- (a) there will at all times be a Fiscal Agent and a Registrar;
- (b) so long as the 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 (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) 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; and
- (c) so long as any of the Global Certificates payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in London.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5 (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. **Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10 (*Prescription*).

15. **Notices**

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in the Republic of Ireland (which is expected to be the Irish Times) or published on the website of Euronext Dublin

(<https://live.euronext.com/en/markets/dublin>) or, if in either case such publication is not practicable, in a leading English Language newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered 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 in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes or Global Certificates representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any 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 in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note or Global Certificate, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

16. **Currency Indemnity**

If, under any applicable law and whether pursuant to a judgment being made or registered against the Issuer and/or the Guarantor or in the liquidation, insolvency or any similar process of the Issuer and/or the Guarantor or for any other reason, any payment under or in connection with the Notes, the Receipts or the Coupons is made or falls to be satisfied in a currency (the other currency) other than the Specified Currency, then, to the extent that the payment (when converted into the Specified Currency at the rate of exchange on the date of payment or, if it is not practicable for the relevant recipient to purchase the Specified Currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by the relevant recipient falls short of the amount due under these Conditions, the Issuer and the Guarantor jointly and severally undertake that they shall, as a separate and independent obligation, indemnify and hold harmless the recipient against the amount of the shortfall. For the purpose of this Condition 16 (*Currency Indemnity*), rate of exchange means the rate at which the relevant recipient is able on the London foreign exchange market on the relevant date to purchase the Specified Currency with the other currency and shall take into account any premium and other reasonable costs of exchange.

17. **Meetings of Noteholders and Modification**

The Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may

be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, the Receipts or the Coupons or amending the Deed of Guarantee), the quorum shall be one or more persons holding or representing not less than three-quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-quarter in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Issuer or, as the case may be, the Guarantor may, without the consent of the Noteholders, Receiptholders or Couponholders, make any modification to the Notes, the Receipts, the Coupons, the Deed of Guarantee, the Deed of Covenant, the Deed Poll or the Agency Agreement which is:

- (a) not prejudicial to the interests of the Noteholders; or
- (b) of a formal, minor or technical nature or is made to correct a manifest or proven error.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and shall be notified to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter.

18. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

19. **Governing Law and Dispute Resolution**

19.1 **Governing law**

The Agency Agreement, the Deed Poll, the Deed of Covenant, the Deed of Guarantee, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

19.2 **Arbitration**

Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes, the Receipts and/or the Coupons, these Conditions, the Agency Agreement, the Deed of Covenant or the Deed of Guarantee (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 (the "**Rules**") of the London Court of International Arbitration (the "**LCIA**"), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 19.2 (*Arbitration*). For these purposes:

- (a) the seat of arbitration shall be London, England;
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, 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.

19.3 **Appointment of Process Agent**

Each of the Issuer and the Guarantor 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 cease to be such agent for service of process or ceases to be registered in England, the Issuer and the Guarantor shall forthwith appoint a new agent for service of process in England and shall notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

19.4 **Waiver of Immunity**

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

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

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

21. **Corporate Obligations**

Each Noteholder acknowledges and agrees that notwithstanding any other provision contained herein, the obligations of the Issuer under the Conditions and the Notes are corporate or limited liability obligations of the Issuer and, no Noteholder shall have any recourse against any of the directors, officers, employees or corporate services providers of the Issuer (the "**Limited Parties**") (nor shall any of the Limited Parties be personally liable for any claims, losses, damages, liabilities, indemnities, representations or other obligations whatsoever of the Issuer), under or in connection with the Notes or the Conditions, save in the case of the wilful default or actual fraud of such Limited Party. Reference herein to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant Limited Party.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be lent by the Issuer to the Guarantor. Save in respect of Sustainable Notes, the Guarantor will apply the amounts lent for its general corporate purposes or for any other purpose specified in the applicable Final Terms.

In relation to each Tranche identified as Sustainable Notes in the applicable Final Terms (the "**Sustainable Notes**"), an amount at least equal to the net proceeds of such Tranche (the "**equivalent amount**") will be applied by the Guarantor (either directly or through one or more of its subsidiaries) to finance and/or refinance, in whole or in part, eligible green assets and/or eligible social assets (together "**Eligible Sustainable Assets**"). Eligible Sustainable Assets may include new or existing assets from sustainable asset categories, which include both:

- green assets such as: (a) renewable energy (including wind, low-emission geothermal, solar, low-emission bioenergy, small scale hydro and other low-emission sources as well as the related transmission infrastructure); (b) energy efficiency (including energy efficiency improvement in various sectors); (c) clean transportation (zero or low carbon transport and mass transportation systems); (d) sustainable water and wastewater management (including technologies to reduce water demand in stressed areas, flood prevention and other water-related projects); (e) pollution prevention and control (including waste management projects and mitigating environmental pollutants); (f) environmentally sustainable management of living natural resources and land use (certified forest, sustainable agricultural practices and climate smart farming, environmentally sustainable fishery and aquaculture) and (g) green buildings (including new construction, building redevelopment and/or renovation of existing buildings); and
- social assets such as (a) improving access to public free or subsidised essential services, such as healthcare and education; (b) the development of affordable basic infrastructure (such as clean drinking water, sanitation and sustainable transport); (c) affordable housing for low and middle income populations in Egypt and low income populations in other countries; and (d) programmes designed to promote employment or reduce unemployment stemming from socio-economic crises,

in each case as further described in the "Use of Proceeds" section of the Guarantor's Sustainable Financing Framework published on its website (<https://www.nbk.com/dam/jcr:507f03bd-0473-4670-a131-fdbd0f0b404e/NBK-Sustainable-Financing-Framework.pdf>) (as amended, supplemented, restated and/or otherwise updated on such website from time to time, the "**Sustainable Financing Framework**"). The Guarantor will seek to allocate all equivalent amounts from a Tranche of Sustainable Notes within 36 months following the Issue Date and will prioritise new Eligible Sustainable Assets. In relation to allocating equivalent amounts to the refinancing of existing assets, the Guarantor will aim to apply a three-year lookback period prior to the Issue Date of the relevant Tranche of Sustainable Notes. The Guarantor intends to exclude the equivalent amount from being applied towards any assets associated with: (i) nuclear energy; (ii) fossil fuel energy; (iii) defence; and (iv) energy efficiency investments in high carbon intensive sectors primarily derived or powered by fossil fuels.

The Guarantor has established a Sustainable Financing Working Group with responsibility for selecting and monitoring Eligible Sustainable Assets. The Guarantor's finance and treasury team will manage the allocation of equivalent amounts using a portfolio approach. Pending full allocation of equivalent amounts, any unutilised proceeds will be held in temporary investments such as cash, cash equivalents and/or other liquid marketable investments (preferably sustainable bonds issued by other issuers) in line with the Guarantor's policies.

The Sustainable Financing Framework is intended to be aligned with the ICMA Green Bond Principles (the "**ICMA Green Bond Principles**") published by the International Capital Markets Association from time to time, which as at the date of this Base Prospectus are the Green Bond Principles 2021 (<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>).

The Guarantor has appointed S&P Global to assess the Sustainable Financing Framework and its alignment with the ICMA Green Bond Principles, and to issue a second party opinion in respect thereof. Such opinion has been published on the Guarantor's website (<https://www.nbk.com/sustainability/sustainable-finance.html>).

If a project to which all or part of the equivalent amount has been applied ceases for any reason to be a Green Project, the Guarantor shall endeavour to substitute such project for a replacement Eligible Sustainable Asset as soon as practicable once an appropriate replacement Eligible Sustainable Asset has been identified.

The Guarantor intends to publish on its website referred to above, an allocation report and an impact report as discussed in the "Reporting" section of the Sustainable Financing Framework. The initial report will be published within one year from the date of the first issuance of any Sustainable Notes and further reports will be published (i) annually thereafter until the proceeds have been fully allocated and (ii) as necessary in the event of any material changes to such allocation. The Guarantor will request on an annual basis, starting one year after issuance and until full allocation, an assurance report on the allocation of equivalent amounts to Eligible Sustainable Assets, provided by its external auditor. The assurance report will also be available on the Guarantor's website.

None of the Sustainable Financing Framework or the ICMA Green Bond Principles or any of the above reports, verification assessments or the contents of any of the above websites are incorporated in or form part of the Base Prospectus. See also "*Risk factors—Factors which are Material for the Purpose of Assessing the Market Risks Associated with Notes Issued under the Programme—Risks related to Notes generally—The use of proceeds of the Notes of any Series identified as Sustainable Notes in the applicable Final Terms may not meet investor expectations or requirements or be suitable for an investor's investment criteria*".

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated in the DIFC on 30 April 2017 as a special purpose company under the Companies Law, DIFC Law No. 3 of 2006 and the Special Purpose Company Regulations and with registered number 2462 and was converted to a prescribed company on 31 October 2019 following enactment of the Prescribed Company Regulations under the Companies Law, DIFC Law No. 5 of 2018.

Registered Office

The Issuer's registered office is c/o Maples Fund Services (Middle East) Limited, Unit C1407, Level 14, Burj Daman, DIFC, Dubai, 506734, United Arab Emirates, and its telephone number is +971 4511 4200.

Business of the Issuer

The business of the Issuer has been limited to issuing Notes under the Programme and performing its obligations in connection therewith. The Issuer has no substantial liabilities other than in connection with Notes issued under the Programme. In 2017, the Issuer issued U.S.\$750,000,000 2.75 per cent. Notes due 2022 unconditionally and irrevocably guaranteed by the Guarantor (which matured and was redeemed in full on 30 May 2022). In 2021, the Issuer issued U.S.\$1,000,000,000 Fixed Rate to Floating Rate Notes due 2027 unconditionally and irrevocably guaranteed by the Guarantor.

Financial Statements

The Issuer is not required by the laws of the DIFC, and does not intend, to publish audited financial statements. Since the date of its incorporation, no audited financial statements of the Issuer have been prepared. The Issuer prepares and keeps unaudited financial records at its registered office which have been prepared by its corporate service provider, Maples Fund Services (Middle East) Limited.

Administration

Maples Fund Services (Middle East) Limited acts as the corporate service provider of the Issuer (in such capacity, the "**Corporate Service Provider**"). The office of the Corporate Service Provider serves as the general business office of the Issuer. Through the office, and pursuant to the terms of a corporate services agreement dated 1 May 2017 entered into between the Issuer and the Corporate Service Provider (the "**Corporate Services Agreement**"), the Corporate Service Provider has agreed to perform in the United Arab Emirates, and/or such other jurisdiction as may be agreed by the parties from time to time, various management functions on behalf of the Issuer and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Issuer and the Corporate Service Provider have also entered into a registered office agreement (the "**Registered Office Agreement**") for the provision of registered office facilities to the Issuer. In consideration of the foregoing, the Corporate Service Provider will receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and Registered Office Agreement provide that either the Issuer or the Corporate Service Provider may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Agreement provide that either party shall be entitled to terminate such agreements by giving at least one month's notice in writing to the other party with a copy to the DIFC Registrar of Companies. Furthermore, the Corporate Service Provider has the right to terminate such agreements in the event that there is a change in the shareholding of the Issuer or the Issuer has breached, or is unable to satisfy, any of its obligations under or in connection with, the Notes.

The Corporate Service Provider will be subject to the overview of the Issuer's Board of Directors.

The Corporate Service Provider's principal office is Unit C1407, Level 14, Burj Daman, DIFC, Dubai, 506734, United Arab Emirates.

The directors of the Issuer are employees and/or officers of the Corporate Service Provider. The Issuer has no employees and is not expected to have any employees in the future.

Directors

The directors of the Issuer are:

<u>Name</u>	<u>Principal Occupation</u>
Norbert Neijzen	Regional Head of Fiduciary, Middle East of Maples Fund Services (Middle East) Limited
Kathleen Ramos	Assistant Vice President, Maples Fund Services (Middle East) Limited

No director of the Issuer has any actual or potential conflicts of interest between the director's private interests and the director's duties to the Issuer.

The directors of the Issuer do not hold any direct, indirect, beneficial or economic interest in any of the shares of the Issuer.

As a matter of DIFC law, each director of the Issuer is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other interests the director may have.

The business address of the directors of the Issuer is c/o Maples Fund Services (Middle East) Limited, Unit C1407, Level 14, Burj Daman, DIFC, Dubai, 506734, United Arab Emirates.

Secretary

Maples Fund Services (Middle East) Limited – see address above.

Share Capital

The Issuer has an authorised share capital of U.S.\$100 consisting of 100 shares of U.S.\$1 nominal value each, of which all 100 shares have been issued and fully paid up as at the date of this Base Prospectus. The Issuer is a wholly-owned subsidiary of the Guarantor.

SELECTED CONSOLIDATED FINANCIAL DATA

The financial information in this section should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", the Annual Financial Statements and the related notes thereto. The financial information in this section (i) as at, and for the six-month periods ended, 30 June 2023 and 30 June 2022 is unaudited and has been derived from the Interim Financial Statements, (ii) as at, and for the years ended, 31 December 2022 and 31 December 2021 has been derived from the 2022 Financial Statements and (iii) as at, and for the year ended, 31 December 2020, except where indicated, has been derived from the comparative data for 2020 included in the 2021 Financial Statements. As disclosed by the Group in Note 2.1 to the 2022 Financial Statements, certain amounts (i.e., net fees and commissions, net gains from dealing in foreign currencies and other administrative expenses) for the year ended 31 December 2021 have been reclassified in order to conform to the current year presentation. Such reclassifications did not affect previously reported assets, liabilities, equity and profit for 2021. The comparative information for the year ended 31 December 2020 provided in this Base Prospectus, where indicated, reflects reclassified corresponding amounts for 2020. All such reclassified financial information for the year ended 31 December 2020 is unaudited. See "Presentation of Certain Financial and other Information—Historical Financial Statements".

CONSOLIDATED STATEMENT OF INCOME

	Six months ended 30		Year ended 31 December		
	June		2022	2021	2020*
	2023	2022	2022	2021	2020*
			<i>(KD thousands)</i>		
Interest income	755,887	372,676	947,589	661,056	756,984
Interest expense	(409,677)	(113,056)	(363,821)	(154,889)	(266,752)
Net interest income	346,210	259,620	583,768	506,167	490,232
Murabaha and other Islamic financing income	190,699	128,593	287,558	227,849	225,137
Finance cost and distribution to depositors	(104,859)	(39,939)	(115,487)	(64,757)	(81,902)
Net income from Islamic financing	85,840	88,654	172,071	163,092	143,235
Net interest income and net income from Islamic Financing	432,050	348,274	755,839	669,259	633,467
Net fees and commissions*	99,607	92,429	181,778	168,836	147,957
Net investment income	15,524	10,625	15,736	27,905	2,041
Net gains from dealing in foreign currencies*	17,433	24,146	55,379	29,739	32,678
Other operating income	1,243	869	1,009	4,054	22,873
Non-interest income	133,807	128,069	253,902	230,534	205,549
Net operating income	565,857	476,343	1,009,741	899,793	839,016
Staff expenses	(114,987)	(107,731)	(220,125)	(201,113)	(174,442)
Other administrative expenses*	(69,145)	(56,918)	(125,430)	(115,609)	(98,553)
Depreciation of premises and equipment	(21,693)	(19,097)	(38,922)	(34,049)	(33,432)
Amortisation of intangible assets	(824)	(824)	(1,647)	(1,647)	(1,647)
Operating expenses	(206,649)	(184,570)	(386,124)	(352,418)	(308,074)
Operating profit before provision for credit losses and impairment losses	359,208	291,773	623,617	547,375	530,942
Provision charge for credit losses and impairment losses ..	(47,959)	(21,044)	(45,363)	(132,498)	(246,438)
Operating profit before taxation and directors' remuneration	311,249	270,729	578,254	414,877	284,504
Taxation	(22,248)	(21,951)	(47,422)	(34,136)	(25,842)
Directors' remuneration	-	-	(770)	(120)	-
Profit for the period/year	289,001	248,778	530,062	380,621	258,662
Attributable to:					
Shareholders of the Bank	275,347	237,826	509,085	362,249	246,341
Non-controlling interests	13,654	10,952	20,977	18,372	12,321

* Reflects reclassifications in net fees and commissions, net gains from dealing in foreign currencies and other administrative expenses. See "Presentation of Certain Financial and other Information—Historical Financial Statements".

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
		<i>(KD thousands)</i>		
Assets				
Cash and short-term funds	3,818,837	5,323,452	5,081,991	3,903,371
Central Bank of Kuwait bonds.....	891,166	881,241	830,054	830,233
Kuwait Government treasury bonds.....	196,271	211,629	417,016	462,922
Deposits with banks.....	1,668,555	1,490,286	885,280	1,027,373
Loans, advances and Islamic financing to customers.....	21,563,725	20,998,416	19,722,471	17,504,342
Investment securities	6,145,456	5,634,672	4,910,798	4,728,778
Land, premises and equipment.....	488,930	474,724	456,209	426,963
Goodwill and other intangible assets	529,469	534,936	581,264	581,881
Other assets.....	782,913	789,007	371,503	251,528
Total assets	36,085,322	36,338,363	33,256,586	29,717,391
Liabilities				
Due to banks.....	3,923,816	4,017,979	4,098,688	3,052,356
Deposits from other financial institutions	3,687,239	3,740,877	3,135,629	2,929,247
Customer deposits.....	20,269,756	20,178,062	18,280,989	17,104,232
Certificates of deposit issued	1,460,537	1,801,623	1,339,354	918,862
Other borrowed funds.....	1,249,694	1,243,563	1,266,582	808,665
Other liabilities	801,380	721,313	668,227	763,004
Total liabilities	31,392,422	31,703,417	28,789,469	25,576,336
Equity				
Share capital	792,995	755,233	719,269	685,019
Proposed bonus shares.....	-	37,762	35,964	34,250
Statutory reserve.....	377,618	377,618	359,637	342,511
Share premium account	803,028	803,028	803,028	803,028
Treasury shares reserve.....	34,961	34,961	34,961	34,961
Other reserves.....	1,673,650	1,614,386	1,586,708	1,410,240
Equity attributable to shareholders of the Bank	3,682,252	3,622,988	3,539,567	3,310,009
Perpetual Tier 1 Capital Securities.....	439,032	439,032	439,032	438,438
Non-controlling interests	571,616	572,926	488,518	392,608
Total equity	4,692,900	4,634,946	4,467,117	4,141,055
Total liabilities and equity	36,085,322	36,338,363	33,256,586	29,717,391

SELECTED RATIOS

	As at and for the six months ended 30 June		As at and for the year ended 31 December		
	2023	2022	2022	2021	2020
			(per cent.)		
Performance measures					
Return on average assets ⁽¹⁾	1.53	1.42	1.48	1.15	0.82
Return on average equity ⁽²⁾	15.2	13.6	14.3	10.2	7.0
Cost to income ratio ⁽³⁾	36.5	38.7	38.2	39.2	36.7
Financial ratios					
Net interest margin ⁽⁴⁾	2.52	2.18	2.30	2.21	2.21
Yield ⁽⁵⁾	5.53	3.14	3.76	2.94	3.43
Funding cost ⁽⁶⁾	3.36	1.08	1.64	0.83	1.39
Net profit margin ⁽⁷⁾	48.7	49.9	50.4	40.0	29.4
Asset quality					
Impaired loans ratio ⁽⁸⁾	1.75	1.24	1.42	1.04	1.72
Loan loss coverage ratio ⁽⁹⁾	217.9	310.5	267.0	300.0	220.0
Liquidity coverage ratio ⁽¹⁰⁾	156.3	156.1	140.68	153.8	145.2
Loans to customer and financial institution deposits ratio ⁽¹¹⁾	90.0	88.7	87.8	92.1	87.4
Loans to total deposits ratio ⁽¹²⁾	73.5	71.9	70.6	73.4	72.9
Liquid asset ratio ⁽¹³⁾	32.8	33.8	34.8	33.5	34.1
Other ratios					
Common Equity Tier 1 capital adequacy ratio ⁽¹⁴⁾⁽¹⁵⁾	12.1	12.6 ⁽²⁰⁾	12.9	13.3	13.6
Tier 1 capital adequacy ratio ⁽¹⁴⁾⁽¹⁶⁾	14.2	14.9 ⁽²⁰⁾	15.0	15.7	16.0
Total capital adequacy ratio ⁽¹⁴⁾⁽¹⁷⁾	16.4	17.3 ⁽²⁰⁾	17.4	18.1	18.4
Financial leverage ratio ⁽¹⁸⁾	9.2	9.3	9.4	9.8	10.3
Net stable funding ratio ⁽¹⁹⁾	109.7	113.3	112.52	110.3	115.1

Notes:

- (1) Profit for the period attributable to shareholders of the Bank (as set out in the consolidated statement of income in the Interim Financial Statements and in the 2022 Financial Statements) divided by average assets for the period (as shown in "Selected Statistical Data").
- (2) Profit for the period attributable to shareholders of the Bank less interest paid on Tier 1 Capital (which is not included in shareholders' equity) divided by average shareholders' equity (being equity attributable to shareholders of the Bank as set out in the consolidated statement of financial position in the Interim Financial Statements and in the 2022 Financial Statements) for the period. Average shareholders' equity for the period (excluding the proposed dividend for the year) is calculated as the sum of shareholders' equity on a quarterly basis divided by five (for annual periods) and three (for quarterly periods).
- (3) Operating expenses (as set out in the consolidated statement of income in the Interim Financial Statements and in the 2022 Financial Statements) divided by net operating income (as set out in the consolidated statement of income in the Interim Financial Statements and in the 2022 Financial Statements).
- (4) Net interest income and net income from Islamic financing (each as set out in the consolidated statement of income in the Interim Financial Statements and in the 2022 Financial Statements) divided by average income-earning assets for the period (as shown in "Selected Statistical Data").
- (5) Interest income and income from Islamic financing (each as set out in the consolidated statement of income in the Interim Financial Statements and in the 2022 Financial Statements) divided by average income-earning assets for the period.
- (6) Interest expense and financing costs and distribution to depositors (each as set out in the consolidated statement of income in the Interim Financial Statements and in the 2022 Financial Statements) divided by the average cost-bearing liabilities for the period (as shown in "Selected Statistical Data").
- (7) Profit for the period attributable to shareholders of the Bank divided by net operating income for the period.
- (8) Impaired loans (being past due and impaired loans, advances and Islamic financing to customers as set out in note 6 to the Interim Financial Statements and note 13 to the 2022 Financial Statements) as a percentage of total gross loans (being loans, advances and Islamic financing to customers as set out in the first table to note 6 to the Interim Financial Statements and note 13 to the 2022 Financial Statements).
- (9) Loan loss provisions (being provision for credit losses as set out in note 6 to the Interim Financial Statements and note 13 to the 2022 Financial Statements) as a percentage of impaired loans.
- (10) The Liquidity coverage ratio is calculated based on the Central Bank of Kuwait's guidelines which are in line with Basel III recommendations. The Liquidity coverage ratio is calculated on a daily basis as the ratio of High Quality Liquid Assets (post factors) to the expected Net Cash Outflows over a 30-day period. The quarterly simple average is computed based on the daily LCR for the quarter and is calculated in accordance with the requirements of CBK Circular number 2/RB/345/2014 dated 23 December 2014.
- (11) Loans, advances and Islamic financing to customers (as set out in the statement of financial position in the Interim Financial Statements and in the 2022 Financial Statements) divided by the sum of customer deposits and deposits from financial institutions.
- (12) Loans, advances and Islamic financing to customers divided by the sum of customer deposits, due to banks, deposits from other financial institutions and certificates of deposits issued (the latter as set out in the statement of financial position in the Interim Financial Statements and in the 2022 Financial Statements).
- (13) The sum of cash and short term funds, Central Bank of Kuwait bonds, Kuwaiti Government treasury bonds, deposits with banks and investment securities (each as set out in the statement of financial position in the Interim Financial Statements and in each of the Annual Financial Statements) excluding investment securities at amortised cost (as set out in note 14 to each of the Annual Financial Statements and which amounted to KD 873,233 thousand and KD 909,142 thousand as at 30 June in each of 2023 and 2022, respectively), divided by total assets (as set out in the statement of financial position in the Interim Financial Statements and in the 2022 Financial Statements).
- (14) Calculated in accordance with CBK Circular number 2/RB, RBA/A336/2014 dated 24 June 2014.
- (15) Common Equity Tier 1 capital adequacy ratio is defined as Common Equity Tier 1 capital divided by risk-weighted assets at a given date (as set out in note 29 to the 2022 Financial Statements).

- ⁽¹⁶⁾ Tier 1 capital adequacy ratio is defined as Tier 1 capital resources divided by risk-weighted assets at a given date.
- ⁽¹⁷⁾ Total capital adequacy ratio is defined as total capital resources divided by risk-weighted assets at a given date.
- ⁽¹⁸⁾ Calculated in accordance with the requirements of CBK Circular number 2/BS/342/2014 dated 21 October 2014. Leverage ratio is defined as the "capital" measure (being Tier 1 capital) divided by the "exposure" measure (being the sum of on-balance sheet assets, derivative exposures and off-balance sheet exposures).
- ⁽¹⁹⁾ Calculated in accordance with the requirements of CBK Circular number 2/BS/356/2015 dated 25 October 2015 from 2018.
- ⁽²⁰⁾ The capital adequacy ratios as at 30 June 2022 represent the figures as per regulatory filings as at that date. In accordance with a CBK circular dated 31 August 2022, these capital adequacy ratios have since been restated to 12.3%, 14.6% and 17.0%, respectively, to exclude any interim profits.

SELECTED STATISTICAL DATA

The following selected statistical data is included for analytical purposes and has been taken or derived from the Financial Statements or unaudited management accounts based on accounting records. This section should be read in conjunction with the information in "Selected Consolidated Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Annual Financial Statements appearing elsewhere in this Base Prospectus. For further information, see also "Presentation of Certain Financial and other Information—Average Balances and Interest Rates". To the extent that selected statistical data as at and for the six months ended 30 June 2022 and 2021 has not been provided, such data is not produced or is not available to the same extent as at the year-end.

AVERAGE BALANCES AND RATIO INFORMATION

The following tables show the average balances of the Group's assets and liabilities and the related interest income or expense for the years indicated. For the purposes of the following tables, the average balances have been calculated on the basis of quarterly averages.

	Six months ended 30 June									
	2023					2022				
	Average balance		Interest earned/paid		Average yield/ rate	Average balance		Interest earned/paid		Average yield/ rate
	Amount	% of total	Amount	% of total	%	Amount	% of total	Amount	% of total	%
	<i>(KD thousands, except percentages)</i>									
Income-earning assets										
Cash and short term funds and deposits with banks.....	6,278,849	18.2	126,707	13.4	4.07	6,067,908	18.8	23,464	4.7	0.78
Central Bank of Kuwait bonds	888,648	2.6	17,841	1.9	4.05	836,243	2.6	5,487	1.1	1.32
Kuwait Government treasury bonds	202,114	0.6	5,697	0.6	5.68	317,788	1.0	3,048	0.6	1.93
Loans, advances and Islamic financing to customers.....	21,250,538	61.5	609,231	64.4	5.78	19,970,983	62.0	382,473	76.3	3.86
Investment securities.....	5,916,762	17.1	187,111	19.8	6.38	5,024,886	15.6	86,797	17.3	3.48
	34,536,911					32,217,808		501,269		3.14
Total income-earning assets.....	1	100.0	946,586	100.0	5.53	32,217,808	100.0	501,269	100.0	3.14
Cost-bearing liabilities										
Due to banks and other financial institutions	7,697,226	24.9	151,140	29.4	3.96	7,530,784	26.3	33,754	22.1	0.90
	20,294,739									
Customer deposits	9	65.8	299,087	58.1	2.97	18,504,187	64.6	98,942	64.7	1.08
Certificates of deposit issued.....	1,580,968	5.1	42,595	8.3	5.43	1,294,113	4.5	4,469	2.9	0.70
Other borrowed funds.....	1,288,238	4.2	21,714	4.2	3.40	1,296,584	4.5	15,829	10.3	2.46
	30,861,177					28,625,667		152,994		1.08
Total cost-bearing liabilities	1	100.0	514,536	100.0	3.36	28,625,667	100.0	152,994	100.0	1.08
Net interest spread ⁽¹⁾					2.17					2.06
Net finance income					432,050					348,274
Net interest margin ⁽²⁾					2.52					2.18

⁽¹⁾ Net interest spread is the difference between the yield (finance income divided by average income-earning assets on a quarterly basis divided by three) and funding costs (financing cost divided by the average cost-bearing liabilities on a quarterly basis divided by three).

⁽²⁾ Net interest margin is net finance income divided by average income-earning assets for the period, with average income-earning assets calculated as the sum of income-earning assets on a quarterly basis divided by three.

Year ended 31 December										
2022										
2021										
Average balance		Interest earned/paid		Average yield/rate		Average balance		Interest earned/paid		Average yield/rate
Amount	% of total	Amount	% of total	%	Amount	% of total	Amount	% of total	%	
<i>(KD thousands, except percentages)</i>										
Income-earning assets										
Cash and short term funds and deposits with banks.....										
6,118,456	18.6	100,705	8.2	1.65	5,693,140	18.8	23,435	2.6	0.41	
Central Bank of Kuwait bonds.....										
885,498	2.7	17,276	1.4	1.95	830,388	2.7	9,962	1.1	1.20	
Kuwait Government treasury bonds.....										
275,666	0.8	7,344	0.6	2.66	446,115	1.5	7,439	0.8	1.67	
Loans, advances and Islamic financing to customers.....										
20,303,035	61.9	888,117	71.9	4.37	18,508,083	61.2	694,275	78.1	3.75	
Investment securities.....										
5,228,519	15.9	221,705	17.9	4.24	4,777,594	15.8	153,795	17.3	3.22	
32,811,174	100.0	1,235,147	100.0	3.76	30,255,320	100.0	888,905	100.0	2.94	
Cost-bearing liabilities										
Due to banks and other financial institutions.....										
7,575,361	25.9	132,991	27.7	1.76	6,917,198	26.0	39,766	18.1	0.57	
Customer deposits.....										
18,993,794	64.9	287,537	60.0	1.51	17,438,787	65.6	154,684	70.4	0.89	
Certificates of deposit issued.....										
1,419,407	4.8	22,712	4.7	1.60	1,281,712	4.8	3,401	1.5	0.27	
Other borrowed funds.....										
1,281,028	4.4	36,069	7.5	2.82	960,105	3.6	21,795	9.9	2.27	
29,269,590	100.0	479,308	100.0	1.64	26,597,802	100.0	219,646	100.0	0.83	
Net interest spread ⁽¹⁾										
2.12										
Net finance income.....										
755,839										
Net interest margin ⁽²⁾										
2.30										

⁽¹⁾ Net interest spread is the difference between the yield (finance income divided by average income-earning assets on a quarterly basis divided by five) and funding costs (financing cost divided by the average cost-bearing liabilities on a quarterly basis divided by five).

⁽²⁾ Net interest margin is net finance income divided by average income-earning assets for the year, with average income-earning assets calculated as the sum of income-earning assets on a quarterly basis divided by five.

Year ended 31 December					
2020					
Average balance		Interest earned/paid		Average yield/rate	
Amount	% of total	Amount	% of total	%	
<i>(KD thousands, except percentages)</i>					
Income-earning assets					
Cash and short term funds and deposits with banks.....					
5,332,719	18.6	54,698	5.6	1.03	
Central Bank of Kuwait bonds.....					
828,075	2.9	15,254	1.6	1.84	
Kuwait Government treasury bonds.....					
558,988	2.0	12,541	1.3	2.24	
Loans, advances and Islamic financing to customers.....					
17,396,036	60.8	733,644	74.7	4.22	
Investment securities.....					
4,500,255	15.7	165,984	16.9	3.69	
28,616,073	100.0	982,121	100.0	3.43	
Cost-bearing liabilities					
Due to banks and other financial institutions.....					
6,762,986	26.9	89,836	25.8	1.33	
Customer deposits.....					
17,063,694	67.9	235,519	67.6	1.38	
Certificates of deposit issued.....					
702,996	2.8	6,879	2.0	0.98	
Other borrowed funds.....					
588,031	2.3	16,420	4.7	2.79	
25,117,707	100.0	348,654	100.0	1.39	
Net interest spread ⁽¹⁾					
2.04					
Net finance income.....					
633,467					
Net interest margin ⁽²⁾					
2.21					

⁽¹⁾ Net interest spread is the difference between the yield (finance income divided by average income-earning assets on a quarterly basis divided by five) and funding costs (financing cost divided by the average cost-bearing liabilities on a quarterly basis divided by five).

⁽²⁾ Net interest margin is net finance income divided by average income-earning assets for the year, with average income-earning assets calculated as the sum of income-earning assets on a quarterly basis divided by five.

The following table shows the Group's quarterly net interest margin data for the periods indicated.

	<u>30 June 2023</u>	<u>31 March 2023</u>	<u>31 December 2022</u>	<u>30 September 2022</u>	<u>30 June 2022</u>
Yield on income earning assets ⁽¹⁾	5.73%	5.31%	4.75%	4.00%	3.32%
Funding cost on cost-bearing liabilities ⁽²⁾	3.55%	3.16%	2.55%	1.78%	1.23%
Net interest margin ⁽³⁾	2.56%	2.48%	2.46%	2.40%	2.22%

⁽¹⁾ Yield on income-earning assets is finance income divided by average income earning assets for the period.

⁽²⁾ Funding costs on cost-bearing liabilities is financing cost divided by average cost bearing liabilities for the period.

⁽³⁾ Net interest margin is net finance income divided by average income-earning assets for the period.

NET CHANGES IN FINANCE INCOME AND FINANCING COST – VOLUME AND RATE ANALYSIS

The following tables show a comparative analysis of net changes in finance income and financing cost by reference to changes in average volume and rates for the period indicated. Net changes in net finance income are attributed to either changes in average balances (volume changes) or changes in average rates (rate change) for income-earning assets and cost-bearing liabilities. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate/volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. Average balances represent the average of the quarterly balances for the period.

	Six months ended 30 June 2023/2022					
	Increase (decrease) due to changes in					
	Volume		Rate		Net change	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(KD thousands, except percentage)</i>					
Finance income						
Cash and short term funds, deposits with banks ⁽¹⁾	844	1.9	102,399	25.5	103,243	23.2
Central Bank of Kuwait bonds.....	365	0.8	11,989	3.0	12,354	2.8
Kuwait Government treasury bonds.....	(612)	(1.4)	3,261	0.8	2,649	0.6
Loans, advances and Islamic financing to customers ⁽¹⁾	25,896	58.7	200,862	50.1	226,758	50.9
Investment securities ⁽¹⁾	17,659	40.0	82,655	20.6	100,314	22.5
Total finance income	44,151	100.0	401,167	100.0	445,318	100.0
Financing cost						
Due to banks and other financial institutions ⁽¹⁾	762	6.2	116,624	33.4	117,386	32.5
Customer deposits ⁽¹⁾	10,452	84.9	189,693	54.3	200,145	55.4
Certificates of deposit issued.....	1,203	9.8	36,923	10.6	38,126	10.5
Other borrowed funds ⁽¹⁾	(101)	(0.8)	5,987	1.7	5,885	1.6
Total financing cost	12,317	100.0	349,226	100.0	361,542	100.0

⁽¹⁾ These line items aggregate conventional and Islamic income and cost streams.

	Year ended 31 December 2022/2021					
	Increase (decrease) due to changes in					
	Volume		Rate		Net change	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(KD thousands, except percentage)</i>					
Finance income						
Cash and short term funds, deposits with banks ⁽¹⁾	1,878	2.1	75,392	29.4	77,271	22.3
Central Bank of Kuwait bonds.....	701	0.8	6,614	2.6	7,314	2.1

Year ended 31 December 2022/2021

	Increase (decrease) due to changes in					
	Volume		Rate		Net change	
	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(KD thousands, except percentage)</i>					
Kuwait Government treasury bonds	169	0.2	(265)	(0.1)	(95)	0.0
Loans, advances and Islamic financing to customers ⁽¹⁾	71,455	79.6	122,387	47.7	193,842	56.0
Investment securities ⁽¹⁾	<u>15,572</u>	<u>17.3</u>	<u>52,339</u>	<u>20.4</u>	<u>67,911</u>	<u>19.6</u>
Total finance income	<u>89,775</u>	<u>100.0</u>	<u>256,468</u>	<u>100.0</u>	<u>346,243</u>	<u>100.0</u>
Financing cost						
Due to banks and other financial institutions ⁽¹⁾	4,128	14.9	89,098	38.4	93,225	35.9
Customer deposits ⁽¹⁾	14,885	53.7	117,967	50.9	132,853	51.2
Certificates of deposit issued	404	1.5	18,907	8.2	19,311	7.4
Other borrowed funds ⁽¹⁾	<u>8,304</u>	<u>30.0</u>	<u>5,970</u>	<u>2.6</u>	<u>14,274</u>	<u>5.5</u>
Total financing cost	<u>27,721</u>	<u>100.0</u>	<u>231,943</u>	<u>100.0</u>	<u>259,663</u>	<u>100.0</u>
Net change in net finance income	<u>62,054</u>		<u>24,525</u>		<u>86,580</u>	

⁽¹⁾ These line items aggregate conventional and Islamic income and cost streams.

Year ended 31 December 2021/2020						
Increase (decrease) due to changes in						
	Volume		Rate		Net change	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(KD thousands, except percentage)</i>						
Finance income						
Cash and short term funds, deposits with banks ⁽¹⁾	3,979	5.9	(35,242)	22.0	(31,263)	33.5
Central Bank of Kuwait bonds.....	43	0.1	(5,335)	3.3	(5,292)	5.7
Kuwait Government treasury bonds.....	(2,246)	(3.3)	(2,855)	1.8	(5,102)	5.5
Loans, advances and Islamic financing to customers ⁽¹⁾	54,009	80.3	(93,379)	58.2	(39,369)	42.2
Investment securities ⁽¹⁾	11,452	17.0	(23,641)	14.7	(12,190)	13.1
Total finance income	67,236	100.0	(160,453)	100.0	(93,216)	100.0
Financing cost						
Due to banks and other financial institutions ⁽¹⁾	2,097	10.1	(52,167)	34.8	(50,070)	38.8
Customer deposits ⁽¹⁾	5,298	25.6	(86,134)	57.5	(80,835)	62.7
Certificates of deposit issued ⁽²⁾	5,663	27.4	(9,141)	6.1	(3,478)	2.7
Other borrowed funds ⁽¹⁾	7,631	36.9	(2,256)	1.5	5,375	(4.2)
Total financing cost	20,689	100.0	(149,697)	100.0	(129,008)	100.0
Net change in net finance income	46,547		(10,755)		35,792	

⁽¹⁾ These line items aggregate conventional and Islamic income and cost streams.

⁽²⁾ Rate/volume change amounting to KD (4.1) million has been considered in its entirety in rate change for December 2021/December 2020.

NET FINANCE INCOME AND NET OPERATING INCOME – GEOGRAPHICAL ANALYSIS

The tables below show a geographical analysis of net finance income and net operating income for the periods indicated.

	Six months ended 30 June 2023		
	Domestic	International	Total
		(KD thousands)	
Net finance income ⁽¹⁾	314,990	117,060	432,050
Net operating income.....	425,545	140,312	565,857

	Six months ended 30 June 2022		
	Domestic	International	Total
		(KD thousands)	
Net finance income ⁽¹⁾	252,832	95,442	348,274
Net operating income.....	359,035	117,308	476,343

	Year ended 31 December 2022		
	Domestic	International	Total
		(KD thousands)	
Net finance income ⁽¹⁾	543,251	212,588	755,839
Net operating income.....	743,128	266,613	1,009,741

	Year ended 31 December 2021		
	Domestic	International	Total
		(KD thousands)	
Net finance income ⁽¹⁾	492,738	176,521	669,259
Net operating income.....	676,436	223,357	899,793

	Year ended 31 December 2020		
	Domestic	International	Total
		(KD thousands)	
Net finance income ⁽¹⁾	470,799	162,668	633,467
Net operating income ⁽²⁾	633,569	205,447	839,016

- (1) Comprises interest income and income from Islamic financing less interest expense and finance cost and distribution to depositors
(2) Reflects reclassifications in net fees and commissions, net gains from dealing in foreign currencies and other administrative expenses.
See "Presentation of Certain Financial and other Information—Historical Financial Statements".

CUSTOMER LOAN PORTFOLIO - ANALYSIS

The following table shows the Group's customer loan portfolio comprising loans, advances and Islamic financing to customers, net of impairment allowances, by type as at the dates indicated.

	As at 31 December		
	2022	2021	2020
		(KD thousands)	
Corporate.....	14,217,043	13,331,508	12,106,352
Retail.....	7,609,314	7,024,487	6,085,214
Less: allowance for impairment.....	(827,941)	(633,524)	(687,224)
Total loans, advances and Islamic financing to customers, net	20,998,416	19,722,471	17,504,342

The following table shows the Group's customer loan portfolio net of impairment allowances as at the dates indicated specified by location of the Group's markets and customers.

	MENA	Other	Total	Impairment allowances	Net Total
			(KD thousands)		
Loans, advances and Islamic financing, net					
At 31 December 2022.....	18,750,590	3,075,767	21,826,357	(827,941)	20,998,416
At 31 December 2021.....	17,778,524	2,577,471	20,355,995	(633,524)	19,722,471
At 31 December 2020.....	15,986,938	2,204,628	18,191,566	(687,224)	17,504,342

The following table shows the Group's customer loan portfolio by maturity as at the dates indicated.

	As at 30 June		As at 31 December					
	2023		2022		2021		2020	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(KD thousands, except percentages)</i>							
Demand of less than 3 months	6,457,878	29.9%	6,173,559	29.4%	5,278,548	26.8%	5,094,225	29.1%
From 3 to 12 months	2,408,055	11.2%	2,248,920	10.7%	2,336,434	11.8%	2,021,684	11.5%
Above 1 year	12,697,792	58.9%	12,575,937	59.9%	12,107,489	61.4%	10,388,433	59.3%
Total	21,563,725	100.0%	20,998,416	100.0%	19,722,471	100.0%	17,504,342	100%

The following table shows the composition of the Group's gross customer loan portfolio by currency exposure as at the dates indicated.

	As at 31 December		
	2022	2021	2020
	<i>(KD thousands)</i>		
Currency			
KD	14,057,628	12,752,745	11,874,650
Other ⁽¹⁾	7,768,729	7,603,250	6,316,916
Total	21,826,357	20,355,995	18,191,566

⁽¹⁾ Other comprises currency exposure from other currencies, namely, in order of largest exposure, the U.S. dollars, Egyptian pounds, pounds sterling and other currencies.

The following table shows the Group's non-performing loans, advances and Islamic financing to customers as at the dates indicated.

	As at 31 December			Change from prior period	
	2022	2021	2020	2022/2021	2021/2020
	<i>(KD thousands, except percentage)</i>				
Neither past due nor impaired ⁽¹⁾	21,353,103	20,022,612	17,698,936	1,330,491	2,323,676
Past due and not impaired ⁽²⁾	163,208	122,229	180,249	40,979	(58,020)
Past due and impaired ⁽³⁾	310,046	211,154	312,381	98,892	(101,227)
Total loans, advances and Islamic financing	21,826,357	20,355,995	18,191,566	1,470,362	2,164,429
Less: allowance for impairment	827,941	633,524	687,224	194,417	53,700
Total	20,998,416	19,722,471	17,504,342	1,275,945	2,218,129
Allowance for loan impairment as a percentage of total loans, advances and Islamic financing	3.8%	3.1%	3.7%	0.7%	-0.7%
Allowance for loan impairment as a percentage of non-performing loans, advances and Islamic financing	267.0%	300.0%	220.0%	(33.0%)	80.0%
Non-performing loans as a percentage of total loans, advances and Islamic financing	1.4%	1.0%	1.7%	0.4%	-0.7%

⁽¹⁾ Loans, advances and Islamic financing to customers that are neither past due nor show any evidence of impairment.

⁽²⁾ Loans, advances and Islamic financing to customers between one and 90 days past due are not considered impaired, unless evidence is available to indicate the contrary.

⁽³⁾ Loans, advances and Islamic financing to customers over 90 days past due.

The following table shows the total amount of past due but not impaired loans, advances and Islamic financing to customers as at the dates indicated.

	As at 31 December		
	2022	2021	2020
	<i>(KD thousands)</i>		
Up to 30 days past due	128,491	79,533	113,802
Past due 31-60 days	22,986	33,659	51,056
Past due 61-90 days	11,731	9,037	15,391

	As at 31 December		
	2022	2021	2020
	<i>(KD thousands)</i>		
Total	163,208	122,229	180,249

The following table shows the Group's total amount of past due but not impaired loans, advances and Islamic financing to customers by business segment as at the dates indicated.

	As at 31 December 2022			As at 31 December 2021			As at 31 December 2020		
	Corporate	Retail	Total	Corporate	Retail	Total	Corporate	Retail	Total
<i>(KD thousands)</i>									
Up to 30 days past due.....	96,722	31,769	128,491	50,137	29,396	79,533	76,833	36,969	113,802
Past due 31-60 days.....	2,735	20,251	22,986	8,401	25,258	33,659	20,695	30,361	51,056
Past due 61-90 days.....	4,652	7,079	11,731	2,479	6,558	9,037	8,952	6,439	15,391
Total	104,109	59,099	163,208	61,017	61,212	122,229	106,480	73,769	180,249

The following table shows the Group's impaired loans, advances and Islamic financing to customers by business segment as at the dates indicated. Impairment is identified as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

	As at 31 December		
	2022	2021	2020
Corporate.....	184,381	118,171	208,322
Retail.....	125,665	92,983	104,059
Total	310,046	211,154	312,381

The following table shows the Group's gross customer loan portfolio by industry before allowance for impairment as at the dates indicated.

	As at 31 December					
	2022		2021		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
<i>(KD thousands, except percentages)</i>						
Trade and commerce.....	1,258,796	6%	1,106,108	5%	1,307,067	7%
Manufacturing.....	1,619,123	7%	1,674,300	8%	1,474,805	8%
Financial.....	1,698,580	8%	1,581,926	8%	1,193,787	7%
Construction.....	534,050	2%	436,098	2%	469,568	3%
Real estate.....	4,227,470	19%	3,969,189	19%	3,860,211	21%
Retail.....	7,609,314	35%	7,024,487	35%	6,085,214	33%
Crude oil and gas....	1,446,833	7%	1,405,816	7%	1,231,114	7%
Purchase of securities.....	772,462	4%	766,655	4%	714,143	4%
Others.....	2,659,729	12%	2,391,416	12%	1,855,657	10%
Total	21,826,357	100%	20,355,995	100%	18,191,566	100%

DEPOSITS

Deposits placed with the Group comprise customer deposits, amounts due to banks, deposits from other financial institutions and certificates of deposit issued. The following table shows the types of deposits placed with the Group as at the dates indicated.

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
<i>(KD thousands)</i>				
Customer deposits.....	20,269,756	20,178,062	18,280,989	17,104,232
Due to banks.....	3,923,816	4,017,979	4,098,688	3,052,326
Deposits from other financial institutions.....	3,687,239	3,740,877	3,135,629	2,929,247
Certificates of deposit issued.....	1,460,537	1,801,623	1,339,354	918,862
Total deposits	29,341,348	29,738,541	26,854,660	24,004,667

The following table shows customer deposits placed with the Group by location as at the dates indicated.

	As at 30 June		As at 31 December	
	2023	2022	2021	2020
	<i>(KD thousands)</i>			
Domestic.....	14,462,654	13,899,809	12,882,265	12,849,741
International.....	5,807,102	6,278,253	5,398,724	4,254,491
Total customer deposits.....	20,269,756	20,178,062	18,280,989	17,104,232

MATURITY PROFILE

The following tables show the maturity profile of the Group's major assets and liabilities as at the dates indicated. The contractual maturities of assets and liabilities have been determined based on contractual cash flows and maturity dates. This does not necessarily take account of effective maturities. The Group defines effective maturities as maturities reflecting customer behaviour patterns.

	As at 30 June 2023			
	Up to 3 months	3 to 12 months	Over 1 year	Total
	<i>(KD thousands)</i>			
Assets				
Cash and short term funds, deposits with banks.....	5,350,390	130,432	6,570	5,487,392
Central Bank of Kuwait bonds.....	505,614	385,552	-	891,166
Kuwait Government treasury bonds.....	5,000	12,000	179,271	196,271
Loans, advances and Islamic financing to customers..	6,457,878	2,408,055	12,697,792	21,563,725
Investment securities	441,368	649,004	5,055,084	6,145,456
Land, premises and equipment.....	-	-	488,930	488,930
Goodwill and other intangible assets	-	-	529,649	529,649
Other assets.....	310,187	40,601	432,125	782,913
Total assets	13,070,437	3,625,644	19,389,241	36,085,322
Liabilities and equity				
Due to banks.....	3,079,987	831,868	11,961	3,923,816
Deposits from other financial institutions	2,229,918	1,442,485	14,836	3,687,239
Customer deposits.....	13,940,025	5,625,101	704,630	20,269,756
Certificates of deposit issued	1,181,629	278,908	-	1,460,537
Other borrowed funds.....	-	-	1,249,694	1,249,694
Other liabilities	651,880	6,980	142,520	801,380
Share capital and reserves.....	-	-	3,602,953	3,602,953
Proposed cash dividend	79,299	-	-	79,299
Perpetual Tier 1 Capital Securities.....	-	-	439,032	439,032
Non-controlling interests	-	-	571,616	571,616
Total liabilities and equity.....	21,162,738	8,185,342	6,737,242	36,085,322
Liquidity gap⁽¹⁾.....	(8,092,301)	(4,559,698)	12,651,999	-
Cumulative liquidity gap.....	(8,092,301)	(12,651,999)	-	-

⁽¹⁾ This figure represents the maturity gap between total assets and total liabilities, and is the sum of (A) the maturity gaps between assets and liabilities maturing in less than three months, between three months and twelve months and more than one year, and (B) assets with no maturity less liabilities with no maturity.

	As at 31 December 2022			
	Up to 3 months	3 to 12 months	Over 1 year	Total
	<i>(KD thousands)</i>			
Assets				
Cash and short term funds, deposits with banks	6,613,969	197,600	2,169	6,813,738
Central Bank of Kuwait bonds.....	494,770	386,471	-	881,241
Kuwait Government treasury bonds	15,000	5,000	191,629	211,629
Loans, advances and Islamic financing to customers.....	6,173,559	2,248,920	12,575,937	20,998,416
Investment securities.....	624,743	518,416	4,491,513	5,634,672
Land, premises and equipment	-	-	474,724	474,724
Goodwill and other intangible assets	-	-	534,936	534,936
Other assets.....	367,267	47,811	373,929	789,007

	As at 31 December 2022			
	Up to 3 months	3 to 12 months	Over 1 year	Total
	<i>(KD thousands)</i>			
Total assets	14,289,308	3,404,218	18,644,837	36,338,363
Liabilities and equity				
Due to banks	3,586,607	419,823	11,549	4,017,979
Deposits from other financial institutions	2,245,402	1,300,885	194,590	3,740,877
Customer deposits	14,717,473	4,656,934	803,655	20,178,062
Certificates of deposit issued	1,426,253	375,370	-	1,801,623
Other borrowed funds	39,819	76,575	1,127,169	1,243,563
Other liabilities	585,794	8,840	126,679	721,313
Share capital and reserves	-	-	3,434,180	3,434,180
Proposed cash dividend	188,808	-	-	188,808
Perpetual Tier 1 Capital Securities	-	-	439,032	439,032
Non-controlling interests	-	-	572,926	572,926
Total liabilities and equity	22,790,156	6,838,427	6,709,780	36,338,363
Liquidity gap⁽¹⁾	(8,500,848)	(3,434,209)	11,935,057	-
Cumulative liquidity gap	(8,500,848)	(11,935,057)	-	-

⁽¹⁾ This figure represents the maturity gap between total assets and total liabilities, and is the sum of (A) the maturity gaps between assets and liabilities maturing in less than three months, between three months and twelve months and more than one year, and (B) assets with no maturity less liabilities with no maturity.

	As at 31 December 2021			
	Up to 3 months	3 to 12 months	Over 1 year	Total
	<i>(KD thousands)</i>			
Assets				
Cash and short term funds, deposits with banks	5,873,904	91,712	1,655	5,967,271
Central Bank of Kuwait bonds	443,890	386,164	-	830,054
Kuwait Government treasury bonds	140,346	50,000	226,670	417,016
Loans, advances and Islamic financing to customers ..	5,278,548	2,336,434	12,107,489	19,722,471
Investment securities	596,330	555,895	3,758,573	4,910,798
Land, premises and equipment	-	-	456,209	456,209
Goodwill and other intangible assets	-	-	581,264	581,264
Other assets	301,404	30,758	39,341	371,503
Total assets	12,634,422	3,450,963	17,171,201	33,256,586
Liabilities and equity				
Due to banks	3,538,646	552,262	7,780	4,098,688
Deposits from other financial institutions	1,808,888	1,321,022	5,719	3,135,629
Customer deposits	14,667,393	2,868,447	745,149	18,280,989
Certificates of deposit issued	1,029,689	309,665	-	1,339,354
Other borrowed funds	-	240,109	1,026,473	1,266,582
Other liabilities	430,898	11,106	226,223	668,227
Share capital and reserves	-	-	3,323,786	3,323,786
Proposed cash dividend	215,781	-	-	215,781
Perpetual Tier 1 Capital Securities	-	-	439,032	439,032
Non-controlling interests	-	-	488,518	488,518
Total liabilities and equity	21,691,295	5,302,611	6,262,680	33,256,586
Liquidity gap⁽¹⁾	(9,056,873)	(1,851,648)	10,908,521	-
Cumulative liquidity gap	(9,056,873)	(10,908,521)	-	-

⁽¹⁾ This figure represents the maturity gap between total assets and total liabilities, and is the sum of (A) the maturity gaps between assets and liabilities maturing in less than three months, between three months and twelve months and more than one year, and (B) assets with no maturity less liabilities with no maturity.

	As at 31 December 2020			
	Up to 3 months	3 to 12 months	Over 1 year	Total
	<i>(KD thousands)</i>			
Assets				
Cash and short term funds, deposits with banks	4,735,951	165,864	28,929	4,930,744
Central Bank of Kuwait bonds	518,803	311,430	-	830,233

	As at 31 December 2020			
	Up to 3 months	3 to 12 months	Over 1 year	Total
	<i>(KD thousands)</i>			
Kuwait Government treasury bonds	-	35,500	427,422	462,922
Loans, advances and Islamic financing to customers..	5,094,225	2,021,684	10,388,433	17,504,342
Investment securities	517,128	752,978	3,458,672	4,728,778
Land, premises and equipment	-	-	426,963	426,963
Goodwill and other intangible assets	-	-	581,881	581,881
Other assets	157,800	23,223	70,505	251,528
Total assets	11,023,907	3,310,679	15,382,805	29,717,391
Liabilities and equity				
Due to banks	2,753,352	298,696	278	3,052,326
Deposits from other financial institutions	2,125,545	792,989	10,713	2,929,247
Customer deposits	14,636,146	1,811,947	656,139	17,104,232
Certificates of deposit issued	633,231	285,631	-	918,862
Other borrowed funds	-	-	808,665	808,665
Other liabilities	429,421	16,101	317,482	763,004
Share capital and reserves	-	-	3,173,005	3,173,005
Proposed cash dividend	137,004	-	-	137,004
Perpetual Tier 1 Capital Securities	-	-	438,438	438,438
Non-controlling interests	-	-	392,608	392,608
Total liabilities and equity	20,714,699	3,205,364	5,797,328	29,717,391
Liquidity gap⁽¹⁾	(9,690,792)	105,315	9,585,477	-
Cumulative liquidity gap	(9,690,792)	(9,585,477)	-	-

⁽¹⁾ This figure represents the maturity gap between total assets and total liabilities, and is the sum of (A) the maturity gaps between assets and liabilities maturing in less than three months, between three months and twelve months and more than one year, and (B) assets with no maturity less liabilities with no maturity.

INVESTMENT PORTFOLIO

The following table shows details of the Group's investment securities measured at amortised cost as at the dates indicated.

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
	<i>(KD thousands)</i>			
Debt securities – Government (Non-Kuwait)...	873,233	912,608	970,431	833,188
Central Bank of Kuwait bonds	891,166	881,241	830,054	830,233
Kuwait Government treasury bonds	196,271	211,629	417,016	462,922
Total	1,960,670	2,005,478	2,217,501	2,126,343

The following table shows details of the Group's investment securities measured at fair value through other comprehensive income as at the dates indicated.

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
	<i>(KD thousands)</i>			
Debt securities – Government (Non-Kuwait)...	2,583,767	2,320,660	2,059,801	1,813,428
Debt securities – Non-Government	2,347,344	2,065,075	1,577,733	1,787,677
Equities	40,888	37,168	39,135	37,531
Total	4,971,998	4,422,903	3,676,709	3,638,636

RETURN ON EQUITY AND ASSETS

The following table shows the Group's return on average assets, return on equity, equity payout ratio and equity to assets ratio as at the dates, and for the periods, indicated.

	As at/six months ended		As at/year ended 31 December		
	30 June	2022	2022	2021	2020
	<i>(per cent.)</i>				
Return on average assets ⁽¹⁾	1.53	1.42	1.48	1.15	0.82
Return on equity ⁽²⁾	15.2	13.6	14.3	10.2	7.0
Equity payout ratio ⁽³⁾	28.8	31.8	51.9	59.6	55.6
Equity to asset ratio ⁽⁴⁾	9.7	10.0	9.9	10.5	10.5

- ⁽¹⁾ Profit for the period attributable to shareholders of the Bank divided by average total assets for the period, with average total assets calculated as the sum of assets on a quarterly basis divided by five (for annual periods) and three (for quarterly periods).
- ⁽²⁾ Profit for the period attributable to shareholders of the Bank less interest paid on Tier 1 Capital (which is not included in shareholders' equity) divided by average shareholders' equity (being equity attributable to shareholders of the Bank as set out in the consolidated statement of financial position in the Interim Financial Statements and in the 2022 Financial Statements) for the period. Average shareholders' equity for the period is calculated as the sum of shareholders' equity excluding proposed dividend on a quarterly basis divided by five (for annual periods) and three (for quarterly periods).
- ⁽³⁾ Proposed dividends for the period (including interim dividends for the period) divided by profit for the period attributable to shareholders of the Bank.
- ⁽⁴⁾ Average shareholders' equity for the period divided by average total assets for the period, with average shareholders' equity and average total assets each calculated as described above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Group's results of operations and financial condition should be read in conjunction with "Selected Consolidated Financial Data" and the Financial Statements which appear elsewhere in this Base Prospectus. For further information, see also "Presentation of Certain Financial and other Information".

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

Financial information in this section as at, and for the six months ended, 30 June 2023 and 30 June 2022 is unaudited. Financial results for any interim period in a year are not necessarily indicative of the likely financial results for the full year.

OVERVIEW

The Group was the first indigenous bank and the first shareholding company to be established in Kuwait. It is the only banking group in Kuwait to have access to both the conventional and Islamic banking markets.

The Group's core businesses are consumer and private banking, corporate banking, Islamic banking (offered through its majority-owned subsidiary, Boubyan Bank) and investment banking and asset management (offered through its majority-owned subsidiary, NBK Capital). The Group is a regional banking group, focused on offering its products and services in Kuwait and other countries within the MENA region, including Bahrain, Egypt, Iraq, Lebanon, Saudi Arabia and the United Arab Emirates, in each of which it has a presence through a subsidiary or branches.

The Group currently operates through six financial reporting segments:

- Consumer and private banking;
- Corporate banking;
- Investment banking and asset management;
- Islamic banking;
- Group centre; and
- International.

The Group's strategy is built on three cornerstones which guide the priorities that it sets for each business unit and internal function. These cornerstones are:

- defending its core business, which is conventional retail and wholesale banking in Kuwait, by maintaining its market share and achieving above market growth in target segments;
- growing outside its core business, including through Islamic finance both within and outside Kuwait, continuous expansion in the MENA region, particularly Egypt and the GCC, and building a global network that facilitates its clients' trade and investments; and
- improving profitability in terms of cost to income and return on equity by introducing capital productivity into day-to-day decision making.

As at 30 June 2023, and based on the Group's financial statements and the publicly available financial statements of the Group's main domestic competitors for the same period, the Group was the largest conventional bank in Kuwait in terms of: (i) total assets; (ii) total loans (which, in the Group's case, also includes Islamic financing to customers); and (iii) total customer deposits.

As at 30 June 2023, the Group's customer loan portfolio amounted to KD 21.6 billion and its total customer deposits were KD 20.3 billion. In the six months ended 30 June 2023, the Group's net operating income was KD 566 million and its profit for the period was KD 289 million, of which KD 275 million was attributable to shareholders of the Bank. In 2022, the Group's net operating income was KD 1,010 million and its profit for the year was KD 530 million, of which KD 509 million was attributable to shareholders of the Bank. In 2021, the Group's net operating income was KD 900 million and its profit for the year was KD 381 million, of which KD 362 million was attributable to shareholders of the Bank.

SIGNIFICANT FACTORS AFFECTING RESULTS OF OPERATIONS

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

Economic conditions

The Group is a regional bank focused on lending to, and accepting deposits from, institutions, companies and residents in Kuwait and the wider MENA region, including Egypt. As a result, its revenues and results of operations are affected by economic and market conditions in Kuwait and, to a lesser extent, in certain other MENA region countries, including Egypt.

According to statistical information prepared by the CSB, Kuwait's nominal GDP fell by 0.9 per cent. in 2019 and by 21.5 per cent. in 2020. In real terms, Kuwait's GDP fell by 0.6 per cent. in 2019 and by 8.9 per cent. in 2020. According to preliminary IMF data (as of April 2023), Kuwait's real GDP is estimated to have increased by 1.3 per cent. in 2021 and 8.2 per cent. in 2022 and is projected to increase by 0.9 per cent. in 2023. As of the date of this Base Prospectus, Kuwait's macroeconomic conditions remain strong, with non-oil activity continuing to be supported by positive, though normalising, consumer activity levels and accommodative fiscal policy amid elevated oil prices. According to the IMF, Kuwait had the 35th highest GDP (at purchasing power parity) per capita in 2022, at U.S.\$51,471.

Based on the latest available CSB information, the oil sector (excluding refining) accounted for 45.7 per cent. of Kuwait's nominal GDP in 2019 and 34.5 per cent. in 2020. According to provisional data from the CSB, in 2020, the other major economic sectors in Kuwait were public administration and defence (at 15.3 per cent. of nominal GDP), financial intermediation (at 12.7 per cent.), other services, which includes real estate and business services, sanitary services and recreation (at 12.0 per cent.), manufacturing (at 6.6 per cent.), communications (at 4.5 per cent.) and transport and storage (at 3.7 per cent.).

In addition to economic conditions in the region, the Group remains exposed to the risk of external changes, such as an increase in global financial market volatility, including as a result of interest rate volatility and rising inflation, which could pose funding, market and credit risks for investment companies and banks. See *"Risk Factors -- Factors that may affect the Bank's ability to fulfil its obligations in respect of Notes issued under the Programme—Economic risks—Macro-economic and financial market conditions have materially adversely affected and may continue to materially adversely affect the Group's business, results of operations and financial condition"*. See also *"—Impact of COVID-19 Pandemic"* below.

Impact of COVID-19 Pandemic

The geographic expanse and operational nature of the Group's business has meant that the COVID-19 pandemic has had a significant impact. Net profit attributable to shareholders for 2020 was KD 246 million. In 2021, reflecting the easing of COVID-19 containment measures coupled with higher oil prices and improving global macro-economic conditions, the Group's profit for the year attributable to shareholders of the Bank was KD 362 million, an increase of 47.1 per cent. compared to 2020. In the year ended 31 December 2022, the Group's profit for the period attributable to shareholders of the Bank was KD 509 million, an increase of 40.5 per cent. compared to the year ended 31 December 2021. In the six months ended 30 June 2023, the Group's profit for the period attributable to shareholders of the Bank was KD 275 million, an increase of 15.8 per cent. compared to the corresponding period in 2022.

The Group's business was impacted in most of its locations leading to more challenging operating environments across the Group's network. In Kuwait, the domestic economy in 2020 was similarly pressured due to long periods of curfews which negatively impacted the Group's operations. The CSB estimates GDP in Kuwait to have contracted by around 8.9 per cent. in 2020 due to the restrictive measures implemented in Kuwait. As a result, the Group downgraded certain exposures which increased its expected credit losses in 2020. The Group also increased its general provisions for 2020. The first COVID-19 case was confirmed in

Kuwait on 24 February 2020, followed by a sequence of government decisions that started with business closures on 9 March 2020 and escalated to a complete lockdown during the month of May in 2020. Kuwait began a gradual opening of the economy in the beginning of June 2020 and by the end of 2020 Kuwait was in phase four of the five-phased plan to return to normal activity.

Since the beginning of the pandemic and curfew measure implementation, the Group worked closely with the Government and the Central Bank of Kuwait to provide support to the economy in a quick and efficient way and to support its customers in their financial needs. Moreover, the Group supported the Government's efforts to combat the spread of the pandemic by contributing to the KD 10 million fund created by Central Bank of Kuwait and donated KD 1 million to Kuwait's Red Crescent Society. The Central Bank of Kuwait initiated macro-prudential measures and reduced certain regulatory requirements in an effort to increase the banking sector's resilience and enable it to play a more active role throughout the crisis. These measures included lowering the banking sector's capital and liquidity requirements and reducing the discount rate to historically low levels which reached 1.5 per cent. in 2020 (currently at 4.25 per cent.). The Group also took proactive measures and activated emergency plans during the early stages of the crisis in order to protect its employees and ensure business continuity including strict health and precautionary controls to ensure a safe environment for its staff and customers. Concurrently, the Group sought to leverage the flexibility of its business model, providing support and advice to customers facing financial difficulties and relying heavily on the Group's digital capabilities to maintain the level of service quality and accessibility that customers would expect in normal times. In this context, and without jeopardising the Group's future business plans, the Group initiated cost-cutting initiatives to reduce the impact of the pandemic on profitability. In coordination with the Central Bank of Kuwait and the Kuwait Banking Association, the Group participated in all initiatives aimed at lifting the pressures customers were facing. For example, the Group extended support to customers by suspending fees on POS terminals, ATMs and digital channels for three months in 2020 and increased the limit for contactless payments. In addition, the Group provided support to individuals by deferring consumer loans, instalment loans and credit card instalments for a period of six months in 2020 for all customers. The Group also provided support financing to individuals, SMEs, and economic entities impacted by the COVID-19 crisis.

The curfew restrictions and slower economic activity, especially during the second quarter of 2020, had a significant adverse impact on the Group. The decrease in interest rates resulted in a reduction in the Group's interest margins while lower transaction volumes resulted in lower fees and commission income. Additionally, the impact of non-oil GDP contraction, lower oil prices and lockdown measures increased the level of uncertainty around cash flows for certain of the Group's customers, which led to a significant increase in provision charges.

The Group along with other Kuwaiti banks implemented the consumer and other instalment loans deferral scheme by postponing the instalments falling due within the six months period from 1 April 2020 to 30 September 2020 with a corresponding extension of the facility tenure at no cost to the borrowers. The instalment deferral resulted in a loss of KD 150 million across the consumer and other instalment loan portfolio arising from the modification of contractual cash-flows as the Group continued to fund the respective amounts for the periods concerned. The loss attributable to Bank's equity shareholders amounted to KD 130 million in 2020 and was charged to retained earnings and the remaining loss to the non-controlling interest.

In 2021, as approved by the Kuwaiti parliament and in accordance with a Central Bank of Kuwait circular, the Group postponed instalments under consumer and instalment loans to eligible customers for a six-month period from the customer request date with a corresponding extension of the facility tenure and cancellation of interest and profits that would have been due in the deferred period. This instalment deferral resulted in a loss to the Group arising from the modification of contractual cash-flows, amounting to KD 140 million in accordance with IFRS 9. This loss was offset by an equivalent amount receivable from the Government of Kuwait as a Government grant, which is included in other assets in the 2021 consolidated statement of financial position.

Factors affecting net interest income and net income from Islamic financing

The Group's net finance income (which comprises its interest income and income from Islamic financing less its interest expense and finance cost and distribution to depositors) is a major contributor to its total net operating income, comprising 76.4 per cent., 73.1 per cent., 74.9 per cent., 74.4 per cent. and 75.5 per cent. of net operating income in each of the two six months ended 30 June 2023 and 30 June 2022 and in each of 2022, 2021 and 2020, respectively.

The major components of the Group's finance income are:

- interest income on loans and advances to customers, which comprised 46.9 per cent., 52.9 per cent., 50.9 per cent., 54.7 per cent. and 54.3 per cent. of total finance income in each of the two six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December in each of 2022, 2021 and 2020, respectively;
- income from murabaha and other Islamic financing income, which comprised 20.1 per cent., 25.7 per cent., 23.3 per cent., 25.6 per cent. and 22.9 per cent. of total finance income in each of the two six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December in each of 2022, 2021 and 2020, respectively; and
- interest income from debt investment securities, which comprised 18.2 per cent., 15.7 per cent., 16.4 per cent., 15.6 per cent. and 15.4 per cent. of total finance income in each of the two six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December in each of 2022, 2021 and 2020, respectively.

In addition, interest income from deposits with banks, Central Bank of Kuwait bonds and Kuwaiti Government treasury bonds together comprised 14.8 per cent., 5.7 per cent., 9.4 per cent., 4.1 per cent. and 7.4 per cent. of the Group's total finance income in each of the two six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December in each of 2022, 2021 and 2020, respectively.

The major components of the Group's financing cost are:

- interest paid on customer deposits, which comprised 41.3 per cent., 46.4 per cent., 41.7 per cent., 49.2 per cent. and 48.0 per cent. of total financing expense in each of the two six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December in each of 2022, 2021 and 2020, respectively;
- due to banks and other financial institutions, which comprised 28.1 per cent., 18.7 per cent., 25.8 per cent., 13.4 per cent. and 23.4 per cent. of total financing expense in each of the two six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December in each of 2022, 2021 and 2020, respectively; and
- finance cost and distribution to depositors, which comprised 20.4 per cent., 26.1 per cent., 24.1 per cent., 29.5 per cent. and 23.5 per cent. of total financing expense in each of the two six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December in each of 2022, 2021 and 2020, respectively.

In addition, certificates of deposit issued and other borrowed funds together comprised 10.2 per cent., 8.8 per cent., 8.4 per cent., 8.0 per cent. and 5.1 per cent. of the Group's financing cost in each of the two six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December in each of 2022, 2021 and 2020, respectively.

The Group's net finance income is affected by a number of factors. It is primarily determined by the volume of its income-earning assets relative to its cost-bearing liabilities, as well as the differential between rates earned on income-earning assets and paid on cost-bearing liabilities. The Group's income-earning assets primarily consist of its customer loan portfolio and the debt investment securities held by it. The Group's cost-bearing liabilities primarily comprise its customer deposits, amounts due to banks and deposits from financial institutions.

The changes in the Group's net finance income for the six months ended 30 June 2023 compared to the corresponding period in 2022 were primarily driven by higher margins due to the higher interest rate environment with loans and other interest earning assets repricing faster than deposits and growth in loans and advances to customers and debt investment securities. The Group's average customer loan portfolio was KD 21,251 million for the six months ended 30 June 2023 compared to KD 19,971 million for the six months ended 30 June 2022.

The changes in the Group's net finance income for 2022 compared to 2021 were primarily driven by growth in loans and advances to customers and debt investment securities and higher benchmark rates. The Group's average customer loan portfolio was KD 20,303 million in 2022 compared to KD 18,508 million for 2021.

The changes in the Group's net finance income for 2021 compared to 2020 were primarily driven by growth in loans and advances to customers and debt investment securities, in part offset by lower benchmark rates. In addition, the Group's funding cost benefitted from a more favourable funding mix. The Group's average customer loan portfolio was KD 18,508 million in 2021 compared to KD 17,396 million for 2020.

The Group's net interest margin (being its net finance income divided by its average income-earning assets for the period, with average income-earning assets calculated as the sum of income-earning assets on a quarterly basis divided by five (for annual periods) and three (for quarterly periods)) was 2.52 per cent. in the six months ended 30 June 2023 compared to 2.18 per cent. in the corresponding period of 2022 and 2.30 per cent. in 2022 compared to 2.21 per cent. in 2021 and 2.21 per cent. in 2020. Typically, the Group's net interest margins widen in an increasing interest rate environment as many of the Group's wholesale loans reprice immediately on a floating basis, while the Group's funding cost increases gradually based on the maturity profile of its deposit base. The increase in the first six months of 2023 compared to the corresponding period in 2022 primarily reflected higher margins and growth in loans and advances to customers and debt investment securities. The increase in 2022 compared to 2021 primarily reflected the impact of growth in loans and advances to customers and debt investment securities as well as higher benchmark rates. The Group's net interest margin remained stable in 2021 compared to 2020.

Movements in provision charge for credit losses

The Group's provision charge for credit losses for the six months ended 30 June 2023 was KD 48 million compared to KD 9 million for the corresponding period in 2022. The Group's provision charge for credit losses for 2022 was KD 5 million compared to KD 121 million for 2021 and KD 218 million for 2020.

The Group is required to recognise impairment allowances for credit facilities at an amount equal to the higher of ECL under IFRS 9 according to CBK guidelines, and the provisions required by CBK instructions as described in note 2.10 to the 2022 Financial Statements.

In the six months ended 30 June 2023, the Group's provision charge for credit losses comprised KD 12 million in specific provisioning and KD 36 million in general provisioning. In the six months ended 30 June 2022, the Group's provision charge for credit losses comprised a release of KD 125 million in relation to specific provisioning and a provision charge of KD 134 million in relation to general provisioning. The increase in provision charges for credit losses in the six months ended 30 June 2023 compared to the corresponding period in 2022 was mainly due to relatively higher recoveries in 2022. The Group's non-performing loans, advances and Islamic financing amounted to KD 391 million as at 30 June 2023, compared to KD 310 million as at 31 December 2022. The increase in non-performing loans in the first six months of 2023 was primarily driven by non-performing loans in the overseas real estate sector, which are fully secured.

In 2022, the Group's provision release for credit losses comprised KD (147) million in specific provisioning and KD 152 million in general provisioning. In 2021, the Group's provision charge for credit losses comprised KD 66 million in specific provisioning and KD 55 million in general provisioning. The decrease in provision charges for credit losses in 2022 compared to 2021 was mainly due to recoveries of amounts provided towards credit losses during prior years, partly offset by ordinary course and precautionary general provisions.

In 2020, the Group's provision charge for credit losses comprised KD 111 million in specific provisioning, KD 108 million in general provisioning against cash facilities and a release of KD 1 million provided against non-cash facilities. The decrease in provision charges for credit losses in 2021 compared to 2020 was mainly due to relatively lower precautionary general provisions taken in 2021. Further, the decrease in provisions was also attributable to an overall improvement in the credit profile largely from the regularisation of exposures in the Kuwait corporate portfolio.

Banks in Kuwait continue to be permitted to make precautionary general provisions. The amount of the Group's precautionary general provision reflects its policy of maintaining the overall provision level at a level perceived as appropriate by Management at the Bank.

DESCRIPTIONS OF PRINCIPAL STATEMENT OF INCOME ITEMS

Interest income

Interest income is the Group's principal source of income. The Group earns interest income on the customer loans and advances made by it, on its portfolio of debt investment securities and on its deposits with central banks and other banks. Interest income is recognised in the income statement using the effective interest

method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Fees which are considered an integral part of the effective yield of a financial asset are recognised using the effective yield method. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest expense

The Group incurs interest expense on its customer, bank and other financial institution deposits, on the certificates of deposit which it issues and on its global medium term notes and subordinated Tier 2 bonds. Interest expense is also recognised in the income statement using the effective interest method.

Net income from Islamic financing

The Group earns income from Islamic financing on the Islamic financing provided by it to its customers. The Group incurs Islamic financing costs through the distributions it makes to its Islamic depositors and costs related to its murabaha financing. Islamic financing income is recognised in the income statement on a basis which reflects a constant periodic return on the outstanding net investment relating to that financing. Islamic financing costs are recognised in the income statement on the basis of the type of customer deposit. Islamic financing costs on murabaha and wakala products are recognised on an effective yield basis, which is established on initial recognition of the liability, and Islamic financing costs on other products are recognised based on rates determined by reference to Boubyan Bank's results at the end of every month.

Net fee and commission income

Fees income earned from services provided over a period of time is recognised over the period of service. Fees and commissions arising from providing a transaction service are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised over the period in which the service is provided. The same principle is applied for wealth management and custody services that are continuously provided over an extended period of time.

Net investment income

Net investment income consists of net realised gains on the sale of investments, net gains or losses from investments carried at fair value through the income statement, dividend income, share of results of associates, net gains or losses from investment properties and, in 2018, loss on derecognition of associates.

The Group classifies its financial investments in the following categories: amortised cost, investments carried at fair value through other comprehensive income and investments carried at fair value through profit and loss.

The Group's debt securities are classified as either at amortised cost or at fair value through other comprehensive income based on the business model in which they are managed. Equity investments are generally carried at fair value through profit or loss, except for those specific investments for which the Group has made an election to classify them at fair value through other comprehensive income. Other investments are carried at fair value through profit or loss.

The Group's investments at fair value through other comprehensive income or fair value through profit or loss are measured at fair value. For further information on the manner in which the fair value of these securities is determined, see note 23 to the 2022 Financial Statements.

Net gains and losses from dealing in foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and monetary liabilities in foreign currencies (other than monetary items that form part of the net investment in a foreign operation) are translated into the Group's functional

currency at rates of exchange prevailing at the reporting date. Any gains or losses are taken to the consolidated statement of income. Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

Net gains and losses from dealing in foreign currencies include net foreign exchange trading income, gains and losses from spot and currency contracts, options and futures, primarily for its treasury clients.

Other operating income

Other operating income consists of rental and other sundry income.

Staff expenses

Staff expenses consist primarily of salaries, bonuses and other benefits to full-time employees.

Other administrative expenses

Other administrative expenses consist primarily of premises expenses, marketing and advertising expenses, communication expenses, IT expenses, professional expenses and other expenses.

Provision charge for credit losses and impairment losses ("ECL")

At each reporting date the Group recognises its ECL on its credit facilities, on its investment in debt securities measured at amortised cost or fair value through other comprehensive income and on its balances and deposits with banks. Equity investments are not subject to ECL.

The Group's credit facilities comprise its loans and advances, Islamic financing to customers, letters of credit and financial guarantee contracts and commitments to grant credit facilities. The Group's impairment charge on credit facilities is recognised in the consolidated statement of financial position at an amount equal to the higher of (i) ECL computed under IFRS 9 in accordance with the CBK guidelines or (ii) the provisions as required by by CBK instructions.

In accordance with CBK instructions, the Group's losses on financial assets (consumer and other instalment loans and credit card receivables) arising from payment holidays to customers in response to COVID-19 (referred to as "**modification losses**") were charged directly to retained earnings in 2020, instead of being recognised in the consolidated statement of income as required by IFRS 9. These modification losses totalled KD 130 million in 2020. In 2021, the Group's modification losses were KD 140 million and were recognised in retained earnings. In 2021, the modification losses were offset by an equivalent amount receivable from the Kuwaiti Government. There were no modification losses in 2022 or the six months ended 30 June 2023.

IFRS 9. IFRS 9 as set forth in the CBK guidelines includes certain prescribed criteria and may not be directly comparable to the IFRS 9 methodology as applied in other jurisdictions. The manner in which the Group determines ECL and the provisions for credit losses required by the CBK is set out in note 2.10 to the 2022 Financial Statements and summarised in "*Risk Management—Principal Risks—Credit risk—Impairment, expected credit loss and/or provisions*".

Provisions for credit losses in accordance with CBK instructions. At each reporting date and in accordance with CBK regulations relating to the method of calculating specific provisions, the Group assesses its financial assets for objective evidence of impairment. In particular:

- all individually significant loans and advances to customers are assessed for specific impairment;
- specific impairment losses on assets carried at amortised cost (including the Group's customer loan portfolio) are measured as the difference between the carrying amount of the relevant asset and the present value of the estimated future cash flows from it discounted at the asset's original effective interest rate;
- a minimum general provision is made on all credit facilities, which are not subject to specific provisioning, net of certain restricted categories of collateral, with additional general provisions being made at Management's discretion with the approval of the CBK;

- impairment losses on associates, goodwill and intangibles are recognised for the amount by which the asset's carrying amount exceeded its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The Group's impairment requirements are calculated under both methodologies described above and, for each applicable period, the provisions for credit losses required by CBK instructions have been higher than the amount calculated pursuant to IFRS 9 in accordance with CBK guidelines. For example, in the six months ended 30 June 2023, the provision for credit losses for credit facilities as determined under IFRS 9 amounted to KD 610 million compared to KD 893 million as determined under CBK instructions. In 2022, the provision for credit losses for credit facilities as determined under IFRS 9 amounted to KD 577 million compared to KD 868 million as determined under CBK instructions. In 2021, the provision for credit losses for credit facilities as determined under IFRS 9 amounted to KD 462 million compared to KD 668 million as determined under CBK instructions. In 2020, the provision for credit losses for credit facilities as determined under IFRS 9 amounted to KD 605 million compared to KD 724 million as determined under CBK instructions.

RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2023 AND 2022

The following table sets forth the Group's results of operations for the periods indicated.

	Six months ended 30 June	
	2023	2022
	<i>(KD thousands)</i>	
Interest income	755,887	372,676
Interest expense	(409,677)	(113,056)
Net interest income	346,210	259,620
Murabaha and other Islamic financing income	190,699	128,593
Finance cost and distribution to depositors	(104,859)	(39,939)
Net income from Islamic financing	85,840	88,654
Net interest income and net income from Islamic financing	432,050	348,274
Net fees and commissions	99,607	92,429
Net investment income	15,524	10,625
Net gains from dealing in foreign currencies	17,433	24,146
Other operating income	1,243	869
Non-interest income	133,807	128,069
Net operating income	565,857	476,343
Staff expenses	(114,987)	(107,731)
Other administrative expenses	(69,145)	(56,918)
Depreciation of premises and equipment	(21,693)	(19,097)
Amortisation of intangible assets	(824)	(824)
Operating expenses	(206,649)	(184,570)
Operating profit before provision for credit losses and impairment losses	359,208	291,773
Provision charge for credit losses and impairment losses	(47,959)	(21,044)
Operating profit before taxation	311,249	270,729
Taxation	(22,248)	(21,951)
Directors' remuneration	-	-
Profit for the year	289,001	248,778
Attributable to:		
Shareholders of the Bank	275,347	237,826
Non-controlling interests	13,654	10,952

Net interest income

The following table sets forth the details of the Group's interest income for the periods indicated.

	Six months ended 30 June				Variation
	2023	% of total	2022	% of total	2023/2022
	<i>(KD thousands, except percentage columns)</i>				<i>(per cent.)</i>
Deposits with banks	116,124	15.4	20,108	5.4	477.5
Loans and advances to customers	444,114	58.8	265,361	71.2	67.4
Debt investment securities	172,111	22.8	78,672	21.1	118.8
Kuwait Government treasury bonds and CBK bonds	23,538	3.1	8,535	2.3	175.8
Total interest income	755,887	100.0	372,676	100.0	102.8

The Group's total interest income for the six months ended 30 June 2023 amounted to KD 756 million compared to KD 373 million for the corresponding period in 2022.

The increase of KD 383 million, or 102.8 per cent., in the six months ended 30 June 2023 reflected:

- a KD 179 million, or 67.4 per cent., increase in interest income from loans and advances to customers reflecting higher benchmark rates and growth in volumes;
- a KD 93 million, or 118.8 per cent., increase in interest income from debt investment securities reflecting higher benchmark rates and growth in volumes;
- a KD 96 million, or 477.5 per cent., increase in interest income from deposits with banks reflecting higher benchmark rates; and

- a KD 15 million, or 175.8 per cent., increase in interest income from Kuwaiti Government treasury bonds and CBK bonds reflecting higher benchmark rates.

The following table shows details of the Group's interest expense for the periods indicated.

	Six months ended 30 June				Variation
	2023	% of total	2022	% of total	2023/2022
	<i>(KD thousands, except percentages)</i>				<i>(per cent.)</i>
Due to banks and other financial institutions	144,628	35.3	28,643	25.3	404.9
Customer deposits	212,693	51.9	70,984	62.8	199.6
Certificates of deposit issued.....	42,595	10.4	4,469	4.0	853.1
Other borrowed funds.....	9,761	2.4	8,960	7.9	8.9
Total interest expense.....	409,677	100.0	113,056	100.0	262.4

The Group's total interest expense for the six months ended 30 June 2023 amounted to KD 410 million compared to KD 113 million for the corresponding period in 2022.

The increase of KD 297 million, or 262.4 per cent., in the six months ended 30 June 2023 principally reflected:

- a KD 142 million, or 199.6 per cent., increase in interest expense on customer deposits which was driven by higher benchmark rates and growth in volumes;
- a KD 116 million, or 404.9 per cent., increase in interest expense on amounts due to banks and other financial institutions which was driven by higher benchmark rates;
- a KD 1 million, or 8.9 per cent., increase in interest expense on other borrowed funds which was driven by higher benchmark rates;
- a KD 38 million, or 853.1 per cent., increase in interest expense on certificates of deposit issued driven by higher benchmark rates and growth in volumes.

Reflecting the above factors, the Group's net interest income in the six months ended 30 June 2023 amounted to KD 346 million, an increase of KD 87 million, or 33.4 per cent., from the KD 260 million net interest income recorded in the six months ended 30 June 2022.

Net income from Islamic financing

The Group's murabaha and other Islamic financing income for the six months ended 30 June 2023 amounted to KD 191 million compared to KD 129 million for the corresponding period in 2022. This represented an increase of KD 62 million, or 48.3 per cent. and principally reflected higher benchmark rates and to a lesser extent growth in the volume of the Group's Islamic financing to customers.

The Group's finance cost and distribution to depositors for the six months ended 30 June 2023 amounted to KD 105 million compared to KD 40 million for the corresponding period in 2022. The increase of KD 65 million, or 162.5 per cent., primarily reflected higher benchmark rates.

Reflecting the above factors, the Group's net income from Islamic financing for the six months ended 30 June 2023 amounted to KD 86 million compared to KD 89 million for the corresponding period in 2022.

Net finance income

The Group's net financing income for the six months ended 30 June 2023 amounted to KD 432 million compared to KD 348 million for the corresponding period in 2022.

The increase in the Group's net financing income for the six months ended 30 June 2023 compared to the corresponding period in 2022 was primarily driven by higher benchmark rate environment and growth in volumes. The Group's average customer loan portfolio (based on quarterly balances in each period divided by three) was KD 21,251 million for 2023 the six months ended 30 June 2023 compared to KD 19,971 million for the corresponding period in 2022, an increase of KD 1,280 million, or 6.4 per cent.

The Group's net interest margin was 2.52 per cent. in the six months ended 30 June 2023 compared to 2.18 per cent. in the corresponding period of 2022, with the increase principally driven by loans repricing faster than deposits in an increasing benchmark rate environment and growth in loans and advances to customers and debt investment securities.

Net fees and commissions

The following table shows the Group's net fees and commissions each of the six-month periods indicated.

	Six months ended 30 June				Variation
	2023	% of total	2022	% of total	2023/2022
	<i>(KD thousands, except percentage columns)</i>				<i>(per cent.)</i>
Credit facilities	34,312	34.4%	30,272	32.8%	13.3%
Other.....	65,295	65.6%	62,156	67.2%	5.1%
Net fees and commissions.....	99,607	100.0	92,429	100.0	7.8%

The Group's net fees and commission income for the six months ended 30 June 2023 was KD 100 million, an increase of KD 7 million, or 7.8 per cent., from the KD 92 million recorded in the corresponding period of 2022. This increase principally reflected higher business activity levels across major lines of business.

Net gains from dealing in foreign currencies and other operating income (which comprises the "net investment income" and "other operating income" line items in the consolidated statement of income)

The Group's net gains from dealing in foreign currencies for the six months ended 30 June 2023 amounted to KD 17 million compared to KD 24 million in the corresponding period of 2022. The decrease of KD 7 million, or 27.8 per cent., principally reflected the impact of unfavourable currency movements.

The Group's other operating income for the six months ended 30 June 2023 amounted to KD 17 million compared to KD 11 million for the corresponding period in 2022, reflecting higher market valuations of the Group's investments.

Operating expenses

The Group's total operating expenses amounted to KD 207 million for the six months ended 30 June 2023 compared to KD 185 million for the corresponding period in 2022. The increase of KD 22 million, or 12.0 per cent., in the six months ended 30 June 2023 principally reflected increased headcount, annual increments and continued investments in key businesses, digital technologies and processes.

Provision charge for credit losses and impairment losses

The table below shows the Group's provision charge for credit losses and impairment losses for the periods indicated.

	Six months ended 30 June	
	2023	2022
	<i>(KD thousands)</i>	
Specific.....	12,195	(124,888)
General	36,163	133,426
Total provision charge for credit losses.....	48,358	8,538
Expected credit losses charge	(399)	4,881
Other impairment losses	-	7,625
Provision charge for credit losses and impairment losses.....	47,959	21,044

The Group's total provision charge for credit losses and impairment losses amounted to KD 48 million for the six months ended 30 June 2023 compared to KD 21 million for the corresponding period in 2022. The increase in the six months ended 30 June 2023 was primarily attributable to the higher provision charge from new NPLs and precautionary provisions whilst in six months ended 30 June 2022, the Group's provisions charge was relatively lower due to recoveries. The Group's non-performing loans, advances and Islamic financing amounted to KD 391 million as at 30 June 2023, compared to KD 310 million as at 31 December 2022. The increase in non-performing loans in the first six months of 2023 was primarily driven by a limited

number of exposures (which are largely well collateralised) as a few of the Group's customers that were impacted by cyclical factors.

The Group's total specific provision charge for credit losses amounted to KD 12 million for the six months ended 30 June 2023, compared to a release of KD 125 million for the corresponding period in 2022. In the six months ended 30 June 2023, the increase in specific provisions was attributable to a lower number of recoveries .

The Group's total general provision charge amounted to KD 36 million for the six months ended 30 June 2023 compared to KD 133 million for the corresponding period in 2022. In the six months ended 30 June 2023, the decrease in provisions was attributable to lower precautionary provisions relative to the corresponding period in 2022.

The Group's expected credit losses/(release) amounted to a release of KD 0.4 million for the six months ended 30 June 2023 compared to an expected credit losses charge of KD 5 million for the corresponding period in 2022. In the six months ended 30 June 2023, the decrease was attributable to lower requirements under IFRS 9 for expected credit losses for financial assets other than credit facilities. There were no other impairment losses for the six month period ended 30 June 2023 compared to KD 8 million impairment losses for the corresponding period in 2022.

Taxation

The Group's taxation charge for the six months ended 30 June 2023 amounted to KD 22 million compared to KD 22 million for the corresponding period in 2022. The slight increase of KD 0.3 million, or 1.4 per cent., in the six months ended 30 June 2023 principally reflected higher profits for the period partly offset by tax decreases at the Bank's overseas operations.

Segmental analysis

The tables below show certain statement of income and statement of financial position line items of each of the Group's reporting segments for the periods indicated.

	Six months ended 30 June 2023						Total
	CPB	CB	IBAM	IB	GC	International	
	(KD thousand)						
Net interest income and net income from							
Islamic financing.....	106,152	58,791	1,136	85,752	63,159	117,060	432,050
Net operating income.....	149,518	80,548	19,443	112,281	63,755	140,312	565,857
Profit / (loss) for the period.....	77,991	71,178	11,992	40,490	14,972	72,378	289,001
Total assets	5,590,878	5,286,378	94,671	8,024,121	2,790,448	14,298,826	36,085,322
Total liabilities	6,988,442	2,927,685	14,411	7,032,369	642,214	13,787,301	31,392,422
	Six months ended 30 June 2022						
	CPB	CB	IBAM	IB	GC	International	Total
	(KD thousand)						
Net interest income and net income from							
Islamic financing.....	107,389	48,677	364	89,044	7,358	95,442	348,274
Net operating income.....	149,637	68,722	20,139	105,288	15,249	117,308	476,343
Profit / (loss) for the period.....	81,801	108,792	13,432	30,993	(32,079)	45,839	248,778
Total assets	5,377,380	4,982,903	83,722	7,635,997	2,768,923	13,433,762	34,282,687
Total liabilities	7,033,277	2,043,742	11,758	6,676,996	1,035,362	13,023,910	29,825,045

Consumer and private banking

CPB's net operating income for the six months ended 30 June 2023 amounted to KD 150 million compared to KD 150 million for the corresponding period in 2022. CPB's profit was KD 78 million for the six months ended 30 June 2023 compared to KD 82 million for the corresponding period in 2022. The decrease in profit of KD 4 million, or 4.7 per cent., principally reflected tighter margins, driven by migration of certain current and savings deposits to time deposits with higher interest rates and higher costs, in part offset by increased business volumes, higher fee income and lower provisions for credit losses.

Corporate banking

CB's net operating income for the six months ended 30 June 2023 amounted to KD 81 million compared to KD 69 million for the corresponding period in 2022. The increase in net operating income of KD 12 million,

or 17.2 per cent., principally reflected improved margins and higher business volumes. CB's profit was KD 71 million for the six months ended 30 June 2023 compared to KD 109 million for the corresponding period in 2022. The decrease in profit of KD 38 million, or 34.6 per cent., principally reflected provision recoveries in 2022, in part offset by higher net operating income for the period.

Investment banking and asset management

IBAM's net operating income for the six months ended 30 June 2023 amounted to KD 19 million compared to KD 20 million for the corresponding period in 2022. IBAM's profit was KD 12 million for the six months ended 30 June 2023 compared to KD 13 million for the corresponding period in 2022. The decrease in operating income of KD 1 million, or 3.5 per cent., and the decrease in profit of KD 1 million, or 10.7 per cent., principally reflected lower fee income and higher costs, in part offset by higher net interest income.

Islamic banking

IB's net operating income for the six months ended 30 June 2023 amounted to KD 112 million compared to KD 105 million for the corresponding period in 2022. The increase in net operating income of KD 7 million, or 6.6 per cent., principally reflected principally reflected higher investment income and higher fee income, in part offset by lower net income from Islamic financing impacted by tighter margins. IB's profit was KD 40 million for the six months ended 30 June 2023 compared to KD 31 million for the corresponding period in 2022. The increase in profit of KD 9 million, or 30.6 per cent., principally reflected higher net operating income, lower provisions and impairment and lower taxes, in part offset by higher costs.

Group centre

GC's net operating income for the six months ended 30 June 2023 amounted to KD 64 million compared to KD 15 million for the corresponding period in 2022. The increase in net operating income of KD 49 million, or 318.1 per cent., principally reflected higher net interest income due to higher benchmark rates, in part offset by adverse currency movements. GC's profit was KD 15 million for the six months ended 30 June 2023 compared to a loss of KD 32 million for the corresponding period in 2022. The swing from a loss to a profit principally reflected higher net operating income and lower provisions and impairment, in part offset by higher costs.

International

International's net operating income for the six months ended 30 June 2023 amounted to KD 140 million compared to KD 117 million for the corresponding period in 2022. The increase in net operating income of KD 23 million, or 19.6 per cent., principally reflected growth in business volumes, higher benchmark rates and higher fee income. International's profit was KD 72 million for the six months ended 30 June 2023 compared to KD 46 million for the corresponding period in 2022. The increase in profit of KD 27 million, or 57.9 per cent., principally reflected strong operating performance and lower provisions and impairment.

RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2022, 2021 AND 2020

The following table sets forth the Group's results of operations for the years indicated.

	Year ended 31 December		
	2022	2021	2020*
	<i>(KD thousands)</i>		
Interest income.....	947,589	661,056	756,984
Interest expense.....	(363,821)	(154,889)	(266,752)
Net interest income.....	583,768	506,167	490,232
Murabaha and other Islamic financing income.....	287,558	227,849	225,137
Finance cost and distribution to depositors.....	(115,487)	(64,757)	(81,902)
Net income from Islamic financing.....	172,071	163,092	143,235
Net interest income and net income from Islamic financing.....	755,839	669,259	633,467
Net fees and commissions*.....	181,778	168,836	147,957
Net investment income.....	15,736	27,905	2,041
Net gains from dealing in foreign currencies*.....	55,379	29,739	32,678
Other operating income.....	1,009	4,054	22,873

	Year ended 31 December		
	2022	2021	2020*
	<i>(KD thousands)</i>		
Non-interest income	253,902	230,534	205,549
Net operating income	1,009,741	899,793	839,016
Staff expenses	(220,125)	(201,113)	(174,442)
Other administrative expenses*	(125,430)	(115,609)	(98,553)
Depreciation of premises and equipment	(38,922)	(34,049)	(33,432)
Amortisation of intangible assets	(1,647)	(1,647)	(1,647)
Operating expenses	386,124	(352,418)	(308,074)
Operating profit before provision for credit losses and impairment losses	623,617	547,375	530,942
Provision charge for credit losses and impairment losses	(45,363)	(132,498)	(246,438)
Operating profit before taxation	578,254	414,877	284,504
Taxation	(47,422)	(34,136)	(25,842)
Directors' remuneration	(770)	(120)	-
Profit for the year	530,062	380,621	258,662
Attributable to:			
Shareholders of the Bank	509,085	362,249	246,341
Non-controlling interests	20,977	18,372	12,321

* Reflects reclassifications in net fees and commissions, net gains from dealing in foreign currencies and other administrative expenses. See "Presentation of Certain Financial and other Information—Historical Financial Statements".

Net interest income

The following table sets forth the details of the Group's interest income for the years indicated.

	Year ended 31 December					Variation		
	2022	% of total	2021	% of total	2020	% of total	2022/2021	2021/2020
	<i>(KD thousands, except percentage columns)</i>					<i>(per cent.)</i>		
Deposits with banks	90,873	9.6	18,926	2.9	44,467	5.9	380.1	(57.4)
Loans and advances to customers	629,180	66.4	486,023	73.5	533,226	70.4	29.5	(8.9)
Debt investment securities	202,916	21.4	138,706	21.0	151,496	20.0	46.3	(8.4)
Kuwait Government treasury bonds and CBK bonds	24,620	2.6	17,401	2.6	27,795	3.7	41.5	(37.4)
Total interest income	947,589	100.0	661,056	100.0	756,984	100.0	43.3	(12.7)

The Group's total interest income for 2022 amounted to KD 948 million compared to KD 661 million for 2021 and KD 757 million for 2020.

The increase of KD 287 million, or 43.3 per cent., in 2022 reflected:

- a KD 143 million, or 29.5 per cent., increase in interest income from loans and advances to customers reflecting growth in volumes and higher benchmark rates;
- a KD 72 million, or 380.1 per cent., increase in interest income from deposits with banks reflecting growth in volumes and higher benchmark rates;
- a KD 64 million, or 46.3 per cent., increase in interest income from debt investment securities reflecting growth in volumes and higher benchmark rates; and
- a KD 7 million, or 41.5 per cent., increase in interest income from Kuwaiti Government treasury bonds and CBK bonds reflecting higher benchmark rates.

The decrease of KD 96 million, or 12.7 per cent., in 2021 reflected:

- a KD 47 million, or 8.9 per cent., decline in interest income from loans and advances to customers reflecting lower benchmark rates, in part offset by growth in volumes;

- a KD 26 million, or 57.4 per cent., decline in interest income from deposits with banks reflecting lower benchmark rates, in part offset by growth in volumes;
- a KD 13 million, or 8.4 per cent., decline in interest income from debt investment securities reflecting lower benchmark rates, in part offset by growth in volumes; and
- a KD 10 million, or 37.4 per cent., decline in interest income from Kuwaiti Government treasury bonds and CBK bonds reflecting lower benchmark rates and lower volumes.

The following table shows details of the Group's interest expense for the years indicated.

	Year ended 31 December				Variation			
	2022	% of total	2021	% of total	2020	% of total	2022/2021	2021/2020
	<i>(KD thousands, except percentage columns)</i>				<i>(per cent.)</i>			
Due to banks and other financial institutions	123,471	33.9	29,344	18.9	81,736	30.6	320.8	(64.1)
Customer deposits	199,930	55.0	108,068	69.8	167,281	62.7	85.0	(35.4)
Certificates of deposit issued	22,712	6.2	3,401	2.2	6,879	2.6	567.8	(50.6)
Other borrowed funds	17,708	4.9	14,076	9.1	10,856	4.1	25.8	29.7
Total interest expense	363,821	100.0	154,889	100.0	266,752	100.0	134.9	(41.9)

The Group's total interest expense for 2022 amounted to KD 364 million compared to KD 155 million for 2021 and KD 267 million for 2020.

The increase of KD 209 million, or 134.9 per cent., in 2022 principally reflected:

- a KD 94 million, or 320.8 per cent., increase in interest expense on amounts due to banks and other financial institutions which was driven by growth in volumes and higher benchmark rates;
- a KD 92 million, or 85.0 per cent., increase in interest expense on customer deposits which was driven by growth in volumes and higher benchmark rates; and
- a KD 19 million, or 567.8 per cent., increase in interest expense on certificates of deposit issued which was driven by growth in volumes and higher benchmark rates.

The decrease of KD 112 million, or 41.9 per cent., in 2021 principally reflected:

- a KD 59 million, or 35.4 per cent., decrease in interest expense on customer deposits which was driven by lower benchmark rates, in part offset by growth in volumes; and
- a KD 52 million, or 64.1 per cent., decrease in interest expense on amounts due to banks and other financial institutions which was driven by lower benchmark rates, in part offset by growth in volumes.

Reflecting the above factors, the Group's net interest income in 2022 amounted to KD 584 million, an increase of KD 78 million, or 15.3 per cent., from the KD 506 million net interest income recorded in 2021 which was an increase of KD 16 million, or 3.3 per cent., from the KD 490 million net interest income recorded in 2020.

Net income from Islamic financing

The Group's murabaha and other Islamic financing income for 2022 amounted to KD 288 million compared to KD 228 million for 2021 and KD 225 million for 2020. This represented an increase of KD 60 million, or 26.2 per cent., in 2022 and principally reflected growth in the volume of the Group's Islamic financing to customers and higher benchmark rates. The increase of KD 3 million, or 1.2 per cent., in 2021 principally reflected growth in the Group's Islamic financing to customers and in debt investment securities, in part offset by lower benchmark rates.

The Group's finance cost and distribution to depositors for 2022 amounted to KD 115 million compared to KD 65 million for 2021 and KD 82 million for 2020. The increase of KD 51 million, or 78.3 per cent., in 2022 primarily reflected growth in the volume of the Group's Islamic deposits, issuance of GMTN sukuk and higher benchmark rates. The decrease of KD 17 million, or 20.9 per cent., in 2021 primarily reflected lower

benchmark rates and a more favourable funding mix, in part offset by growth in the volume of the Group's Islamic deposits.

Reflecting the above factors, the Group's net income from Islamic financing for 2022 amounted to KD 172 million compared to KD 163 million for 2021 and KD 143 million for 2020.

Net finance income

The Group's net financing income for 2022 amounted to KD 756 million compared to KD 669 million for 2021 and KD 633 million for 2020.

The changes in the Group's net financing income for 2022 compared to 2021 were primarily driven by growth in loans and advances to customers and debt investment securities as well as higher benchmark rates. The Group's average customer loan portfolio (based on quarterly balances in each year divided by five) was KD 20,303 million for 2022 compared to KD 18,508 million for 2021, an increase of KD 1,795 million, or 9.7 per cent.

The changes in the Group's net financing income for 2021 compared to 2020 were primarily driven by growth in loans and advances to customers and in debt investment securities, in part offset by lower benchmark rates. In addition, the Group's funding cost benefitted from a more favourable funding mix. The Group's average customer loan portfolio (based on quarterly balances in each year divided by five) was KD 18,508 million for 2021 compared to KD 17,396 million for 2020, an increase of KD 1,112 million, or 6.4 per cent.

The Group's net interest margin increased in 2022 to 2.30 per cent. from 2.21 per cent. in 2021. The increase in 2022 was driven by growth in loans and advances to customers and debt investment securities as well as higher benchmark rates. The Group's net interest margin remained stable in 2021 at 2.21 per cent., compared to 2.21 per cent. in 2020.

Net fees and commissions

The following table shows the Group's net fees and commissions for 2022, 2021 and 2020.

	Year ended 31 December					Variation			
	2022	% of total	2021	% of total	2020*	% of total	2022/2021	2021/2020	
	<i>(KD thousands, except percentage columns)</i>					<i>(per cent.)</i>			
Credit facilities.....	63,527	34.9	60,270	35.7	64,261	43.4	5.4	(6.2)	
Other*	118,251	65.1	108,566	64.3	83,706	56.0	8.9	29.7	
Total net fees and commissions*	181,778	100.0	168,836	100.0	147,967	100.0	7.7	14.1	

* Reflects reclassifications in net fees and commissions, net gains from dealing in foreign currencies and other administrative expenses. See "Presentation of Certain Financial and other Information—Historical Financial Statements".

The Group's net fees and commission income for 2022 was KD 182 million, an increase of KD 13 million, or 7.7 per cent., from the KD 169 million recorded for 2021. This increase principally reflected an increase across all major lines of business. The Group's net fees and commission income for 2021 was KD 169 million, an increase of KD 21 million, or 14.1 per cent., from the KD 148 million recorded for 2020. This increase principally reflected an increase across all major lines of business, in part offset by exceptional fees on credit facilities in 2020.

Net gains from dealing in foreign currencies and other operating income (which comprises the "net investment income" and "other operating income" line items in the consolidated statement of income)

The Group's net gains from dealing in foreign currencies for 2022 amounted to KD 55 million compared to KD 30 million for 2021. This increase of KD 26 million reflected the benefit of favourable currency movements and higher transaction volumes.

The Group's other operating income for 2022 amounted to KD 17 million compared to KD 32 million for 2021. The decrease of KD 15 million principally reflected negative movement in fair valuation of investments and a gain in 2021 on the sale of assets acquired in a debt swap.

The Group's foreign exchange income for 2021 amounted to KD 30 million compared to KD 33 million for 2020. The decrease of KD 3 million principally reflected the impact of unfavourable currency movements. As discussed under "*Presentation of Certain Financial and other Information—Historical Financial Statements*", net gains from dealing in foreign currencies for 2020 has been reclassified for the purpose of presenting comparable financial information in this Base Prospectus.

The Group's other operating income for 2021 amounted to KD 32 million compared to KD 25 million for 2020. The increase of KD 7 million principally reflected a positive movement in fair valuation of investments and a gain on the sale of debt investments and assets acquired in a debt swap. 2020 benefitted from Government subsidy in respect of COVID-19 and a gain on the sale of the Bank's old head office.

Operating expenses

The Group's total operating expenses amounted to KD 386 million for 2022 compared to KD 352 million for 2021 and KD 308 million for 2020. The increase of KD 34 million, or 9.6 per cent., in 2022 principally reflected increased headcount, annual increments and variable pay and an increase in other operating expenses. The increase of KD 44 million, or 14.4 per cent., in 2021 principally reflected increased staff expenses, driven by increases in the Group's headcount, annual increments and variable pay, as well as an increase in other administrative expenses. As discussed under "*Presentation of Certain Financial and other Information—Historical Financial Statements*", other administrative expenses for 2020 has been reclassified for the purpose of presenting comparable financial information in this Base Prospectus.

Provision charge for credit losses and impairment losses

The table below shows the Group's provision charge for credit losses and impairment losses for 2022, 2021 and 2020.

	Year ended 31 December		
	2022	2021	2020
	<i>(KD thousands)</i>		
Specific	(146,796)	66,033	110,518
General	152,146	54,809	107,205
Total provision charge for credit losses	5,350	120,842	217,723
Other impairment losses	40,013	11,656	28,715
Provision charge for credit losses and impairment losses..	45,363	132,498	246,438

The Group's total provision charge for credit losses and impairment losses amounted to KD 45 million for 2022 compared to KD 132 million for 2021 and KD 246 million for 2020. The reduction in 2022 was primarily due to recoveries of amounts provided towards credit losses during prior years, partly offset by ordinary course and precautionary general provisions. The reduction in 2021 was primarily due to improvements in macroeconomic conditions reflecting the fact that 2021 was considered a recovery phase from the adverse effects of the pandemic.

The Group's total specific provision release for credit losses amounted to KD 147 million for 2022, compared to total specific provision charges of KD 66 million and KD 111 million for 2021 and 2020, respectively. In 2022, the decrease in provisions was attributable to recoveries of amounts provided towards credit losses during prior years. In 2021, the decrease in provisions was attributable to an overall improvement in the credit profile largely from the regularisation of exposures in the Kuwait corporate portfolio.

The Group's total general provision charge amounted to KD 152 million for 2022, compared to KD 55 million for 2021 and KD 107 million for 2020. In 2022, the increase was due to additional precautionary provisions. In 2021, the decrease was due to relatively lower precautionary provisions.

The Group's other impairment losses amounted to KD 40 million for 2022, compared to KD 12 million for 2021 and KD 29 million for 2020. In 2022, the increase in other impairment losses was primarily due to impairment losses on goodwill. In 2021, the reduction in other impairment losses was primarily due to improvements in macroeconomic conditions (recovering from the adverse effects of the pandemic), a decrease in PD and other related factors.

Taxation

The Group's taxation charge for 2022 amounted to KD 47 million compared to KD 34 million for 2021 and KD 26 million for 2020. The increase of KD 13 million, or 38.9 per cent., in 2022 principally reflected higher Group profits. The increase of KD 8 million, or 32.1 per cent., in 2021 principally reflected higher Group profits.

Segmental analysis

The tables below show certain statement of income and statement of financial position line items of each of the Group's reporting segments for 2022, 2021 and 2020.

	Year ended 31 December 2022						Total
	CPB	CB	IBAM	IB	GC	International	
	<i>(KD thousand)</i>						
Net interest income and net income from Islamic financing	219,084	105,182	1,103	172,071	45,811	212,588	755,839
Net operating income.....	302,284	145,443	36,539	207,528	51,334	266,613	1,009,741
Profit / (loss) for the period	165,318	199,544	22,657	54,273	(48,851)	137,121	530,062
Total assets.....	5,629,576	4,933,723	97,138	7,880,757	2,045,500	15,751,669	36,338,363
Total liabilities...	6,946,140	2,459,515	15,934	6,901,058	208,334	15,172,436	31,703,417

	Year ended 31 December 2021						Total
	CPB	CB	IBAM	IB	GC	International	
	<i>(KD thousand)</i>						
Net interest income and net income from Islamic financing.....	225,184	90,930	590	163,092	12,942	176,521	669,259
Net operating income	299,054	137,023	34,157	193,275	12,927	223,357	899,793
Profit / (loss) for the period	193,854	40,913	20,010	47,955	(14,331)	92,220	380,621
Total assets	5,102,009	4,907,015	84,129	7,351,899	2,605,969	13,205,565	33,256,586
Total liabilities...	6,597,002	2,131,032	13,038	6,601,827	777,049	12,669,521	28,789,469

	Year ended 31 December 2020						Total
	CPB	CB	IBAM	IB	GC	International	
	<i>(KD thousand)</i>						
Net interest income and net income from Islamic financing.....	219,879	80,297	746	143,235	26,642	162,668	633,467
Net operating income	276,066	127,070	24,134	171,439	34,860	205,447	839,016
Profit / (loss) for the period	151,832	64,378	12,387	33,547	(53,419)	49,937	258,662
Total assets	4,753,571	4,978,948	67,145	6,437,149	3,331,686	10,148,892	29,717,391
Total liabilities...	6,474,936	2,350,988	11,071	5,810,419	237,618	10,691,304	25,576,336

Consumer and private banking (CPB)

CPB's net operating income for 2022 amounted to KD 302 million compared to KD 299 million for 2021. The increase in net operating income of KD 3 million, or 1.1 per cent., principally reflected higher fee income, higher foreign exchange income and increased volumes of consumer loans and deposits, in part offset by

tighter margins. CPB's profit was KD 165 million for 2022 compared to KD 194 million for 2021. The decrease in profit of KD 29 million, or 14.7 per cent., principally reflected higher provisions for credit losses and higher costs, in part offset by higher net operating income.

CPB's net operating income for 2021 amounted to KD 299 million compared to KD 276 million for 2020. The increase in net operating income of KD 23 million, or 8.3 per cent., principally reflected higher fee income and foreign exchange income due to a pickup in economic activity and increased volumes of consumer loans and deposits. CPB's profit was KD 194 million for 2021 compared to KD 152 million for 2020. The increase in profit of KD 42 million, or 27.7 per cent., principally reflected lower provisions for credit losses and higher net operating income, in part offset by higher costs.

Corporate banking (CB)

CB's net operating income for 2022 amounted to KD 145 million compared to KD 137 million for 2021. The increase in net operating income of KD 8 million, or 6.1 per cent., principally reflected higher margins, in part offset by a negative development in the fair valuation of investments and lower fee income. CB's profit was KD 200 million for 2022 compared to KD 41 million for 2021. The increase in profit of KD 159 million, or 387.7 per cent., principally reflected provision recoveries in 2022 and higher net operating income.

CB's net operating income for 2021 amounted to KD 137 million compared to KD 127 million for 2020. The increase in net operating income of KD 10 million, or 7.8 per cent., principally reflected higher loan margins. CB's profit was KD 41 million for 2021 compared to KD 64 million for 2020. The decrease in profit of KD 23 million, or 36.4 per cent., principally reflected higher provisions for credit losses, in part offset by higher net operating income.

Investment banking and asset management (IBAM)

IBAM's net operating income for 2022 amounted to KD 37 million compared to KD 34 million for 2021. IBAM's profit was KD 23 million for 2022 compared to KD 20 million for 2021. The increase in net operating income of KD 2 million, or 7.0 per cent. and the increase in profit of KD 3 million, or 13.2 per cent., principally reflected higher asset management fees.

IBAM's net operating income for 2021 amounted to KD 34 million compared to KD 24 million for 2020. The increase in net operating income of KD 10 million, or 41.5 per cent., principally reflected higher fee income and lower fair valuation losses on investments. IBAM's profit was KD 20 million for 2021 compared to KD 12 million for 2020. The increase in profit of KD 8 million, or 61.5 per cent., principally reflected higher net operating income.

Islamic banking (IB)

IB's net operating income for 2022 amounted to KD 208 million compared to KD 193 million for 2021. The increase in net operating income of KD 14 million, or 7.4 per cent., principally reflected higher net income from Islamic financing driven by growth in the Group's Islamic financing to customers and higher foreign exchange income, in part offset by lower investment income. IB's profit was KD 54 million for 2022 compared to KD 48 million for 2021. The increase in profit of KD 6 million, or 13.2 per cent., principally reflected higher net operating income and lower provisions for credit losses, in part offset by higher costs.

IB's net operating income for 2021 amounted to KD 193 million compared to KD 171 million for 2020. The increase in net operating income of KD 22 million, or 12.7 per cent., principally reflected higher net income from Islamic financing driven by growth in the Group's Islamic financing to customers and higher fee income. In 2020, IB's net operating income also benefitted from the Government subsidy in respect of COVID-19. IB's profit was KD 48 million for 2021 compared to KD 34 million for 2020. The increase in profit of KD 14 million, or 42.9 per cent., principally reflected higher net operating income and lower provisions for credit loss, in part offset by higher costs.

Group centre (GC)

GC's net operating income for 2022 amounted to KD 51 million compared to KD 13 million for 2021. The increase in net operating income of KD 38 million, or 297.1 per cent., principally reflected higher net interest income due to higher benchmark rates and the benefit of favorable currency movements. GC's loss was KD 49 million for 2022 compared to a loss of KD 14 million for 2021. The increase in loss of KD 35 million, or

240.9 per cent., principally reflected higher provisions for credit losses and impairments, in part offset by higher net operating income.

GC's net operating income for 2021 amounted to KD 13 million compared to KD 35 million for 2020. The decrease in net operating income of KD 22 million, or 62.9 per cent., principally reflected lower net interest income due to lower benchmark rates, in part offset by a positive swing in the fair valuation of equity investments and funds. In 2020, the Group also benefitted from a gain on the sale of the Bank's old head office and the Government subsidy in respect of COVID-19. GC's loss was KD 14 million for 2021 compared to a loss of KD 53 million for 2020. The reduction in loss of KD 39 million, or 73.2 per cent., principally reflected lower precautionary provisions for credit losses and a lower ECL charge on non-credit exposures, in part offset by lower net operating income.

International

International's net operating income for 2022 amounted to KD 267 million compared to KD 223 million for 2021. The increase in net operating income of KD 43 million, or 19.4 per cent., principally reflected growth in loans and advances to customers and debt investment securities and higher benchmark rates. International's profit was KD 137 million for 2022 compared to KD 92 million for 2021. The increase in profit of KD 45 million, or 48.7 per cent., principally reflected higher net operating income and lower provisions for credit losses and impairments, in part offset by higher costs.

International's net operating income for 2021 amounted to KD 223 million compared to KD 205 million for 2020. The increase in net operating income of KD 18 million, or 8.7 per cent., principally reflected growth in loans and advances to customers, lower funding cost and higher gains on the sale or redemption of debt securities. International's profit was KD 92 million for 2021 compared to KD 50 million for 2020. The increase in profit of KD 42 million, or 84.7 per cent., principally reflected lower provisions for credit losses and higher net operating income, in part offset by higher costs.

FINANCIAL POSITION

Assets

The following table shows data regarding the Group's assets as at the dates indicated.

	As at 30 June		As at 31 December					
	2023		2022		2021		2020	
	<i>(KD thousands)</i>	<i>(per cent.)</i>						
Assets								
Cash and short term funds	3,818,837	10.6	5,323,452	14.6	5,081,991	15.3	3,903,371	13.1
Central Bank of Kuwait bonds..	891,166	2.5	881,241	2.4	830,054	2.5	830,233	2.8
Kuwait Government treasury bonds.....	196,271	0.5	211,629	0.6	417,016	1.3	462,922	1.6
Deposits with banks.....	1,668,555	4.6	1,490,286	4.1	885,280	2.7	1,027,373	3.5
Loans, advances and Islamic financing to customers.....	21,563,725	59.8	20,998,416	57.8	19,722,471	59.3	17,504,342	58.9
Investment securities	6,145,456	17.0	5,634,672	15.5	4,910,798	14.8	4,728,778	15.9
Land, premises and equipment..	488,930	1.4	474,724	1.3	456,209	1.4	426,963	1.4
Goodwill and intangible assets..	529,469	1.5	534,936	1.5	581,264	1.7	581,881	2.0
Other assets	782,913	2.2	789,007	2.2	371,503	1.1	251,528	0.8
Total assets.....	36,085,322	100.0	36,338,363	100.0	33,256,586	100.0	29,717,391	100.0

The Group's total assets decreased by 0.7 per cent. to KD 36.1 billion as at 30 June 2023 from KD 36.3 billion as at 31 December 2022. The decrease in total assets was principally attributable to decreases in cash and short term funds offset by increases in loans, advances and Islamic financing to customers and investment securities. The Group's total assets increased by 9.3 per cent. to KD 36.3 billion as at 31 December 2022 from KD 33.3 billion as at 31 December 2021. The increase in total assets was principally attributable to increases in loans, advances and Islamic financing to customers, investment securities, deposits with banks and other assets.

The Group's total assets increased by 11.9 per cent. to KD 33.3 billion as at 31 December 2021 from KD 29.7 billion as at 31 December 2020. The increase in total assets was principally attributable to increases in loans, advances and Islamic financing to customers and in cash and short-term funds.

The Group's three most significant asset classes are its loans, advances and Islamic financing to customers, its investment securities and its cash and short-term funds.

Loans, advances and Islamic financing to customers

The Group's total customer loan portfolio comprising loans, advances and Islamic financing provided to customers (net of provisions) was KD 21.6 billion as at 30 June 2023.

The table below shows the Group's customer loan portfolio, provisions and loan to deposit ratio as at 30 June 2023 and as at 31 December in each of 2022, 2021 and 2020.

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
	<i>(KD in thousands, except percentages)</i>			
Gross loans ⁽¹⁾	22,416,156	21,826,357	20,355,995	18,191,566
Less: provision for credit losses.....	<u>(852,431)</u>	<u>(827,941)</u>	<u>(633,524)</u>	<u>(687,224)</u>
Net loans⁽²⁾	<u>21,563,725</u>	<u>20,998,416</u>	<u>19,722,471</u>	<u>17,504,342</u>
Net loans/customer and financial institution deposits	90.0%	87.8%	92.1%	87.4%
Net loans/total deposits ⁽³⁾	73.5%	70.6%	73.4%	72.9%

⁽¹⁾ Gross loans comprise total loans, advances and Islamic financing provided to customers.

⁽²⁾ Net loans comprise gross loans less provisions.

⁽³⁾ Total deposits comprise customer deposits, due to banks, deposits from other financial institutions and certificates of deposit issued.

The Group's customer loan portfolio is principally denominated in Kuwaiti dinar, although loans are also made in U.S. dollars, Egyptian pounds, pounds sterling and euro, among other currencies. The Group believes that there is only limited structural cross-currency exposure as the majority of its assets and liabilities are match-funded in currency terms. In addition, the Group hedges a part of its currency exposure through the use of derivative contracts, such as forward foreign exchange contracts.

The majority of loans within the Group's customer loan portfolio in Kuwait contain terms to adjust the interest rate payable by the customer upon any change in the CBK discount rate or the relevant interbank benchmark. The Group believes that there is only limited structural exposure to interest rate movements as the majority of its assets and liabilities re-price within one year. However, the Group's experience is that, whilst its assets generally re-price immediately upon a change in the CBK discount rate, there is a time lag on deposit re-pricing which means that its net interest margin improves in an increasing interest rate environment and contracts in a decreasing interest rate environment, such as in 2020. In the case of certain retail loans denominated in Kuwaiti dinar, the Group is exposed to some interest rate risk, since interest rates on those loans are not re-priced for the first five years and then the subsequent permitted adjustments are restricted in amount.

The Group may also, from time to time, enter into interest rate swaps to manage its interest rate exposure.

Distribution of customer loans by maturity

The table below shows the distribution of the Group's net customer loan portfolio by maturity (based on contractual cash flows and maturity dates) as at 30 June 2023 and as at 31 December 2022, 2021 and 2020.

	Up to 3 months	3 to 12 months	Over 1 year	Total
	<i>(KD thousands)</i>			
30 June 2023.....	6,457,878	2,408,055	12,697,792	21,563,725
31 December 2022.....	6,173,559	2,248,920	12,575,937	20,998,416
31 December 2021.....	5,278,548	2,336,434	12,107,489	19,722,471
31 December 2020.....	5,094,225	2,021,684	10,388,433	17,504,342

Distribution of customer loans by geographical region

The table below shows the distribution of the Group's gross customer loan portfolio by geographical region as at 31 December 2022, 2021 and 2020.

	<u>MENA</u>	<u>North America</u>	<u>Europe</u>	<u>Asia</u>	<u>Other</u>	<u>Total</u>
	<i>(KD thousands)</i>					
31 December 2022.....	18,750,590	599,238	1,642,952	455,489	378,088	21,826,357
31 December 2021.....	17,778,524	398,607	1,469,405	366,562	342,897	20,355,995
31 December 2020.....	15,986,938	409,519	1,230,075	367,708	197,326	18,191,566

Distribution of customer type

The table below shows the distribution of the Group's customer loan portfolio by customer type as at 31 December 2022, 2021 and 2020.

	<u>Gross exposure</u>	<u>Specific provisions</u>	<u>Exposure net of provisions</u>
	<i>(KD thousands)</i>		
31 December 2022			
Corporate.....	14,217,043	72,002	14,145,041
Retail.....	7,609,314	95,919	7,513,395
Customer loan portfolio.....	21,826,357	167,921	21,658,436
Less general provision.....	660,020		660,020
Total.....	21,166,337	167,921	20,998,416
31 December 2021			
Corporate.....	13,331,508	(42,469)	13,289,039
Retail.....	7,024,487	(81,388)	6,943,099
Customer loan portfolio.....	20,355,995	(123,857)	20,232,138
Less general provision.....			(509,667)
Total.....			19,722,471
31 December 2020			
Corporate.....	12,106,352	(70,880)	12,035,472
Retail.....	6,085,214	(100,173)	5,985,041
Customer loan portfolio.....	18,191,566	(171,053)	18,020,513
Less general provision.....			(516,171)
Total.....			17,504,342

Distribution of the Group's maximum exposure to credit risk by sector

The Group's maximum exposure to credit risk comprises its customer loan portfolio plus its debt investments, deposits with banks and certain other assets at year end. The table below shows the breakdown by industry sector of the Group's maximum exposure to credit risk as at 31 December 2022, 2021 and 2020.

	As at 31 December		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
	<i>(KD thousands)</i>		
Trading.....	2,136,617	1,955,757	2,123,271
Manufacturing.....	3,290,431	3,032,890	3,144,536
Banks and other financial institutions.....	12,810,369	11,215,434	9,936,940
Construction.....	1,594,674	1,579,115	1,599,860
Real estate.....	4,229,800	3,975,689	3,842,488
Retail.....	7,382,170	6,807,769	5,841,638
Government.....	3,497,046	3,972,888	3,558,422
Others.....	5,302,634	4,607,881	3,796,229
Total.....	40,243,741	37,147,423	33,843,384

The Group seeks to limit its credit risk through diversification of its assets by geography and industry sector. As at 31 December 2022, the Group's exposure to banks and other financial institutions, before taking into account any collateral held or credit enhancements, accounted for 31.8 per cent. of its maximum exposure to credit risk. 50.0 per cent. of the Group's exposure to banks and other financial institutions as at 31 December

2022 was in the form of short-dated inter-bank placements and 13.3 per cent. was in the form of trade finance exposures.

As at 31 December 2021, the Group's exposure to banks and other financial institutions, before taking into account any collateral held or credit enhancements, accounted for 30.2 per cent. of its maximum exposure to credit risk. 50.3 per cent. of the Group's exposure to banks and other financial institutions as at 31 December 2021 was in the form of short-dated inter-bank placements and 15.5 per cent. was in the form of trade finance exposures.

As at 31 December 2020, the Group's exposure to banks and other financial institutions, before taking into account any collateral held or credit enhancements, accounted for 29.4 per cent. of its maximum exposure to credit risk. Approximately 45.4 per cent. of the Group's exposure to banks and other financial institutions as at 31 December 2020 was in the form of short-dated inter-bank placements and approximately 18.8 per cent. was in the form of trade finance exposures.

The Group's second major sector of credit exposure is the retail segment, which accounted for 18.3 per cent. of the Group's maximum exposure to credit risk at 31 December 2022, and represented loans made to a diverse base of individual borrowers and a small number of small and medium sized enterprises ("SMEs"). These exposures mainly comprise a range of products and services to individuals, including consumer loans, credit cards, deposits, foreign exchange credit facilities to SMEs and other branch-related services.

The government sector constituted 8.7 per cent. of the Group's maximum exposure to credit risk as at 31 December 2022 and represented exposures to Kuwaiti Government treasury bonds, investment securities issued by governments and government entities and credit facilities to government entities.

The real estate sector constituted 10.5 per cent. of the Group's maximum exposure to credit risk at 31 December 2022. As per CBK regulations, the real estate segment includes not only credit facilities granted to companies engaged in real estate business but also to borrowers where the purpose of the specific facility concerned is to finance real estate development and acquisition. The Group's exposure to this sector is also spread across Kuwait and certain major cities internationally, including in the United States and the United Kingdom. In all cases, the Group has full recourse to all the assets and resources of the borrower concerned, which, with only limited exceptions, includes assets beyond those being financed. The Group's loans that finance the trading of securities listed on the Kuwait Stock Exchange are regulated and monitored by the CBK which requires that this lending does not exceed the lower of 10 per cent. of the total credit facilities portfolio granted to resident customers and 25 per cent. of the Group's regulatory capital.

Investment securities

The Group's investment securities portfolio comprises treasury bills and bonds (with maturities ranging from short-term to in excess of three years) issued by the CBK on behalf of the Kuwaiti Ministry of Finance, bonds issued by the CBK (with maturities of less than one year), a portfolio of investments at amortised cost and at fair value through other comprehensive income and equity investment securities and certain other investments. The Group invests in these securities both to generate returns and to provide an additional source of liquidity when needed.

The table below shows the Group's investment securities portfolio as at 30 June 2023 and as at 31 December 2022, 2021 and 2020.

	<u>As at 30 June 2023</u>	<u>As at 31 December 2022</u>	<u>As at 31 December 2021</u>	<u>As at 31 December 2020</u>
	<i>(KD thousands)</i>			
CBK bonds (amortised cost).....	891,166	881,241	830,054	830,233
Kuwait Government treasury bonds (amortised cost)	196,271	211,629	417,016	462,922
Non Kuwaiti government debt securities				
Amortised cost.....	873,233	912,608	970,431	833,188
Fair value through other comprehensive income	2,583,767	2,320,660	2,059,801	1,813,428
Non-government debt securities				
Fair value through other comprehensive income	2,347,344	2,065,075	1,577,773	1,787,677

	As at 30 June 2023	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
Fair value through statement of income	17,772	17,671	18,865	18,828
Equities		<i>(KD thousands)</i>		
Fair value through other comprehensive income	40,888	37,168	39,135	37,531
Fair value through statement of income	33,226	31,552	34,142	25,811
Other investments				
Fair value through statement of income	249,227	249,938	210,651	212,315
Total	7,232,893	6,727,542	6,157,868	6,021,933

The Group's investment policy requires all investments in debt securities to have an investment grade rating, except for sovereign securities denominated and funded in local currencies in countries where the Group has an operating presence.

Excluding Central Bank of Kuwait bonds and Kuwaiti Government treasury bonds, the Group's investment portfolio comprised 56.3 per cent. non-Kuwait government debt, 38.5 per cent. non-government debt, 1.2 per cent. equities and 4.1 per cent. other investments as at 30 June 2023, of which 80.9 per cent. were held at fair value through other comprehensive income, 14.2 per cent. were held at amortised cost and 4.9 per cent. were held at fair value through statement of income.

Cash and short term funds

The tables below show the Group's cash and short term funds as at 30 June 2023 and as at 31 December 2022, 2021 and 2020.

	As at 30 June 2023	
	<i>(KD thousands)</i>	<i>(per cent.)</i>
Cash on hand	195,928	5.1
Current account with other banks	629,887	16.5
Money at call	714,226	18.7
Balances and deposits with the Central Bank of Kuwait	1,348,447	35.3
Deposits and murabaha with banks maturing within seven days	959,349	25.1
Expected credit losses	(29,000)	(0.8)
Total cash and short term funds	3,818,837	100.0

	As at 31 December					
	2022		2021		2020	
	<i>(KD thousands)</i>	<i>(per cent.)</i>	<i>(KD thousands)</i>	<i>(per cent.)</i>	<i>(KD thousands)</i>	<i>(per cent.)</i>
Cash on hand	213,598	4.0	235,167	4.6	228,294	5.8
Current account with other banks	2,925,399	55.0	2,463,291	48.5	738,927	18.9
Money at call	487,281	9.2	586,478	11.5	874,975	22.4
Balances and deposits with the Central Bank of Kuwait	1,124,507	21.1	1,144,707	22.5	1,579,692	40.5
Deposits and murabaha with banks maturing within seven days	601,823	11.3	679,141	13.4	494,477	12.7
Expected credit losses	(29,156)	(0.5)	(26,793)	(0.5)	(12,994)	(0.3)
Total cash and short term funds	5,323,452	100.0	5,081,991	100.0	3,903,371	100.0

The Group's cash and short-term funds, consisting of cash on hand, current accounts with other banks, money at call, balances with the CBK and deposits and murabaha with banks maturing within seven days, was KD 3.8 billion as at 30 June 2023.

As at 30 June 2023, the Group has recognised an ECL of KD 29 million in respect of cash and short term funds mainly relating to operations in Lebanon.

The Group's cash and short-term funds decreased by 28.3 per cent. to KD 3.8 billion as at 30 June 2023 from KD 5.3 billion as at 31 December 2022. The decrease principally reflected decline in current account with other banks, partially offset by an increase in money at call, balances and deposits with the Central Bank of Kuwait and deposits and murabaha with banks maturing within seven days. The Group's cash and short-term funds increased by 4.8 per cent. to KD 5.3 billion as at 31 December 2022 from KD 5.1 billion as at 31 December 2021. The increase principally reflected an increase in current account with other banks, partially offset by declines in money at call. The Group's cash and short-term funds increased by 30.2 per cent. to KD 5.1 billion as at 31 December 2021 from KD 3.9 billion as at 31 December 2020. The increase principally reflected an increase in current account with other banks partially offset by declines in money at call and balances with the CBK.

Total liabilities

The following table presents data regarding the Group's liabilities as at 30 June 2023 and as at 31 December 2022, 2021 and 2020.

	As at 30 June		2022		As at 31 December		2020	
	2023				2021			
	(KD thousands)	(per cent.)						
Liabilities								
Due to banks	3,923,816	12.5	4,017,979	12.7	4,098,688	14.2	3,052,326	11.9
Deposits from other financial institutions	3,687,239	11.7	3,740,877	11.8	3,135,629	10.9	2,929,247	11.5
Customer deposits	20,269,756	64.6	20,178,062	63.6	18,280,989	63.5	17,104,232	66.9
Certificates of deposit issued	1,460,537	4.7	1,801,623	5.7	1,339,354	4.7	918,862	3.6
Other borrowed funds.....	1,249,694	4.0	1,243,563	3.9	1,266,582	4.4	808,665	3.2
Other liabilities.....	801,380	2.6	721,313	2.3	668,227	2.3	763,004	3.0
Total liabilities	31,392,422	100.0	31,703,417	100.0	28,789,469	100.0	25,576,336	100.0

The Group's total liabilities decreased by 1.0 per cent. to KD 31.4 billion as at 30 June 2023 from KD 31.7 billion as at 31 December 2022. The decrease was principally due to a decrease in certificate of deposits issued and due to banks, partially offset by increase in other liabilities.

The Group's total liabilities increased by 10.1 per cent. to KD 31.7 billion as at 31 December 2022 from KD 28.8 billion at 31 December 2021. The increase was principally due to increases in customer deposits and certificates of deposit issued. The Group's total liabilities increased by 12.6 per cent. to KD 28.8 billion as at 31 December 2021 from KD 25.6 billion at 31 December 2020. The increase was principally due to increases in customer deposits, due to banks and certificates of deposit issued offset by decline in deposits from other financial institutions.

The Group has three principal liabilities classes: customer deposits, due to banks and deposits from other financial institutions.

Customer deposits

The Group's customer deposits comprise current and demand accounts, savings accounts and time deposits.

The Group's current and demand accounts are mostly non-interest bearing and amounts may be withdrawn from these accounts at any time without notice. The Group's savings accounts are interest-bearing accounts and amounts may also be withdrawn from these accounts at any time without notice.

The Group believes that its current, demand and savings accounts are diversified and constitute a stable and secure source of low-cost funding. The Group's current, demand and savings accounts (collectively, "sight deposits") form a significant proportion of its total customer deposits.

The Group accepts time deposits for a range of periods up to five years.

The following table shows the Group's customer deposits by location as at 30 June 2023 and as at 31 December 2022, 2021 and 2020.

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
			<i>(KD thousands)</i>	
Domestic.....	14,462,654	13,899,809	12,882,265	12,849,741
International.....	5,807,102	6,278,253	5,398,724	4,254,491
Total customer deposits.....	20,269,756	20,178,062	18,280,989	17,104,232

Customer deposits increased by 0.5 per cent. to KD 20.3 billion as at 30 June 2023 from KD 20.2 billion as at 31 December 2022. The increase was principally attributable to an increase in time deposits. Customer deposits increased by 10.4 per cent. to KD 20.2 billion as at 31 December 2022 from KD 18.3 billion as at 31 December 2021. The increase was principally attributable to an increase in time deposits and Islamic banking deposits. Customer deposits increased by 6.9 per cent. to KD 18.3 billion as at 31 December 2021 from KD 17.1 billion as at 31 December 2020. The increase was principally attributable to an increase in both sight and time deposits.

Due to banks

Amounts due to banks decreased by 2.3 per cent. to KD 3.9 billion as at 30 June 2023 compared to KD 4.0 billion as at 31 December 2022. The decrease was primarily attributable to a decline in time deposits, partially offset by an increase in Islamic banking deposits. Amounts due to banks declined by 2.0 per cent. to KD 4.0 billion as at 31 December 2022 compared to KD 4.1 billion as at 31 December 2021. The decrease was primarily attributable to a decline in time deposits and Islamic banking deposits, partially offset by an increase in sight deposits. Amounts due to banks increased by 34.3 per cent. to KD 4.1 billion as at 31 December 2021 compared to KD 3.1 billion as at 31 December 2020. The increase was primarily attributable to increases in both sight and time deposits.

Deposits from other financial institutions

Deposits from other financial institutions decreased by 1.4 per cent. to KD 3.7 billion as at 30 June 2023 compared to KD 3.7 billion as at 31 December 2022. The decrease was primarily attributable to a decline in sight deposits, partially offset by an increase in time deposits. Deposits from other financial institutions increased by 19.3 per cent. to KD 3.7 billion as at 31 December 2022 compared to KD 3.1 billion as at 31 December 2021. The increase was primarily attributable to an increase in sight and time deposits, partially offset by a decline in Islamic banking deposits. Deposits from other financial institutions increased by 7.0 per cent. to KD 3.1 billion as at 31 December 2021 compared to KD 2.9 billion as at 31 December 2020. The increase was primarily attributable to both sight and time deposits.

LIQUIDITY, FUNDING AND CAPITAL

Liquidity

The Group's liquidity needs arise primarily from making loans, advances and Islamic finance available to customers, the payment of expenses and investments in securities. The Group's liquidity needs have been funded principally through deposits and operating cash flow, including interest and profit income received on its customer loan portfolio and its portfolio of debt investment securities. The Group also holds significant liquid assets to cover short term liquidity needs.

The following tables show the composition of the Group's liquid assets as at 30 June 2023 and as at 31 December in each of 2022, 2021 and 2020.

	As at 30 June	
	2023	
		<i>(KD thousands, except percentage contribution columns)</i>
Cash and short term funds	3,818,837	32.2%
CBK Bonds	891,166	7.5%
Kuwait Government treasury bonds	196,271	1.7%
Deposits with banks.....	1,668,555	14.1%

	As at 30 June	
	2023	
	<i>(KD thousands, except percentage contribution columns)</i>	
Investment securities ⁽¹⁾	5,272,223	44.5%
Total liquid assets	11,847,052	100.0%

⁽¹⁾ Excludes investment securities held at amortised cost.

	As at 31 December					
	2022		2021		2020	
	<i>(KD thousands, except percentage contribution columns)</i>					
Cash and short term funds	5,323,452	42.2%	5,081,991	45.6%	3,903,371	38.6%
CBK Bonds	881,241	7.0%	830,054	7.4%	830,233	8.2%
Kuwait Government treasury bonds	211,629	1.7%	417,016	3.7%	462,922	4.6%
Deposits with banks.....	1,490,286	11.8%	885,280	7.9%	1,027,373	10.2%
Investment securities ⁽¹⁾	4,722,064	37.4%	3,940,367	35.3%	3,895,590	38.5%
Total liquid assets	12,628,672	100.0%	11,154,708	100.0%	10,119,489	100.0%

⁽¹⁾ Excludes investment securities held at amortised cost.

Capital expenditure

As at 30 June 2023, the Group had commitments in respect of capital expenditure amounting to KD 93 million. Management has allocated the necessary resources in respect of these commitments and believes that future income and funding will be sufficient to cover these commitments.

Funding

The Group's principal sources of funding are its customer deposits and, to a lesser extent, interbank deposits. The Group also has access to a pool of unencumbered and liquid securities in the form of treasury bills and bonds and CBK bonds as well as quoted available for sale debt and equity securities that it can access to meet liquidity needs (including via repurchases of its investment securities portfolio), in addition to its cash balances and placements with central banks and other financial institutions.

The Group's customer deposits were KD 20.3 billion, or 64.6 per cent. of its total liabilities, as at 30 June 2023. Kuwaiti Government and quasi-governmental deposits ranged from a high of 19 per cent. in 2020 to a low of 10 per cent. in 2022 of the Group's total funding in the period between 1 January 2020 and 30 June 2023.

Other borrowed funds in the form of global medium term notes, global medium term sukuk, subordinated Tier 2 bonds and medium term borrowings from banks and financial institutions at 30 June 2023 were KD 305 million, KD 376 million, KD 242 million and KD 326 million, respectively. Short-term certificates of deposit issued by the Group and outstanding as at 30 June 2023 were KD 1,461 million. Perpetual Tier 1 securities of KD 211 million (U.S.\$700 million) issued in 2021 and KD 228 million (U.S.\$750 million) issued in 2019 form part of the Group's equity funding.

On 18 November 2020, the Group announced its successful redemption of the KD 125 million subordinated Tier 2 bonds issued on 18 November 2015 and its issuance of KD 150 million subordinated Tier 2 bonds due in 2030. On 23 November 2020, the Group announced an issuance of USD 300 million subordinated Tier 2 bonds due in 2030.

The table below shows the Group's funding in the form of customer deposits, due to banks and other amounts due to financial institutions, certificates of deposit issued and other borrowed funds as at 30 June 2023 and as at 31 December in each of 2022, 2021 and 2020.

	As at 30 June		As at 31 December	
	2023		2022	
	<i>(KD thousands, except percentage contribution column)</i>			
Customer deposits.....	20,269,756	66.3	20,178,062	65.1
Due to banks.....	3,923,816	12.8	4,017,979	13.0
Deposits from other financial institutions.....	3,687,239	12.1	3,740,877	12.1
Certificates of deposit issued.....	1,460,537	4.8	1,801,623	5.8
Other borrowed funds.....	1,249,694	4.1	1,243,563	4.0
Total funding	30,591,042	100.0	30,982,104	100.0

	As at 31 December			
	2021		2020	
	<i>(KD thousands, except percentage contribution columns)</i>			
Customer deposits.....	18,280,989	65.0	17,104,232	68.9
Due to banks.....	4,098,688	14.6	3,052,326	12.3
Deposits from other financial institutions.....	3,135,629	11.2	2,929,247	11.8
Certificates of deposit issued.....	1,339,354	4.8	918,862	3.7
Other borrowed funds.....	1,266,582	4.5	808,665	3.3
Total funding.....	28,121,242	100.0	24,813,332	100.0

As at 30 June 2023, the Group's customer deposits accounted for 66.3 per cent. of its total funding.

The table below shows the maturity profile of the Group's total funding as at 30 June 2023 and as at 31 December 2022, 2021 and 2020. This analysis is based on contractual cash flows and maturity data.

	Up to 3 months	3 to 12 months	Over 1 year	Total
	<i>(KD thousands)</i>			
As at 30 June 2023				
Due to banks.....	3,079,987	831,868	11,961	3,923,816
Deposits from other financial institutions.....	2,229,918	1,442,485	14,836	3,687,239
Customer deposits.....	13,940,025	5,625,101	704,630	20,269,756
Certificates of deposit issued.....	1,181,629	278,908	—	1,460,537
Other borrowed funds.....	—	—	1,249,694	1,249,694
Total.....	20,431,559	8,178,362	1,981,121	30,591,042
As at 31 December 2022				
Due to banks.....	3,586,607	419,823	11,549	4,017,979
Deposits from other financial institutions.....	2,245,402	1,300,885	194,590	3,740,877
Customer deposits.....	14,717,473	4,656,934	803,655	20,178,062
Certificates of deposit issued.....	1,426,253	375,370	—	1,801,623
Other borrowed funds.....	39,819	76,575	1,127,169	1,243,563
Total.....	22,015,554	6,829,587	2,136,963	30,982,104
As at 31 December 2021				
Due to banks.....	3,538,646	552,262	7,780	4,098,688
Deposits from other financial institutions.....	1,808,888	1,321,022	5,719	3,135,629
Customer deposits.....	14,667,393	2,868,447	745,149	18,280,989
Certificates of deposit issued.....	1,029,689	309,665	—	1,339,354
Other borrowed funds.....	—	240,109	1,026,473	1,266,582
Total.....	21,044,616	5,291,505	1,785,121	28,121,242
As at 31 December 2020				
Due to banks.....	2,753,352	298,696	278	3,052,326
Deposits from other financial institutions.....	2,125,545	792,989	10,713	2,929,247
Customer deposits.....	14,636,146	1,811,947	656,139	17,104,232
Certificates of deposit issued.....	633,231	285,631	—	918,862
Other borrowed funds.....	—	—	808,665	808,665
Total.....	20,148,274	3,189,263	1,475,795	24,813,332

The Group has been actively working on diversifying its funding sources by targeting new funds from regional and international clients. While there has been a notable decline in deposit concentration ratios, the Group's deposit base is, at least in the near future, expected to remain relatively dependent on Kuwaiti Government and quasi-government entities given the dominant role of the Government in the oil sector and its significance to the Kuwait economy. Such deposits are booked for relatively long tenors and are well spread across different maturity dates so early signs of deposit withdrawals should provide the Group with sufficient time to consider other alternatives. The Group also enjoys a large base of smaller deposits with varying maturities from retail and corporate clients, which significantly reduces the concentration risk measured in terms of deposits from top clients to the total funding pool.

CAPITAL ADEQUACY

Capital adequacy, financial leverage and the use of various levels of regulatory capital are monitored regularly by Management and are also governed by guidelines of the Basel Committee on Banking Supervision (the "Basel Committee") as adopted by the CBK.

The CBK's Basel III framework consists of three pillars:

- Pillar 1 provides a framework for measuring capital requirements for credit, operational and market risks under the "Standardised Approach";
- Pillar 2 relates to the supervisory review process and emphasises the importance of the Internal Capital Adequacy Assessment Process (ICAAP) performed by banks; and
- Pillar 3 aims to complement the capital adequacy requirements under Pillar 1 and Pillar 2 by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in Kuwait.

The Basel III minimum requirements for capital are underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. There are also buffer requirements in the form of a capital conservation buffer, a countercyclical capital buffer, and an additional surcharge for banks designated as domestic systemically important.

A key objective of the Group is to maximise shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with externally-imposed capital requirements. The Group aims to ensure adherence to the CBK's requirements by monitoring its capital adequacy and adopting both a capital forecasting process that ensures pro-active action is taken where necessary and a strategy that ensures a sufficient capital buffer above minimum required levels is maintained at all times. This process is supported by the use of proprietary capital-planning methodology, which takes into consideration regulatory capital requirements, rating agency views, stress-testing and bottom-up views of business plans.

The table below sets out the minimum capital requirements and associated levels of regulatory capital expressed as a percentage of risk-weighted assets.

Minimum Capital Requirement*	Common Equity Tier 1	Tier 1	Total
30 June 2023.....	11.50%	13.00%	15.00%
31 December 2022.....	10.00%	11.50%	13.50%
31 December 2021.....	9.0%	10.50%	12.50%
31 December 2020.....	9.0%	10.50%	12.50%

* Includes a Common Equity Tier 1 Domestic Systemically-Important Bank buffer of 2 per cent.

** In response to the COVID-19 crisis, the CBK reduced CET1 Capital Conservation Buffer from 2.5 per cent. to nil by the CBK from 1 April 2020 until 31 December 2021 and to 1 per cent. from 1 January 2022 to 31 December 2022. The full 2.5 per cent. was reinstated as of 1 January 2023.

The minimum total capital requirement for the Kuwait banking sector generally is 13 per cent. (including a Capital Conservation Buffer of 2.5 per cent.). The Group, having been designated as a Domestic Systemically-Important Bank (D-SIB), is required to maintain an additional minimum capital of 2 per cent. at all levels. As at the date of this Base Prospectus and for each of the six months ended 30 June 2023 and the years ended 2022, 2021 and 2020, the countercyclical capital buffer, ranging from 0 per cent. to 2.5 per cent., was not required in the minimum capital requirements and the CBK has not indicated when the countercyclical capital buffer may be required. To the extent such buffer is required, Basel Committee guidelines permit a lead period of 12 months to comply. In response to COVID-19, the CBK implemented various measures targeted at reinforcing the banking sector, including revising the Capital Conservation Buffer requirements of 2.5% of risk-weighted assets in the form of Common Equity Tier 1 (CET1) minimum capital requirement to:

- nil from 1 April 2020 to 31 December 2021;
- 1 per cent. from 1 January 2022 to 31 December 2022; and
- the full 2.5 per cent. from 1 January 2023 onwards.

Additionally, pursuant to the CBK's consumer loan deferral programme (see "*Significant Factors Affecting Results of Operations—Impact of COVID-19 Pandemic*" above), the CBK has allowed, as part of the COVID-19 support measures, the modification loss from the consumer loan deferral programme in 2020 to be charged directly to retained earnings rather than being recognised in the consolidated statement of income as required by IFRS 9. Furthermore, for regulatory capital purposes, the modification losses incurred in 2020 are to be amortised equally against retained earnings over four years starting in 2021. No similar special regulatory

treatment has been afforded to modification losses incurred as a result of consumer loan deferrals in 2021, which were offset by an equivalent amount receivable from the Government of Kuwait as a Government grant. Modification losses in 2020 totalled KD 130 million. There were no modification losses in 2022 or the six months ended 30 June 2023.

With effect from the quarterly reporting period ending 30 September 2019, the CBK has amended certain sections of its Basel III Capital Regulations relating to claims on sovereign and public-sector entities outside Kuwait. In particular, claims on a sovereign outside Kuwait denominated in the local currency will be risk-weighted at 0 per cent. only to the extent the claim represents mandatory liquidity requirements in the jurisdiction concerned, provided the local regulator also allows such treatment and the Group has a local operating presence. All claims on a sovereign beyond the liquidity requirements in its local currency will be risk-weighted based strictly on the relevant credit rating(s) assigned by accredited external credit assessment institutions, and at 100 per cent. if the sovereign is not rated. Claims on public sector entities outside Kuwait are risk-weighted one grade lower than their sovereign. In the light of such regulatory amendments, the Group has made adjustments to, and refined its capital, business portfolios and plans.

The table below shows the composition of the Group's regulatory capital and its capital ratios as at 30 June 2023 and as at 31 December in each of 2022, 2021 and 2020 (determined in accordance with Basel III as implemented in Kuwait). The reported capital ratios as at interim period-end dates within a year are lower than those for year-end dates as retained year-to-date profits (excluding the interim proposed dividends) are added to the regulatory capital base only at the year-end while asset growth during interim periods is factored into the interim risk weighted asset calculations. The CBK has allowed, as part of the COVID-19 support measures, the loss to retained earnings arising from the consumer loan deferral in 2020, to be amortised equally over four years starting in 2021 for regulatory capital purposes.

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
	<i>(KD thousands, except percentages)</i>			
Risk-weighted assets:				
Credit risk-weighted assets	23,372,746	22,495,517	20,655,372	19,106,590
Operational risk-weighted assets	1,749,325	1,674,153	1,590,127	1,580,581
Market risk-weighted assets	419,845	401,781	312,466	364,955
Total risk-weighted assets⁽¹⁾	25,541,916	24,571,451	22,557,966	21,052,127
Capital required ⁽²⁾	3,831,287	3,317,146	2,819,746	2,631,516
<i>Capital available</i>				
Common Equity Tier 1 capital ⁽³⁾	3,086,196	3,170,120	3,009,218	2,869,437
Additional Tier 1 capital ⁽⁴⁾	528,814	527,411	528,558	493,786
Tier 1 capital⁽⁵⁾	3,615,010	3,697,531	3,537,776	3,363,223
Tier 2 capital ⁽⁶⁾	585,912	573,564	544,597	517,546
Total capital	4,200,922	4,271,095	4,082,373	3,880,769
Common Equity Tier 1 capital adequacy ratio ⁽⁷⁾⁽⁸⁾	12.1%	12.9%	13.3%	13.6%
Tier 1 capital adequacy ratio ⁽⁷⁾⁽⁹⁾	14.2%	15.0%	15.7%	16.0%
Total capital adequacy ratio ⁽⁷⁾⁽¹⁰⁾	16.4%	17.4%	18.1%	18.4%

Notes:

- (1) Risk-weighted assets are calculated under the standardised approach.
- (2) Capital required comprises the minimum total capital requirement of 15.0 per cent. for 30 June 2023, 13.5 per cent. for 31 December 2022 and 12.5 per cent. for 31 December in each of 2021 and 2020.
- (3) Common Equity Tier 1 capital comprises share capital, share premium, eligible reserves, retained earnings and eligible non-controlling interests net of regulatory adjustments.
- (4) Additional Tier 1 capital comprises Perpetual Tier 1 Capital Securities classified as equity and certain additional eligible portion of non-controlling interests.
- (5) Tier 1 capital comprises Common Equity Tier 1 capital and Additional Tier 1 capital which includes eligible portions of non-controlling interests.
- (6) Tier 2 capital comprises Subordinated Tier 2 Bonds classified as debt, the allowed portions of general provisions and certain additional eligible non-controlling interests.
- (7) Calculated in accordance with the requirements of the CBK and the capital adequacy regulations issued by the CBK as stipulated in CBK Circular number 2/RB, RBA/A336/2014 dated 24 June 2014.
- (8) Common Equity Tier 1 capital adequacy ratio is defined as Common Equity Tier 1 capital divided by risk-weighted assets at a given date.
- (9) Tier 1 capital adequacy ratio is defined as Tier 1 capital resources divided by risk-weighted assets at a given date.
- (10) Total capital adequacy ratio is defined as total capital resources divided by risk-weighted assets at a given date.

The Group is also subject to a CBK Basel III financial leverage ratio requirement of 3 per cent. The Group's financial leverage ratio 10.3 per cent. as at 31 December 2020, 9.8 per cent. as at 31 December 2021, 9.4 per cent. as at 31 December 2022 and 9.2 per cent. as at 30 June 2023.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of funding commitments it has made as well in relation to acceptances, letters of credit and guarantees issued by it. The table below shows the Group's commitments and contingent liabilities as at 30 June 2023 and in each of 2022, 2021 and 2020.

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
		<i>(KD thousands)</i>		
Guarantees.....	3,856,146	3,775,107	3,760,575	3,856,034
Irrevocable commitments to extend credit.....	1,108,279	1,024,290	1,067,102	1,210,802
Letters of credit.....	508,839	410,321	499,094	432,378
Acceptances.....	240,273	281,958	158,338	204,623
	5,713,537	5,491,676	5,485,109	5,703,837

Guarantees issued represent irrevocable assurances that the Group will make payment in the event that a customer fails to meet its performance-related or financial obligations to third parties.

Irrevocable commitments to extend credit include commitments to extend credit which are undrawn and which are irrevocable over the life of the facility or are revocable only in response to a material adverse change. Undrawn credit lines to customers represent unused portions of authorisations to extend credit in the form of loans.

Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a corporate customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, generally relate to trade and may be collateralised by the underlying shipments of goods to which they relate, by cash deposits or otherwise.

Acceptances represent a type of irrevocable credit that is payable under a time draft on or after a specific date, if the terms of the credit has been complied with.

The total outstanding contractual amount of guarantees, undrawn credit lines, letters of credit, and acceptances does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

The table below shows the Group's other credit-related and commercial commitments based on contractual repayment arrangements as at 31 December in each of 2022, 2021 and 2020.

	Up to 3 months	3 to 12 months	Over 1 year	Total
	<i>(KD thousands)</i>			
As at 31 December 2022				
Contingent liabilities.....	1,280,110	1,685,461	1,501,815	4,467,386
Irrevocable commitments.....	90,996	280,629	652,665	1,024,290
Total.....	1,371,106	1,966,090	2,154,480	5,491,676
As at 31 December 2021				
Contingent liabilities.....	1,208,534	1,725,044	1,484,429	4,418,007
Irrevocable commitments.....	130,842	360,213	576,047	1,067,102
Total.....	1,339,376	2,085,257	2,060,476	5,485,109
As at 31 December 2020				
Contingent liabilities.....	1,152,531	1,474,293	1,866,211	4,493,035
Irrevocable commitments.....	91,853	154,876	964,073	1,210,802
Total.....	1,244,384	1,629,169	2,830,284	5,703,837

In addition to the foregoing, the Group has commitments in respect of capital expenditure amounting to KD 82 million as at 31 December 2022.

CASH FLOWS

The following tables show certain information about the consolidated cash flows of the Group for the periods indicated.

	Six months ended 30 June	
	2023	2022
	<i>(KD thousands)</i>	
Net cash (used in) from operating activities.....	(721,089)	828,813
Net cash (used in) investing activities.....	(578,094)	(593,312)
Net cash (used in) financing activities.....	(205,432)	(230,867)
(Decrease) increase in cash and short term funds.....	(1,504,615)	4,634
Cash and short term funds at the beginning of the period.....	5,323,452	5,081,991
Cash and short term funds at the end of the period.....	3,818,837	5,086,625

	Year ended 31 December		
	2022	2021	2020
	<i>(KD thousands)</i>		
Net cash (used in) / from operating activities.....	1,821,937	1,025,284	317,847
Net cash (used in) investing activities.....	(1,309,169)	(222,880)	(406,949)
Net cash from (used in) financing activities.....	(271,307)	376,216	205,300
Increase in cash and short term funds.....	241,461	1,178,620	116,198
Cash and short term funds at the beginning of the year.....	5,081,991	3,903,371	3,787,173
Cash and short term funds at the end of the year.....	5,323,452	5,081,991	3,903,371

Net cash (used in) / from operating activities

Net cash used in operating activities for the six months ending 30 June 2023 was KD 721 million compared to net cash from operating activities of KD 829 million for the corresponding period in 2022. The principal contributors to net cash (used in) / from operating activities were operating profit and changes in operating assets and liabilities.

Net cash from operations for 2022 was KD 1,822 million compared to KD 1,025 million in 2021. The principal contributors to net cash from operating activities were operating profit and changes in operating assets and liabilities.

Net cash from operations for 2021 was KD 1,025 million compared to KD 318 million in 2020. The principal contributors to net cash from operating activities were operating profit and changes in operating assets and liabilities.

Net cash (used in) investing activities

Net cash used in investing activities for the six months ending 30 June 2023 was KD 578 million compared to KD 593 million for the corresponding period in 2022. The principal investment activities in each period were purchases and sales or redemptions of investment securities.

Net cash used in investing activities for 2022 was KD 1,309 million compared to KD 223 million in 2021. The principal investment activities in each period were purchases and sales or redemptions of investment securities. The increase in net cash used in investment activities was mainly due to higher net purchases of investment securities.

Net cash used in investing activities for 2021 was KD 223 million compared to KD 407 million in 2020. The principal investment activities in each period were purchases and sales or redemptions of investment securities. The decrease in net cash used in investment activities was mainly due to lower net purchases of investment securities.

Net cash (used in) / from financing activities

Net cash used in financing activities for the six months ended 30 June 2023 was KD 205 million compared to KD 231 million for the corresponding period in 2022. In the six months ended 30 June 2023, the principal cash outflow was dividend paid. In the six months ended 30 June 2022, the principal cash inflows were from

proceeds from a capital increase by a subsidiary and an issue of unsecured sukuk by a subsidiary and the principal cash outflow was dividends paid and redemption of a series of global medium term notes.

Net cash used in financing activities for 2022 was KD 271 million compared to net cash from financing activities of KD 376 million in 2021. In 2022, the principal cash inflows were from proceeds from the issue of unsecured sukuk by a subsidiary and proceeds from an increase in capital of a subsidiary and the principal cash outflows were dividends paid and the redemption of Global Medium term notes. In 2021, the principal cash inflows were from net increase in other borrowed funds and perpetual Tier 1 sukuk issued by a subsidiary and the principal cash outflow was dividends paid.

Net cash from financing activities for 2021 was KD 376 million compared to KD 205 million in 2020. In 2021, the principal cash inflow were from net increase in other borrowed funds and perpetual Tier 1 sukuk issued by a subsidiary and the principal cash outflow was dividends paid. In 2020, the principal cash inflows were the proceeds from the issuance of a sukuk by a subsidiary and from the issue of subordinated Tier 2 bonds and the principal cash outflow was dividends paid.

RELATED PARTY TRANSACTIONS

The Group's principal related party transactions are with the board members and executive officers of the Bank, their close family members and companies controlled by them or their close family members as well as with associates of the Group. IFRS requires the disclosure of shareholder related parties only in cases where those related parties exercise significant influence. On this basis, the Group determined that no shareholder had significant influence and therefore no shareholder related party transactions were disclosed. Certain related parties are customers of the Group in the ordinary course of business. Transactions with related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve an amount of risk that is higher than the amount of risk taken in comparable transactions with unrelated parties. Lending to board members and their related parties is secured by tangible collateral in accordance with CBK regulations.

The Group adheres to CBK guidelines on lending to related parties. Credit facilities to Board members can only be approved under conditions specified by the CBK which include the following:

- all facilities to Board members must be approved for granting, renewing or modifying only by the Bank's Board of Directors and this authority cannot be delegated to a committee or authority;
- the approval surrounding granting, renewal or modification of Board members' facilities can only be considered approved when at least three-quarters of the Board members have approved the same; and
- the Bank must acquire adequate collateral as stipulated in the guidelines.

Further credit extensions to connected and related parties are also subject to adherence to the overall regulatory concentration limits which include that the total related party exposures should not exceed 50 per cent. of a bank's capital base.

Further information on the Group's related party transactions is set out in note 13 to the Interim Financial Statements, note 27 to the 2022 Financial Statements and note 27 to the 2021 Financial Statements.

As at the date of this Base Prospectus, the Group is not expecting and is not in the process of concluding any potential transactions of a material nature to be made with its related parties, other than those activities conducted in the normal course of business.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK

In common with other financial institutions, the Group faces a range of risks in its business and operations including credit risk, liquidity risk, interest rate risk, market risk and operational risk.

Credit risk

Credit risk is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation owed to the Group. Credit risk arises in the Group's normal course of business. Concentrations of

credit risk arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions.

Credit risk can also arise due to a significant concentration of the Group's assets to any single counterparty. This risk is also managed by diversification of the portfolio. The 20 largest loans, advances and Islamic financing to customers outstanding as a percentage of gross loans, advances and Islamic financing to customers as at 30 June 2023 was 15 per cent.

Credit limits are established for all customers after a careful assessment of their creditworthiness. Standing procedures, outlined in the Group's Credit Policy Manual, require that all credit proposals be subjected to detailed screening by the domestic or international credit control divisions pending submission to the appropriate credit committee. Whenever necessary, all credit facilities are secured by acceptable forms of collateral to mitigate the related credit risks.

In accordance with the instructions of the Central Bank of Kuwait dated 18 December 1996, setting out the rules and regulations regarding the classification of credit facilities, the Group has formed an internal committee comprising competent professional staff and having as its purpose the study and evaluation of the existing credit facilities of each customer of the Group. This committee is required to identify any abnormal situations and difficulties associated with a customer's position which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level. The committee, which meets regularly throughout the year, also studies the positions of those customers whose irregular balances exceed 25 per cent. of their total debt, in order to determine whether further provisions are required.

The Group further limits risk through diversification of its assets by geography and industry sector. In addition, all credit facilities are continually monitored based on a periodic review of the credit performance and account rating.

For further information regarding the Group's credit risk, see "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Credit risks*" and "*Risk Management—Principal Risks—Credit risk*".

Analysis of credit quality

In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as 'High' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as 'Standard' quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'. The ultimate risk of possible financial loss on 'Standard' quality is assessed to be higher than that for the exposures classified within the 'High' quality range.

Credit facilities are classified as 'past-due' when a payment has not been received on its contractual payment date, or if the facility is in excess of pre-approved limits.

A credit facility is considered to be 'past-due and impaired' if the interest/profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value.

'Past due' and 'Past due and impaired' facilities are managed and monitored as 'irregular facilities' and are classified into the following four categories which are then used to guide the provisioning process:

Category	Criteria
Watchlist	Irregular for a period up to 90 days (inclusive)
Substandard	Irregular for a period between 91 and 180 days (inclusive)
Doubtful	Irregular for a period between 181 days and 365 days (inclusive)
Bad	Irregular for a period exceeding 365 days

The Group may also include a credit facility in one of the above categories based on Management's judgement of a customer's financial and/or non-financial circumstances.

The following table shows the Group's past due and impaired loans, advances and Islamic financings portfolio by category based on their delinquency as at 31 December 2022.

	Corporate		Retail		Total	
	Past due and not impaired	Past due and impaired	Past due and not impaired	Past due and impaired	Past due and not impaired	Past due and impaired
			<i>(KD thousands)</i>			
Up to 30 days.....	96,722	12,422	31,769	23	128,491	12,445
31-60 days	2,735	-	20,251	4	22,986	4
61-90 days	4,652	-	7,079	3	11,731	3
91-180 days	-	47,028	-	22,439	-	69,467
More than 180 days	-	124,931	-	103,196	-	228,127
	104,109	184,381	59,099	125,665	163,208	310,046

The Group's impaired loans, advances and Islamic financings as a percentage of total gross loans, advances and Islamic financings was 1.42 per cent. as at 31 December 2022 compared to 1.04 per cent. as at 31 December 2021 and 1.72 per cent. as at 31 December 2020.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities when they fall due. To limit this risk, Management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a daily basis. To reduce this risk, the Group has elected to use diversified funding sources and to manage assets with the objective of maximising liquidity.

For further information regarding the Group's liquidity risk, see "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Liquidity risks*", "*Risk Management—Principal Risks—Liquidity Risk*" and "*—Liquidity, Funding and Capital—Liquidity*" above.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

For additional information on market risk, see "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Market Risk*" and "*Risk Management—Principal Risks—Market Risk*".

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group believes that it is not excessively exposed to interest rate risk as its assets and liabilities are re-priced regularly and most exposures arising on medium term fixed rate lending or fixed rate borrowing are covered by interest rate swaps. In the case of certain retail loans denominated in Kuwaiti dinar, the Group is exposed to some interest rate risk, since interest rates on those loans are not re-priced for the first five years and then the subsequent permitted adjustments are restricted in amount. However the impact on these loans is limited, due to the varying maturity profile of such loans. Furthermore, the re-pricing gaps of its assets and liabilities are carefully monitored and controlled through limits pre-established by the Board and adjusted where necessary to reflect changing market conditions.

The following table summarises the effect of assumed changes in interest rates on the Group's net interest income for one year, based on the interest bearing financial assets and financial liabilities held at year end. This includes the effect of hedging instruments but excludes loan commitments. The sensitivity on equity is the impact arising from changes in interest rates on the fair investments in debt securities classified as at fair

value through other comprehensive income/available for sale. Sensitivity to interest rate movements is substantially symmetrical as financial instruments giving rise to non-symmetric movements are not significant.

Based on the Group's financial assets and financial liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact the Group's profit and equity as follows:

Currency	Movement in basis points	2022		2021		2020	
		Effect on profit	Effect on equity	Effect on profit	Effect on equity	Effect on profit	Effect on equity
				<i>(KD thousands)</i>			
KWD	+25	9,138	—	9,290	—	8,761	—
USD	+25	5,579	—	4,343	—	1,412	(2)
EUR	+25	463	—	256	—	493	—
GBP	+25	621	—	857	—	716	—
EGP	+25	169	(402)	128	(1,085)	80	(372)

For further information regarding the Group's interest rate risk, including its interest sensitivity position, see note 28 to the 2022 Financial Statements, note 28 to the 2021 Financial Statements and "*Risk Management—Principal Risks—Market Risk—Interest rate risk*".

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risks are controlled through limits pre-established by the Board on currency position exposures. In general, assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Appropriate segregation of duties exists between the treasury front and back office functions, while compliance with position limits is independently monitored on an ongoing basis.

For further information regarding the Group's net exposures denominated in foreign currencies, see "*Risk Management—Principal Risks—Foreign exchange risk*" and note 28 to the 2021 Financial Statements and note 30 to the 2020 Financial Statements.

Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Group manages the risk through diversification of investments in terms of geographic distribution and industry concentration. For additional information on equity price risk, see "*Risk Management—Principal Risks—Market Risk—Equity price risk*".

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or external events. The Group has a set of policies and procedures, which are approved by the Board and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by the operational risk function, which ensures compliance with policies and procedures and monitors operational risk as part of overall global risk management. For additional information on operational risk, see "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Operational risks*" and "*Risk Management—Principal Risks—Operational Risk*".

DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of its business, the Group enters into a range of transactions that involve derivative financial instruments. The Group provides its customers and counterparties with structured transactions to reduce their risk profile in a particular area of risk. Hedging positions accumulated from such activities are typically offset through transactions with other market counterparties. The Group manages the risks involved in these activities through appropriate limits. These limits vary by product and maturity.

The Group also uses derivative instruments for hedging purposes as part of its asset and liability management in order to reduce its exposure to fluctuations in foreign exchange, interest rates and other risks. The Group uses forward foreign exchange contracts, cross currency swaps and interest rate swaps to hedge exchange rate and interest rate risks. The Group also uses interest rate swaps to hedge against the fair value risks arising on certain fixed rate financial instruments.

The fair values of the Group's derivative financial instruments as at 30 June 2023 and as at 31 December in each of 2022, 2021 and 2020 are set out in note 12 to the Interim Financial Statements, note 26 to the 2022 Financial Statements and note 26 to the 2021 Financial Statements.

CRITICAL ACCOUNTING POLICIES

The Annual Financial Statements have been prepared in accordance with IFRS as adopted for use by Kuwait. For a discussion of the significant accounting policies applied by the Group generally, see note 2 to the 2022 Financial Statements.

In preparing the Group's financial statements, Management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, as at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Group's financial statements, see note 2.36 to the 2022 Financial Statements

DESCRIPTION OF THE GROUP

OVERVIEW

The Bank was the first local bank and the first shareholding company to be established in Kuwait. The Group is the only banking group in Kuwait to have access to both the conventional and Islamic banking markets.

As at 30 June 2023, and based on the 2022 Financial Statements and the publicly available financial statements of the Group's main domestic competitors for the same period, the Group was the largest conventional bank in Kuwait in terms of: (i) total assets; (ii) total loans (which, in the Group's case also includes advances and Islamic financing to customers); and (iii) total customer deposits. As at 30 June 2023, the Group's equity attributable to shareholders of the Bank was KD 3,682 million.

The Group's core businesses are consumer and private banking, corporate banking, Islamic banking (offered through its majority-owned subsidiary, Boubyan Bank) and investment banking and asset management (offered through its majority-owned subsidiary, Watani Investment Company K.S.C. (Closed) (known as "NBK Capital")). The Group is a regional banking group, focused on offering its products and services in Kuwait and other countries within the MENA region, including Bahrain, Egypt, Iraq, Lebanon, Saudi Arabia and the United Arab Emirates, in each of which it has a presence through a subsidiary or branches.

The Bank offers its clients a wide range of banking and financial services through one of the largest branch networks in Kuwait, which, as at 30 June 2023, comprised 70 branches, a network of more than 435 automated teller machines and customer deposit machines (together referred to as "ATMs") and over 19,530 point-of-sale ("POS") terminals (all of which are near field communication ("NFC") enabled devices), tele-banking, internet banking and mobile banking. As at 30 June 2023, the Group served around 3,000 corporate customers in its domestic Kuwait market.

The Group currently operates through six financial reporting segments:

- **Consumer and private banking:** the consumer banking segment provides a diversified range of products and services to individuals, including consumer loans, credit cards, deposits, foreign exchange, credit facilities to SMEs and other branch-related services. The private banking department provides customised banking services to high net worth individuals. In 2022, KD 302 million, or 29.9 per cent., of the Group's net operating income was attributable to the consumer and private banking segment compared to KD 299 million, or 33.2 per cent., in 2021. For the six months ended 30 June 2023, KD 150 million, or 26.4 per cent., of the Group's net operating income was attributable to the consumer and private banking segment;
- **Corporate banking:** corporate banking provides a comprehensive product and service offering to business and corporate customers, including lending, deposit-taking, trade finance, foreign exchange and advisory services. In 2022, KD 145 million, or 14.4 per cent., of the Group's net operating income was attributable to the corporate banking segment compared to KD 137 million, or 15.2 per cent., in 2021. For the six months ended 30 June 2023, KD 81 million, or 14.2 per cent., of the Group's net operating income was attributable to the corporate banking segment;
- **Investment banking and asset management:** the investment banking function provides capital market advisory services to its client base. The asset management department provides wealth management, portfolio and funds management, custody and brokerage services. This reporting segment represents the financial results of NBK Capital. In 2022, KD 37 million, or 3.6 per cent., of the Group's net operating income was attributable to the investment banking and asset management reporting segment compared to KD 34 million, or 3.8 per cent., in 2021. For the six months ended 30 June 2023, KD 19 million, or 3.4 per cent., of the Group's net operating income was attributable to the investment banking and asset management reporting segment;
- **Islamic banking:** the Group's Islamic banking reporting segment represents the financial results of Boubyan Bank, the Group's Islamic banking subsidiary. In 2022, KD 208 million, or 20.6 per cent., of the Group's net operating income was attributable to the Islamic banking reporting segment compared to KD 193 million, or 21.5 per cent., in 2021. For the six months ended 30 June 2023, KD 112 million, or 19.8 per cent., of the Group's net operating income was attributable to the Islamic banking reporting segment;

- **Group centre:** the group centre reporting segment includes treasury, investments and other defined Group activities. The treasury department provides treasury services to its clients and is also responsible for the Group's liquidity. The group centre reporting segment also includes any residual in respect of transfer pricing and inter-segment allocations. In 2022, KD 51 million, or 5.1 per cent., of the Group's net operating income was attributable to the Group centre reporting segment compared to KD 13 million, or 1.4 per cent., in 2021. For the six months ended 30 June 2023, KD 64 million, or 11.3 per cent., of the Group's net operating income was attributable to the Group centre reporting segment; and
- **International:** the international reporting segment comprises the activities of all branches, subsidiaries and associates of the Group outside Kuwait. In 2022, KD 267 million, or 26.4 per cent., of the Group's net operating income was attributable to the international segment compared to KD 223 million, or 24.8 per cent., in 2021. For the six months ended 30 June 2023, KD 140 million, or 24.8 per cent., of the Group's net operating income was attributable to the international segment.

For further details on the Group's reporting segments, see "*Reporting Segments*" below.

The Bank is a public shareholding company which was incorporated in the State of Kuwait by an Amiri decree on 19 May 1952 (Amiri Decree dated 19 May 1952 permitting the foundation of National Bank of Kuwait) and commenced operations on 15 November 1952. The Bank is registered with the Kuwaiti Ministry of Commerce, with commercial registration number 8490, is licensed to conduct banking activities and is regulated by the CBK. The Bank's registered office is Sharq Area, Jaber Al-Mubarak and Al-Shuhada Street, Block 7, Plot 6, P.O. Box 95, Safat 13001, State of Kuwait and its telephone number is +965 2242 2011.

STRENGTHS

The Group benefits from a number of business strengths. In particular:

Largest conventional banking group in Kuwait with a dominant market position

As at 30 June 2023, the Group had total assets of KD 36,085 million, total loans, advances and Islamic financing to customers of KD 21,564 million and total customer deposits of KD 20,270 million, and as at the same date it was the largest conventional banking group in Kuwait on all three metrics. The Group is also one of the leading banks in Kuwait with a broad portfolio of consumer and corporate products, an extensive distribution network and well-established relationships with its client base. With around 3,000 corporate customers as at 30 June 2023, the Group has one of the largest customer bases in Kuwait and the Group believes that, as at 30 June 2023, it had a 35.3 per cent. market share in Kuwait's consolidated banking assets. The Group also maintains one of the largest domestic distribution networks. This distribution network offers significant opportunities to attract additional clients and expand the Group's range of products and services to existing clients. As at 30 June 2023, the Bank had one of the largest branch networks in Kuwait, comprising 70 branches, a network of more than 435 ATMs and over 19,530 POS terminals, in addition to tele-banking, internet banking and mobile banking platforms.

The Group's strong position in consumer and corporate banking enables the Group to benefit from economies of scale and provides a strong platform for sustained profitability in the Kuwaiti banking market. The Group's market position and strong brand recognition throughout Kuwait and the MENA region reflect the Group's focus on high-quality customer service and the creation of innovative products and services, its established track record in both consumer and corporate banking, its targeted marketing to consumers, SME, large corporate and strategic client groups and its involvement in Kuwait's most prominent infrastructure and other development projects.

Only banking group in Kuwait to provide both conventional and Islamic banking

Following its acquisition of Boubyan Bank in 2012, the Group is the only banking group in Kuwait to offer both conventional and Islamic banking services, therefore diversifying income sources as well as offering the Group the opportunity to grow its balance sheet and strengthen its position in its core domestic market. Accordingly, the Group generates net income from Islamic financing in addition to net interest income. In 2022, the Group generated net income from Islamic financing of KD 172 million compared to KD 163 million in 2021.

In 2011 pursuant to a court decision, an exception to the general prohibition on Kuwaiti banks registering mortgages on private residences in Kuwait was created in respect of Islamic banks only, allowing them to finance purchases of residential properties using a mortgage over the property as security. Accordingly, the principal competitive advantage enjoyed by Islamic banks is their ability to offer residential mortgage financing, which conventional banks are not permitted to do. Additionally, regulatory restrictions relating to interest rates and ratios for personal lending typically favour Islamic banks over conventional banks. In particular, whereas the interest rates that can be charged by conventional banks are capped, given there is no concept of interest in Islamic banking, the Islamic banks in Kuwait are able to earn better margins than conventional banks on their financing portfolios.

As discussed under "*—Strategy—Geographic and product and service diversification—Strengthening its Islamic banking franchise*" below, Boubyan Bank focuses on high net worth and affluent clients and large and mid-market corporate customers, thereby building on many of the Group's core strengths.

As at 30 June 2023, Boubyan Bank had made available KD 6,094 million of Islamic financing to customers and had accepted KD 6,153 million in customer deposits across its 48 branches.

A strong regional and international network

Within the MENA region, the Group's subsidiary, National Bank of Kuwait – Egypt S.A.E., operates 54 branches in Egypt while the Group's subsidiaries in Iraq (Credit Bank of Iraq S.A.) and Lebanon (National Bank of Kuwait (Lebanon) S.A.L.) operate networks of three and two branches, respectively. The Bank itself has two branches in Bahrain, three in Saudi Arabia and two in the United Arab Emirates. In addition, Boubyan Bank has an investment of 21.7 per cent. in United Capital Bank, Sudan. In May 2022, the Bank sold its business in Jordan to Arab Jordan Investment Bank and the business ceased providing banking services under the name of NBK-Jordan on 25 May 2022. In addition, the Bank is considering selling its operations in Iraq and Lebanon. Internationally, the Group has subsidiaries in London (National Bank of Kuwait (International) plc), Paris (National Bank of Kuwait France S.A.) and Geneva (NBK Banque Privée (Suisse) S.A.) and branches in New York, Singapore and Shanghai. In January 2020, Boubyan Bank consolidated the Bank of London and the Middle East ("**BLME**"), after increasing its shareholdings in BLME to 71.1 per cent.

This geographical footprint provides opportunities for the Group to grow its product and service offering, in addition to developing its existing client base and leveraging the Group's well-established domestic operations.

Strong asset management and investment banking capability

The Group conducts its investment banking and asset management business through its subsidiary, NBK Capital. In addition, brokerage services are conducted through the Group's brokerage subsidiary, Watani Financial Brokerage Co. K.S.C., and asset management activities are undertaken in Saudi Arabia through Watani Wealth Management Company, a subsidiary incorporated in 2018. The Group believes that each business unit within NBK Capital has unique strengths that are specific to that segment. The asset management team benefits from the Group's strong distribution network and its own strong track record. The brokerage team provides professional execution to its clients. The team's strong fundraising capabilities differentiate it from other similar teams in Kuwait. In addition, the investment banking team benefits from its execution and sector expertise and the ability to offer its services to the Group's large client base.

Stable shareholder base and strong, experienced Board and executive management team

The Bank was established in 1952 by a group of leading Kuwaiti merchants and it has retained the same core shareholder base since that time. The Group believes it has a strong and stable board of directors and a long-serving executive team with a strong track record in Kuwait.

The Group's strategy (see "*—Strategy*" below) is supported by the executive management team's broad expertise in the region, proven record for implementing industry leading initiatives, and by its focus on best practices and customer service. The Group benefits from continuity of personnel within its executive management team, with limited changes to the executive management team over the previous 10 years. The Group's board of directors and executive management team have extensive experience in the financial services sector in Kuwait, the MENA region and internationally. Further details of the Group's board of directors and executive management are set out under "*Management*".

Strong capital base and liquidity

Since the introduction of the BASEL III regime, the regulatory minimum requirement applicable for the Group for total capital adequacy ratio, Tier 1 capital adequacy ratio and Common Equity Tier 1 capital adequacy ratio was 15.0 per cent., 13.0 per cent., and 11.5 per cent., respectively, inclusive of a "Domestic Systemic Important Bank" surcharge of 2.0 per cent. In light of the COVID-19 pandemic, the CBK lowered these minimum requirements to 12.5 per cent., 10.5 per cent. and 9.0 per cent., respectively, from 1 April 2020 to 31 December 2021, which were subsequently increased to 15.0 per cent., 13.0 per cent. and 11.5 per cent., respectively, as of 1 January 2023. The Group's financial leverage ratio was 9.4 per cent. as at 31 December 2022 compared to the required minimum level of 3 per cent.

With effect from the quarterly reporting period ending 30 September 2019, the CBK amended certain sections of its Basel III capital regulations relating to claims on sovereign and public-sector entities outside Kuwait which has impacted the Group's capital ratio. In light of such regulatory amendments, the Group has made adjustments to, and has refined, its capital, business portfolios and plans. During 2020, the CBK announced a six-month payment postponement for all consumer loans, which resulted in a loss of KD 130 million for the Bank's equity shareholders. Based on further directions from the CBK, this amount which was charged to retained earnings in June 2020 is to be deferred and deducted from regulatory capital equally over four years starting 2021.

As at 30 June 2023, the Group had a total capital adequacy ratio of 16.4 per cent., a Tier 1 capital adequacy ratio of 14.2 per cent. and a Common Equity Tier 1 capital adequacy ratio of 12.1 per cent. calculated in accordance with Basel III methodology as adopted by the CBK. As at 30 June 2023, the Group had cash and short term funds of KD 3,819 million.

As part of the Basel III reforms, the Group maintains an adequate amount of HQLAs to cover its net cash outflow, which enables it to survive a significant stress scenario lasting for a period of up to 30 days. The Group monitors and reports its LCR and NSFR at three organisational levels: (i) at the local level including the Bank but excluding its non-Kuwaiti operations; (ii) at the Bank level, including the Bank's non-Kuwaiti operations; and (iii) at the Group level, including all fully consolidated subsidiaries of the Group. Throughout the period of monitoring the Group was consistently over and above the regulatory minimum requirement of LCR and NSFR. Due to the COVID-19 pandemic, the CBK lowered the minimum requirements of LCR and NSFR from 100 per cent. to 80 per cent. for the period of 2 April 2020 to 31 December 2021 and to 90 per cent. for the period from 1 January 2022 to 31 December 2022. The minimum requirements were returned to 100 per cent. as of 1 January 2023.

The Group has maintained a strong liquidity position with an LCR of between 140 per cent. and 183 per cent., since 1 January 2017. The Group believes its adherence to the LCR criteria will ensure it is well-equipped to absorb any unanticipated systemic shocks to the Kuwaiti or MENA economies or banking sectors. The Group has also maintained an NSFR ratio in the range of 108 per cent. to 119 per cent. indicating strong funding stability. See *"Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Liquidity risks—The Group's cash flow from its operations may not be sufficient at all times to meet its contractual and contingent payment obligations"*. As at 30 June 2023, the Group held a portfolio of HQLAs valued at KD 7,865 million and had a three months average LCR ratio of 156.3 per cent., while the NSFR ratio was 109.7 per cent.

Sound and consistent financial performance

The Group has a long history of profitability and remained profitable throughout the global financial crisis. The Group's operating surplus (being its operating profit before provisions for credit losses and impairment losses) was KD 531 million and its net profit attributable to shareholders of the Bank was KD 246 million for 2020 even with the impact of the COVID-19 crisis. In the six months ended 30 June 2023, the Group's net profit attributable to shareholders of the Bank was KD 275 million.

In 2022, the Group's profit for the year attributable to shareholders of the Bank was KD 509 million. Additionally, its total assets grew by 21.4 per cent. from 31 December 2020 to 30 June 2023.

As at 30 June 2023, the Group's impaired loans ratio (defined as impaired loans as a percentage of total gross loans) was 1.75 per cent. compared to 1.42 per cent. as at 31 December 2022 and 1.04 per cent. as at 31 December 2021. As at 30 June 2023, the Group had KD 391 million of impaired loans and carried loan loss reserves of KD 852 million to cover potential loan losses. As at 31 December 2022, the Group had KD 310

million of impaired loans and carried loan loss reserves of KD 828 million to cover potential loan losses. As at 31 December 2021, the Group's impaired loans ratio was 1.04 per cent. compared to 1.72 per cent. as at 31 December 2020. As at 31 December 2021, the Group had KD 211 million of impaired loans and carried loan loss reserves of KD 634 million to cover potential loan losses. As at 31 December 2020, the Group had KD 312 million of impaired loans and carried loan loss reserves of KD 687 million to cover potential loan losses.

High credit ratings and among the top brand values regionally

The Group has some of the highest credit ratings in the MENA region and internationally, with ratings of "A1" with a stable outlook from Moody's, "A" with a stable outlook from Standard and Poor's and "A+" with a stable outlook from Fitch. The Bank was recognised as the Best Bank in Kuwait by Global Finance in 2023 and was named as the most valuable banking brand in Kuwait in 2023 and among the top 10 most valuable banking brands in the Middle East by Brand Finance, with a brand value of U.S.\$1.296 billion.

STRATEGY

The Group's overall strategic goal focuses on defending and growing its leadership position in Kuwait, whilst also diversifying its business geographically (particularly in the GCC) and by products offered.

Building a digital future

The Group has made significant progress in improving its digital capabilities. Through defining and launching a five-year roadmap designed to achieve a leadership position in innovation in the region, the Group has demonstrated its commitment to a digital future and a desire to keep ahead as market practice shifts.

Digitalisation efforts are taking place across markets. In Kuwait, the Bank has launched a digital transformation that includes enhancing customer touchpoints, improving internal processes and building digital capabilities. The Bank has already migrated a large number of transactions and services to digital platforms.

The launch of a state-of-the-art data centre in Kuwait was a critical milestone in 2019. The Group is adopting an agile development framework to promote efficiency and improve time-to-market for new ideas.

In November 2021, the Bank launched "Weyay", the first fully digital bank in Kuwait, which targets the youth of Kuwait as its customer base. As digital banks represent a new generation of transformation in the banking industry, the launch of "Weyay" reinforces the Bank's position as a market leader in the digitisation of banking services and as a provider of innovative banking solutions.

Across units and markets, the Group seeks to develop and embed a digital culture throughout the organisation. In this respect, the Bank has placed a strong emphasis on attracting and retaining highly qualified talent, nurturing the human capital that is critical to deliver the Group's long-term ambitions.

While the cornerstones of the Group's strategy remain unchanged, the Bank developed a two-pronged approach overlaying its digital roadmap to execute the Group's strategy. The Group aims to transform its business and deliver the best customer experience with the "Digital Transformation of the Core". Actions will be executed across three streams: customer-facing initiatives, internal initiatives to transform processes and digital culture and execution capacity. Moreover, the "Business Diversification Leveraging Digital Disruption" encompasses all of the Group's efforts outside the core. The business diversification priorities include building digital disruptive businesses, scaling up Islamic banking via Boubyan Bank, building a regional powerhouse in wealth management and transforming the retail business in Egypt.

Defend and grow leadership position in Kuwait

The Group's overall strategy in its core domestic market is to maintain excellence and its market leadership position in the provision of banking services, to leverage its strong financial position to expand its existing market shares in loans, customer deposits and project and trade financing and to maintain discipline in managing both risk and costs. Within its core domestic product groups of corporate, consumer and private banking, the Group intends to implement this strategy as follows:

Corporate banking

Within the corporate banking sector in Kuwait, the Group's aims include:

- remaining the primary banker for a majority of the leading local companies whilst also continuing to be an active participant in the mid-market sector;
- remaining the bank of choice for foreign companies actively operating in Kuwait and continuing to serve around 75 per cent. of those companies; and
- maintaining its current market share in trade finance, which the Bank believes is in excess of 30 per cent.

The Group intends to achieve these aims by offering differentiated services to its corporate clients, leveraging the different services provided throughout the Group, expanding its coverage model and broadening the range of products and services offered. The Group's strategy centres around being at the forefront of large-scale Kuwaiti Government projects, as it believes its large capital base, high credit ratings and international presence provide it with an advantage over other Kuwaiti banks when competing for these projects or when seeking to raise funds for the purposes of financing these projects. The Group's growth strategy also includes strengthening its leadership position among large Kuwaiti corporates and increasing its penetration among middle-market companies through targeted marketing and building new relationships. The Group focuses on strengthening customer relationships at all levels of the corporate banking business and is in the process of enhancing its corporate online service and establishing a cash management proposition that the Group believes will be competitive with the cash management services currently offered by international banks. Within corporate banking, the Group places emphasis on investing in retaining and recruiting new talent and developing its operational platform.

Notwithstanding this growth strategy, the Group also intends to maintain asset quality with a particular emphasis on credit control, risk management and ensuring an effective corporate governance framework.

Consumer banking

Within the consumer banking sector in Kuwait, the Group's aims include:

- maintaining its leadership position as evidenced by the highest loan and credit card penetration among conventional banks in Kuwait and the highest proportion of Kuwaiti customers among all Kuwaiti banks, based on the Group's internal data and monthly CBK reports for the Kuwaiti banking system;
- maintaining its focus on the delivery of a superior customer service experience, evidenced by the overall customer satisfaction index remaining at 90 per cent., according to the Bank's annual Kuwaiti customer satisfaction survey conducted in 2022; and
- maintaining the lowest cost of funds among Kuwaiti conventional banks.

The Group intends to expand its consumer banking customer base by focusing on select consumer segments such as the affluent and mass affluent segments, in addition to younger clients and the expatriate segment, and by attracting new clients such as SMEs.

In an effort to increase the appeal of the Group to young Kuwaitis and other digitally sophisticated clients, in 2019 the Group started a three-year digital transformation programme, initially focusing on consumer banking with investments made in diversifying its banking services delivered through mobile devices, generating awareness and encouraging mobile channel penetration among clients.

The Group has enhanced its call centre and service campaign management capabilities with a focus on improving cross-selling and product penetration by using the latest available tools and technologies. As new technologies are deployed, the Group intends to increase its focus on digital marketing.

The Group also intends to capitalise on its brand equity by cascading the Bank's corporate brand down to the consumer banking level and developing a consistent level and form of communication across the Bank's consumer banking product and service campaigns. The Group also intends to explore new formats to open

additional branches in malls and new residential areas, without increasing its overall branch headcount in Kuwait.

Private banking

Within the private banking sector in Kuwait, the Group's aims include:

- continuing to provide a unique and compelling proposition to its high net worth clients in collaboration with NBK Capital and the Group's international network;
- leveraging the wealth management expertise of its private bank subsidiary, NBK Banque Privée (Suisse) S.A., in Geneva through which its customers gain access to leading international funds and otherwise broadening its product portfolio to accommodate the growing needs of its clients;
- providing a high quality service through its team of more than 30 experienced private bankers; and
- leveraging its strong brand to acquire new clients and retain current clients.

Geographic and product and service diversification

The Group's geographic and product and service diversification strategy involves expanding its regional presence, strengthening its Islamic banking franchise and building leading asset management and investment banking capabilities in the region.

Expanding regional presence

The Group's geographic diversification strategy is to leverage its fundamental strengths and capabilities, including its international reach and strong relationships within the MENA region, to build a regional platform and support growth in key markets, such as certain GCC countries and Egypt. In particular, the Group is focusing on markets which it has identified as having long-term potential through a combination of high-growth economies, positive demographic trends and the ability for the Group to exploit one or more competitive advantages, such as existing or new synergies and the ability to cross-sell other Group products and services.

When expanding its regional presence, the Group intends to:

- leverage its strong reputation and brand name by ensuring standardisation and consistency across all of its markets;
- adopt a flexible business model so that it can easily adapt to changing trends and conditions in its different markets;
- deliver high standards of consistent, reliable and responsive service in all of its markets; and
- maintain rigorous risk management discipline and governance, as well as a unified compliance process, in all markets.

As part of its regional expansion and diversification agenda, the Group believes that a digital platform has the potential to unlock the possibility of building a meaningful retail customer franchise in markets where the Group maintains only a limited branch presence. To this end, the Group has established a digital platform that aims to enable its expansion strategies in select MENA markets while supporting its digital transformation in Kuwait. Also, the Group is re-evaluating its footprint in light of macroeconomic uncertainties in some markets and reviewing its form of legal presence in each location to manage its cost base.

Strengthening its Islamic banking franchise

Having first acquired a minority shareholding in Boubyan Bank in 2009, in 2012 the Group increased its shareholding to 58.4 per cent. and Boubyan Bank has been fully consolidated as a subsidiary for accounting purposes since 31 July 2012. The Group's current stake in Boubyan Bank is 60.3 per cent. Boubyan Bank had an estimated market share of total banking sector assets and customer deposits in Kuwait of 7.4 per cent.

and 9.5 per cent., respectively, as at 31 December 2022 (according to the consolidated financial statements of Boubyan Bank as at that date).⁴ Further, on 27 January 2020, the Group, through Boubyan Bank, increased its ownership in BLME from 27.91 per cent. to 71.08 per cent. As a result BLME, which had been accounted for under the equity method in prior periods, has been fully consolidated in the Group's financial results since 2020.

The Group's strategy in relation to Boubyan Bank is to differentiate it from other Islamic banks in Kuwait through a clear focus on high net worth and affluent clients and large and mid-market corporate customers, thereby leveraging many of the Group's core strengths.

Building a regional leader in asset management and investment banking

The Group's strategy in relation to its investment banking and asset management business is to establish the business as a leading regional investment bank, asset management and brokerage operation servicing both existing Group clients and acquiring new clients. NBK Capital intends to focus on increasing its assets under management by (i) broadening its suite of products to offer fixed-income and equity products across the MENA region, in addition to structured leasing and real estate products on an international basis, to meet market demand and (ii) investing in technology and human resources to complement its existing product base. In addition, the Group plans to expand NBK Capital's client base with a focus on cross-selling to the Group's private banking and high net-worth consumer banking clients and a targeted investment in establishing a dedicated business development team for NBK Capital.

A successful example of the cooperation between NBK Capital and the Private Banking Group is the launch of Al Watani Wealth Management in Saudi Arabia, which represents an integrated wealth management model which the Group intends to grow across multiple geographies, adapting to local regulatory requirements, with a view to expanding its regional origination capabilities complemented with international asset allocation.

HISTORY

The Bank was the first private indigenous bank in Kuwait and the Gulf region. The Bank focused on the Kuwaiti market following its establishment and has survived several crises, including the 1982 Souk Al Manakh (Kuwait's informal stock market) crash and the Iraqi invasion in 1990. The Bank also played a vital role in rebuilding the Kuwaiti economy following the liberation of Kuwait in 1991.

The Group started its expansion outside Kuwait in the 1980s by opening full service branches in key international (New York, London, Paris, Geneva and Singapore) and regional (Bahrain and Lebanon) centres to capture investment and trade flows with Kuwait and to service Kuwaiti customers and provide convenient and secure locations for their deposits. In 2004, the Group made the strategic decision to expand its presence in the MENA region in markets which it viewed as offering high growth potential. The Group accordingly made a series of acquisitions in Iraq and Egypt, acquired significant minority stakes in banks in Qatar and in Turkey and established itself organically in Jordan, Saudi Arabia (Jeddah) and the United Arab Emirates. In 2017, the Group also completed the conversion of its representative office in Shanghai to a fully-fledged branch and its branch in Paris to a subsidiary in 2018.

Following political instability in several countries in the MENA region, the Group's strategy focused on growing its operations in GCC countries which were more politically stable and had strong economic fundamentals. As part of this strategy, the Group opened its Abu Dhabi branch in 2013.

In 2009, the Group acquired a relatively small stake in Boubyan Bank. Following several additions to its shareholding, the Group's ownership exceeded 50.0 per cent., and Boubyan Bank became a fully consolidated subsidiary of the Group in 2012. Boubyan Bank, a bank offering exclusively Islamic products and services, offers the Group a significant opportunity to grow its balance sheet, diversify its income sources and strengthen its market position in the Kuwaiti market as the Group is the only financial institution in Kuwait to offer both conventional and Islamic banking.

On 27 January 2020, Boubyan Bank K.S.C.P, acquired an additional equity interest in BLME, resulting in an increase in its effective ownership from 27.9 per cent. to 71.1 per cent. Having obtained control, the Group reclassified its investment in BLME from associate to subsidiary and has consolidated the financial results of

⁴ These market shares are based on the consolidated financial statements of all banks in Kuwait, which include international assets and deposits.

BLME. As at the date of acquisition, BLME contributed KD 538 million and KD 616 million to the Group's Islamic financings and total assets, respectively, and KD 365 million to the Group's customer deposits.

CAPITAL STRUCTURE AND SHAREHOLDERS

The Bank has been listed on the Boursa Kuwait since 29 September 1984. As at 30 June 2023, the Group had only one shareholder which had direct and indirect holdings in excess of 5 per cent. of its issued share capital (being The Public Institution for Social Security, which had a 5.74 per cent. holding in the Group as at 30 June 2023).

The Bank's total market capitalisation as at 30 June 2023 was KD 7.4 billion. As at 30 June 2023, the Bank's authorised share capital comprised 10 billion shares of KD 0.100 each, giving it an authorised share capital of KD 1,000 million.

The issued and fully paid up share capital of the Bank as at 30 June 2023 comprised 7,929,945,620 shares of KD 0.1 each, giving it an issued and fully paid up share capital of KD 793.0 million.

The Group believes it benefits from a strong shareholder base, with the Bank's original founding families still controlling the majority of its share capital.

SUBSIDIARIES

As at 30 June 2023, the Group's subsidiaries are:

Name	Country of Incorporation	Primary Business	Holding (%)
Boubyan Bank K.S.C.P.	Kuwait	Islamic Banking	60.3
National Bank of Kuwait-Egypt S.A.E.	Egypt	Banking	99.1
Watani Investment Company K.S.C. (Closed)	Kuwait	Investment Company	100.0
National Bank of Kuwait (International) plc	United Kingdom	Banking	100.0
National Bank of Kuwait France SA	France	Banking	100.0
NBK Banque Privée (Suisse) S.A.	Switzerland	Investment Management	100.0
National Bank of Kuwait (Lebanon) S.A.L. ⁽¹⁾	Lebanon	Banking	85.5
Credit Bank of Iraq S.A.	Iraq	Banking	91.0
National Investors Group Holdings Limited	Cayman Islands	Investment Company	100.0
Watani Wealth Management Company	Saudi Arabia	Investment Management	100.0
Watani Financial Brokerage Company K.S.C.C.	Kuwait	Brokerage	100.0
Bank of London and the Middle East (held through Boubyan Bank K.S.C.P.)	United Kingdom	Islamic Banking	71.7

⁽¹⁾ As at 30 June 2023, 38.1 per cent. of the Group's interest in National Bank of Kuwait (Lebanon) S.A.L. was held by an intermediate holding company, NBK Holding (Liban) S.A.L.

REPORTING SEGMENTS

Consumer banking

The Group offers a wide range of consumer banking products and related services in Kuwait through its integrated distribution network, comprising branches, mobile banking, online banking, ATMs, POS terminals and other remote banking platforms. In addition, the Group has a direct sales force which markets its consumer products and services to its customers. The Group's consumer banking products include a range of consumer loans, deposits, cards, business banking for SMEs and wealth management services.

The Group intends to focus on customer service in its consumer banking business as a key differentiator. The Group annually measures and monitors its overall customer satisfaction as well as customer satisfaction with specific products and services offered. The Group has implemented proactive customer retention and loyalty programmes and has increased its operational efficiency through enhancing its technology platform and repositioning its alternative delivery channels as attractive, user-friendly and reliable alternatives to branch banking (see "*Distribution channels*" below).

In addition, the Group intends to increase its customer base by focusing on select segments, including the younger generation and mass affluent, as well as SMEs with a sales turnover of up to KD 2 million. At the same time, the Group aims to leverage its credit and risk infrastructure to manage the credit portfolio.

Private banking

The Group has offered wealth management services to its private banking clients since 1982. These services are customised to fit each client's risk tolerance and financial needs which are assessed by relationship managers on a quarterly basis. The Group's private banking services include fixed-income and money-market products, wealth and asset management products, including equities and funds, and offshore services designed to preserve customers' capital without restricting capital growth. Beyond Kuwait, an extensive range of international banking products and services are offered through the Group's international branches and subsidiaries, including NBK Banque Privée (Suisse) S.A. and Al Watani Wealth Management in Saudi Arabia.

The Group aims to establish strong relationships with its personal banking clients based on professional expertise, integrity, confidentiality and trustworthiness. Within the private banking business, the Group intends to continue to grow at a consistent pace by focusing on key objectives including:

- new client acquisition, with continued emphasis being placed on attracting younger clients through the introduction of digital platforms;
- increasing its "share of wallet" of existing clients and maintaining strong and durable relationships with clients supported by quality service coupled with innovation in products and solutions to meet the changing needs of the Group's clients; and
- building a global private banking offering by leveraging its presence in, amongst other jurisdictions, the UAE, Saudi Arabia, the United Kingdom, Lebanon and Egypt.

In 2023, NBK was awarded "*Best Private Bank in Kuwait*" by Global Finance.

Distribution channels

The Group's principal distribution channels in Kuwait comprise:

- *Branch network:* As at 30 June 2023, the Bank had one of the largest branch networks in Kuwait, with 70 branches across the country, and a large ATM network, with more than 435 ATMs, 3 mobile ATMs and 19,530 POS terminals. The Group operates a 24/7 self-service facility at its major branches and other select locations where customers can conduct a range of banking services, such as cash deposits and withdrawals, balance enquiries and statement printing, ordering of cheque books and internet and telebanking access. The Group also has two 24/7 branches located at the Kuwait International Airport Terminal 1 and Terminal 4 and offers instant issuance of new debit cards to customers at all of its branches.
- *Telebanking:* The Group introduced automated banking by telephone to its customers and opened its call centre in 1994. This call centre, which has been operated on a 24/7 basis since 2003, can be used by customers in Kuwait to conduct a variety of transactions, including reporting lost or stolen cards, performing account transfers and bill payments and making enquiries and complaints. It also operates as a telemarketing tool through which the Group sells products to customers directly or refers them to their channel of choice. In the six months ended 30 June 2023, the Group's call centre handled approximately 1.3 million calls.
- *Online banking:* The Group commenced offering online banking to its consumer banking customers in 1998 and, as at 30 June 2023, had more than 699,620 registered online banking customers with approximately 751,000 financial transactions executed in the six months ended 30 June 2023.

- *Mobile banking:* Since 2011, the Group's customers have been able to use banking services delivered through mobile devices that provide regular account updates and SMS alerts to registered smart mobile phone users and through which they can conduct a large range of banking services, such as balance enquiries, bill payments, funds transfers, and statement and cheque book requests. Mobile application enhancements included the introduction of a digital signature facility for loan applications, credit card applications and credit limit increase requests. Mobile application users now benefit from an improved login profile, the ability to book term deposits and open partial fixed deposits, the ability to activate dormant accounts, the option to set-up and amend standing orders and to make transfers to the Group's SmartWealth brokerage platform. The Group's "Mobile Only" strategy, which is designed to provide its consumer banking customers with the maximum possible flexibility for conducting banking transactions through mobile applications, is a core aspect of the Group's mobile based distribution channel. The Group had more than 593,590 registered mobile banking subscribers as at 30 June 2023 with more than 11.4 million financial transactions executed in the six months ended 30 June 2023.
- *Direct sales force:* The Group has the largest direct sales force in Kuwait including sales staff at car dealerships and sales staff located at key Government ministries and strategic corporate clients. It has recently expanded its direct sales force to focus on attracting persons entering employment by increasing its presence in key hiring locations in Kuwait.
- *Bespoke private banking services at select branches:* The Group offers comprehensive financial solutions and customised private banking services at the Bank's headquarters branch and six other branches in Kuwait. The Group continues to leverage its international network to offer private banking services to clients in Beirut, Cairo, Dubai, Geneva, London, Manama, New York, Saudi Arabia and Paris. In addition, in 2018 the Group established a locally-licensed wealth management subsidiary, Al Watani Wealth Management, in Saudi Arabia. The Group seeks to maintain a high level of service quality through extensive and diverse training programmes and careful recruitment of its private banking employees. The Group aims to establish long-term relationships with its private banking clients.
- *Contactless payment technology:* The Group was the first bank in Kuwait to introduce contactless payment options for its customers, with the 'Tap and Pay' card. The 'Tap and Pay' system uses NFC technology and allows customers to make payments of up to KD 25 at over 19,530 NFC point-of-sale terminals throughout Kuwait, by placing their 'Tap and Pay' card on a point-of-sale machine without the need to enter a PIN number. The Group is the largest acquirer of NFC compatible contactless point-of-sale terminals in Kuwait, based on the Group's internal data and on CBK data for total point-of-sale market sizing.

Furthermore, the Bank was the first local bank to launch Fitbit Pay which enables customers to make contactless payments via select Fitbit devices. The Bank's customers can now conveniently use the free Fitbit app (Android and iOS) to add up to six cards to their Fitbit Wallet. Similarly, the Bank was also the first bank to launch Garmin Pay in Kuwait which enables its customers to make payments through their wearable Garmin Pay-compatible watch.

Products and services

The Group offers its consumer banking customers a wide range of banking services, including:

- *Deposits:* The Group has a complete range of deposit products, including a broad selection of accounts for customers' everyday banking needs, such as current, trust, express and call accounts. The Group also offers a selection of interest-bearing deposits, such as savings accounts, super accounts and notice accounts. For customers who would like to have higher interest on their savings, the Group offers term deposits, flexible term deposits for receiving regular interest, and partial withdrawal term deposits where customers may withdraw up to 10 per cent. of the deposit annually. In addition, the Group offers a draw account, named Al-Jawhara, which is non-interest bearing and features weekly, monthly and quarterly draws to allow customers to win cash prizes between KD 5,000 and KD 250,000 with a total of KD 2.2 million annually. The Group is also developing long-term fixed savings deposits in order to enhance the maturity profile of its deposit base. For an analysis of the Group's customer deposits, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Position*".

- *Loans and credit cards:* The Group's loan products include consumer and housing (also known as "family") loans with repayment terms extending up to five years and 15 years, respectively. The Group also provides one of the widest ranges of Visa and MasterCard credit and debit cards in Kuwait and is currently the only bank in Kuwait offering Diners Club International cards. The Group's cards are aimed at different customer segments based on income and offer a range of benefits that vary based on the card type. Applications for loans and credit cards can be made through the Group's branch network, direct sales, telebanking or online channels. Consistent with its credit risk management strategy, the Group prioritises attracting loan and credit card customers with good credit standing. Loan and credit card applicants are screened and credit limits are assessed according to the Group's credit policy based on demographic and financial factors and the past credit behaviour of the customer in question, while ensuring strict adherence to relevant CBK regulations. In addition, a loans and cards origination system with automated credit decisioning has been implemented through redesign of end-to-end processes to enhance turnaround time.

The Group uses local and international merchant relationships, promotions, a credit card reward programme and other incentives in order to increase card usage and expenditure levels and to increase customer loyalty and retention. The Bank was the first bank in Kuwait to launch an automatic reward redemption programme based on card usage through POS terminals without the need of vouchers. Its rewards programme is the largest merchant-based rewards programme in Kuwait and enables cardholders to earn and redeem rewards at over 900 outlets in Kuwait which catered to a variety of lifestyle needs as at 30 June 2023. The NBK Miles World Mastercard Credit Loyalty Programme allows the customer to earn miles points and redeem them on flights across over 800 airlines, book accommodation at more than 150,000 hotels globally and to access more than 500 airport lounges in over 300 airports. The launch of NBK-Kuwait Airways (Oasis Club) Visa cards in partnership with Kuwait Airways grants customers an array of advantages including miles collection and redemption, access to airport lounges worldwide, travel insurance and earnings through the NBK Rewards programme points. As part of the Bank's commitment to reward customers, ensure high quality service and enrich their banking experience, the Bank launched the NBK KWT VISA Infinite credit card in January 2021 to provide customers with an exclusive package of rewards. NBK KWT VISA Infinite credit card holders can earn NBK KWT Points up to KD 1,000 per month which can be redeemed as cashback, bookings, e-vouchers and miles with preferred airlines.

- *Business banking:* With a view to diversifying its consumer banking revenue, in 2013 the Group launched a business banking proposition focusing on servicing SMEs in Kuwait with an annual sales turnover of up to KD 2 million through its expanded network of dedicated branches. The Group has three business banking hubs with eight branches established at strategic locations in Kuwait. The Group focuses on acquiring SMEs with a high "cross sell" product ratio, especially in the medical, food and beverage and manufacturing sectors. Each SME has an assigned relationship manager who provides a range of tailor-made products and services that assist in the SME's day to day operations, financing and expansion plans. A range of payment, account and foreign exchange services, working capital, term finance and trade finance services tailored to meet the customer's needs are available to the Group's SME customers subject to credit approval.

The Bank has also been working with The Kuwait National Fund ("KNF") for small and medium enterprise development since 2017. The team within the Bank dedicated to KNF is responsible for reviewing and analysing the feasibility studies provided by KNF. It is also responsible for providing KNF with recommendations on acceptance or rejection of cases.

- *Other services:* The Group's principal deposit and lending products are complemented by a range of more general consumer banking services, including bill payments, remittances, foreign exchange, safe deposit boxes and share custody, electronic funds transfer and online trading. In addition, the Group's consumer banking customers have access to a suite of investment products which are managed by the treasury function within its Group centre reporting segment. See "*Group centre reporting segment—Investments*" below.

Corporate banking reporting segment

The Group offers its corporate clients a range of commercial banking products and services, including loans, overdrafts, trade finance (letters of credit and guarantees), online services, and a range of current and deposit accounts. Additionally, the corporate banking group works with other business units within

the Group, such as Group centre and NBK Capital, to offer other services including foreign exchange, hedging products and corporate finance and advisory services.

As at 30 June 2023, the Group had more than 3,865 active corporate online banking accounts.

The Group's corporate banking reporting segment includes:

The domestic corporate banking group

This banking group caters to major Kuwaiti companies and is organised around units with specific industry expertise, principally:

- general trade and commerce, including the cars, electronics, consumer durables, food and clothing sectors;
- real estate development and contractors, including building materials;
- insurance;
- manufacturing, including in the food and drink, ship building, steel and metal fabrication, cement and clothing sectors; and
- services, including telecommunications, education, transport and logistics, healthcare and retail services.

The Group also has a unit dedicated to Kuwaiti companies with a multinational presence as well as a unit focused on the small and middle market segment. The Group has recently increased its focus on the mid-market sector with a dedicated sales team.

The foreign corporate banking group

The foreign corporate banking group has two major business units: Foreign Contracting and Oil & Petrochemicals. Most of the business of these two units is driven by public-sector spending in the form of major infrastructure and oil and gas projects. Given its historic relationship with the Kuwait Petroleum Corporation ("**KPC**") group, the Group believes it is well placed to advise on, and provide financing to, high-value projects tendered by the KPC group, as well as major overseas investments made through KPC's operating entities, Kuwait Petroleum International Ltd and Kuwait Foreign Petroleum Exploration Company.

The trade finance division

This division uses its extensive knowledge of international trade to help corporate clients enhance their global competitiveness and reduce risk. The trade finance division offers the Group's customers a wide range of services, including:

- letters of credit, including both inward and outward back-to-back, transferable, deferred payment, standby and revolving letters of credit;
- letters of guarantee, including bid bonds, performance, advance payment, retention, suppliers credit and contract guarantees;
- collections settled; and
- financing under letters of credit.

In addition to a dedicated trade finance team, the Bank offers a trade finance portal to its customers. The portal enables customers to open both letters of credit and letters of guarantee online.

The Group's corporate banking division was named "*Best Trade Finance Service Provider in Kuwait for 2023*" by Global Finance and "*Best Trade Finance Bank in Kuwait for 2023*" in the annual survey of Global Trade Review (GTR), a magazine specialising in global emerging markets and trade, commodity finance and transaction banking.

Investment banking and asset management reporting segment

The Group's investment banking and asset management reporting segment comprises the activities of NBK Capital. NBK Capital has over 160 professionals and operates regionally from Kuwait, Saudi Arabia, the UAE, Bahrain, Turkey and Egypt. NBK Capital focuses on three primary lines of business:

- **Asset Management:** with a Group-wide KD 6,383 million in assets under management as at 30 June 2023, the platform focuses on strategies and products which are supported by value-added propositions and solid conviction; ranging from money market, through various fixed-income and equity approaches, to private equity and real estate assets.

The asset management team currently manages the largest and most successful money market funds in Kuwait. The funds tap into both Kuwaiti dinar and U.S. dollar liquidity and are offered in conventional and Shari'a-compliant formats.

- **Investment Banking:** delivers a fully integrated investment banking platform comprising:
 1. **Mergers & Acquisitions Advisory:** which delivers optimal deal structures to tailor creative solutions to its clients;
 2. **Equity Capital Markets:** which is dedicated to creating value for its clients by planning and executing innovative strategies to achieve clients' goals;
 3. **Debt Capital Markets:** which focuses on the origination, structuring, execution and distribution of a wide variety of debt offerings including conventional, Islamic, senior bank and structured securities, which are further complemented by rating and capital structuring advisory; and
 4. **Financing Advisory:** which is a dedicated unit that strives to provide clients with transparent services and assists them throughout the entire debt raising process including negotiations.
- **Brokerage:** NBK Capital's brokerage division offers advanced brokerage services with superior execution capabilities through seamless and direct access to Kuwait, MENA and major international capital markets.

In addition, NBK Capital SmartWealth is a digital investment service that offers investors a leading solution for long-term investment savings. Investors are able to manage and monitor their investments through NBK Capital SmartWealth's web portal and/or mobile application.

NBK Capital was awarded "*Best Asset Management Company – MENA in 2022*" and "*Best Brokerage House – Kuwait in 2022*" by Global Business and "*Investment Bank of the Year for EM in 2022*" by Global Finance. In addition, in 2022, NBK Capital was awarded "*Deal of the Year*" by The Banker and "*Best Fund Over 3, 5 and 10 Years - Equity Kuwait*" by Refinitiv Lipper MENA Markets Fund Awards.

Islamic banking reporting segment

The Group's Islamic banking reporting segment comprises the activities of Boubyan Bank, in which the Group has a 60.3 per cent. holding as at the date of this Base Prospectus.

The Group believes that its acquisition of a majority shareholding in Boubyan Bank offers new avenues for growth, diversification and enhancing its customer base by providing a wider variety of banking services. Since the acquisition, Boubyan Bank has experienced increased growth and profitability and has expanded its market share in a number of areas, including personal finance, customer deposits and credit card spend.

Boubyan Bank's core businesses are consumer banking, corporate banking and private banking and wealth management. Boubyan Bank is primarily focused on offering its products and services in Kuwait and has a presence outside Kuwait through its ownership of shareholdings in BLME. Boubyan Bank offers its clients a wide range of banking and financial services through one of the fastest growing branch networks in Kuwait, comprising 48 branches as at 30 June 2023, a network of more than 331 instant teller machines (ITMs) and ATMs in addition to telebanking, internet banking and mobile banking.

Boubyan Bank's short-term strategy is to build on domestic foundations with a view to developing an international presence in the medium to longer term. In the domestic market, Boubyan Bank is currently targeting increased market share in both the consumer and the corporate segments. Its strategy focuses on organic growth, emphasising upgrading its product portfolio, focusing on its target customer segments and enhancing its digital proposition.

In relation to its consumer banking operations, Boubyan Bank aims to expand its market share through focusing on high net worth affluent and mass affluent customers and has been working on positioning itself as the bank of choice for the affluent client base. In particular, Boubyan Bank is emphasising improved customer experience, innovation in product offerings, efficient transactions and attracting top talent. Boubyan Bank is also building a comprehensive consumer banking platform in terms of distribution channels to achieve its consumer banking ambitions. Since the Group acquired its majority shareholding in 2012, Boubyan Bank has grown its branch network from 15 to 48 branches, and more than doubled the number of ATMs. Along with expanding its footprint and distribution network, Boubyan Bank's customer satisfaction ratings continue to be higher than the average for both Islamic and all Kuwaiti banks, all of which have contributed to its recent growth in profitability and its increased market shares.

In relation to its corporate operations, Boubyan Bank's main focus is to become the bank of choice for large and mid-size companies while continuing to maintain market share in the super large corporate segment. Boubyan Bank aims to improve its offering in the corporate segment through innovation in products and services. In particular, it has introduced new products such as overdrafts and Istisna, and additional products such as Musharaka, factoring and equipment Ijarah are being developed. Further, Boubyan Bank continues to work on strengthening and improving its processes.

As part of its aspiration to be "the first choice and preferred corporate bank", Boubyan Bank has launched innovative e-products and services to meet all banking needs in line with Islamic Shari'a principles. These products and services include the recent update of its corporate online banking platform and a digital credit approval process.

As at 30 June 2023, Boubyan Bank's total assets (on an unconsolidated basis) were KD 8,024 million and its equity attributable to shareholders of the bank was KD 815 million.

Boubyan Bank's customer financing portfolio was KD 6,094 million as at 30 June 2023 and its aggregate customer deposits and deposits from banks and financial institutions were KD 6,345 million as at the same date. In the six months ended 30 June 2023, Boubyan Bank's net profit attributable to shareholders of the bank was KD 41 million. In 2022, Boubyan Bank's net profit attributable to shareholders of the bank was KD 58 million. In 2021, Boubyan Bank's net profit attributable to shareholders of the bank was KD 48 million, and in 2020, Boubyan Bank's net profit attributable to shareholders of the bank was KD 34 million.

In 2022, Boubyan Bank received a number of international and regional awards in addition to being recognised by many global institutions that are renowned for their fairness and strength. Awards and recognitions include being named "*Best Islamic Bank in Customer Service - Kuwait*" for the thirteenth consecutive year by Service Hero, in addition to being named "*Best Islamic Bank in Kuwait*" by Global Finance for the seventh consecutive year.

Group centre reporting segment

The Group centre reporting segment includes treasury, investments and other defined Group activities.

Treasury

The Group's treasury provides a comprehensive range of treasury services and products to the Group's clients, and is also responsible for the Group's liquidity and market risk management.

The Group's treasury manages the Group's assets and liabilities and liquidity requirements under the supervision of the Group Assets and Liabilities Executive Committee ("**ALEC**"), which meets at least monthly to monitor and review all aspects of the Group's liquidity profile, asset and liability structure and internal and statutory ratio requirements. Cash-flow requirements as well as foreign exchange activities in each of the Group's locations are managed by the respective treasury of that location, under the supervision of Group treasury. Asset and liability management, including liquidity management, is managed by Group treasury, in coordination with Group market risk management division.

In addition, the Group's treasury function:

- manages the money market books and money market funding positions for the Group's own account to fund its domestic and international foreign-currency assets;
- undertakes a wide range of foreign exchange business, across both spot and forward markets, largely on behalf of the Group's customer base, and conducts a limited amount of proprietary foreign exchange trading within the constraints of what the Group considers to be prudent risk guidelines; and
- maintains a portfolio of Kuwaiti Government treasury bills and bonds to meet relevant CBK requirements and to manage surplus domestic currency liquidity.

In 2019, the Group's treasury function completed the development of a new, end-to-end treasury booking system, which became operational in Kuwait in 2021 and provides real-time metrics from across the Group. The system comprises a Group-level Treasury function, and assists the Bank in mitigating and reducing risk, improving efficiencies and increasing revenues.

The electronic trading platform introduced by the Group's treasury function in 2018 saw strong utilisation from corporate clients, generating live FX deals for customers through an easy-to-use browser module. Such innovations further exemplify that the Group offers the most competitive treasury solutions available in Kuwait. These innovations are both unique to the local market and an effective client retention tool, boosting non-interest income while rates remained under pressure due to COVID-19.

In 2023, the Group's treasury function was awarded the *"Best Foreign Exchange Provider in Kuwait and ME"* and *"Best Treasury and Cash Management – Kuwait"* by Global Finance.

Investments

The Group's investments unit is responsible for managing its fixed-income proprietary portfolio with the objective of realising income while minimising the risk of default. The unit combines a bottom-up fundamental credit-research-driven investment process with a top-down macro-economic analysis. The portfolio is diversified, investing in fixed-income securities issued by emerging and developed markets' corporates and sovereigns. The securities are denominated in major currencies and carry investment-grade ratings.

International reporting segment

As at 30 June 2023, the Group has a presence in 13 countries across four continents that provide a diversified platform for sustainable growth in the future. The Group's international network includes branches and subsidiaries in major cities such as London, New York, Paris, Geneva, Singapore and Shanghai. In addition, the Group has a strong presence in the MENA region providing coverage to Bahrain, Egypt, Iraq, Lebanon, Saudi Arabia and the UAE. The Group's international footprint is a key differentiator for the Group and an essential part of its franchise and brand. The Group's international operations are principally wholesale in nature although in certain locations, such as Egypt, it also provides consumer banking services.

Within select locations in the MENA region, the Group is focusing on growing its corporate business in existing and new markets through attracting international and regional customers and leveraging its Kuwaiti relationships as well as growing its private banking business by building on its success in Kuwait.

In the GCC, the Group believes it is well-positioned to leverage its presence for future growth. The Group currently offers corporate clients and high net worth individuals a range of treasury and wholesale banking credit solutions, both conventional and Shari'a-compliant, in addition to trade finance services and basic consumer banking services. The Group increased its presence in Saudi Arabia in 2019 by opening two additional branches in Riyadh and Khobar with a view to expanding its corporate banking activities and building a retail business in Saudi Arabia.

Egypt remains a strategic market with the Group operating more than 50 branches. NBK Egypt continues to deliver strong results accompanied with positive economic growth and ambitious economic reforms. The Group has been implementing a transformation programme to expand the operations of its Egyptian subsidiary by boosting the acquisition of customers, streamlining processes and upgrading capabilities across

all functions. A strong emphasis is being placed on building the quality and reach of the consumer banking business in Egypt, to diversify in terms of both income and operations.

Beyond the MENA region, the Group concentrates on serving the needs of regional corporate and private banking customers that are active internationally, while developing business with international companies that have business or trade linkage within the Group's MENA region footprint. The Group's operations in key financial centres, such as London, New York, Paris, Geneva, Singapore and Shanghai, typically experience strong inflows of capital and deposits from high net worth individuals, financial institutions, oil companies, correspondent banks and government agencies.

The International Banking Group ("IBG") maintains a strong emphasis on promoting cross-selling culture across the Bank's locations and units, recognising the synergies that can be achieved in relation to both revenues and costs. Opportunities pursued have included the centralisation of certain back-office processes and functions which has been facilitated by the significant advances that have been made at the Group level to improve the quality and capacity of the Group's underlying technology infrastructure – such as the Kuwait data centre, the introduction of robotic process automation.

The Group plans to maintain investment in technology capabilities including efforts to improve IBG's regulatory and governance functions, to navigate obstacles and mitigate risk, in addition to investment in digital channels and mobile banking.

COMPETITION IN KUWAIT

The Group is the largest conventional bank in Kuwait in terms of total assets, customer deposits and customer loans and advances according to the publicly available financial statements of the Group's main domestic competitors as at and for the year ended 31 December 2021 and as at and for the six months ended 30 June 2023.

The Kuwaiti banking sector comprises five indigenous conventional commercial banks (the Bank, Commercial Bank of Kuwait, Gulf Bank, Al-Ahli Bank of Kuwait and Burgan Bank) and branches of 12 other non-Kuwaiti conventional banks. In addition, a specialised bank (Industrial Bank of Kuwait) and five banks operating according to the provisions of Islamic Shari'a (including the largest, Kuwait Finance House, and the Group's subsidiary, Boubyan) are also licensed to operate in Kuwait.

The tables below show rankings for the six largest Kuwaiti banks by consolidated total assets, by consolidated customer deposits and by consolidated customer loans and advances as at 30 June 2023 and as at 31 December in each of 2022, 2021 and 2020.

	As at 30 June	As at 31 December		
	2023	2022	2021	2020
			<i>(KD million)</i>	
Ranking by consolidated total assets⁽¹⁾				
The Group	36,085	36,338	33,257	29,717
Kuwait Finance House	37,021	36,969	21,788	21,502
Burgan Bank	7,073	7,166	7,075	7,106
Gulf Bank	6,914	6,851	6,556	6,113
Al Ahli Bank of Kuwait K.S.C.P.	6,283	6,422	5,627	4,852
Commercial Bank of Kuwait	4,247	4,310	4,290	4,389

Source: 30 June 2023 financial statements and historical annual reports for each bank.

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

As at 30 June 2023, the Group's consolidated total assets represented 59.5 per cent. of the total consolidated assets of the Kuwaiti conventional commercial banking sector.

	As at 30	As at 31 December		
	June			
	2023	2022	2021	2020
		<i>(KD million)</i>		
Ranking by consolidated customer deposits⁽¹⁾				
The Group	20,270	20,178	18,281	17,104
Kuwait Finance House	22,942	22,483	15,867	15,317
Burgan Bank	4,345	3,932	4,162	4,091
Gulf Bank.....	4,216	4,247	4,304	4,034
Al Ahli Bank of Kuwait K.S.C.P	4,026	4,421	3,913	3,486
Commercial Bank of Kuwait	2,265	2,340	2,120	2,369

Source: 30 June 2023 financial statements and historical annual reports for each bank.

⁽¹⁾ Customer deposits are based on consolidated figures and include international customer deposits.

As at 30 June 2023, the Group's consolidated customer deposits represented 57.7 per cent. of the total consolidated customer deposits of the Kuwaiti conventional commercial banking sector.

	As at 30	As at 31 December		
	June			
	2023	2022	2021	2020
		<i>(KD million)</i>		
Ranking by consolidated loans and advances⁽¹⁾				
The Group	21,564	20,998	19,722	17,504
Kuwait Finance House	19,108	18,840	11,355	10,748
Burgan Bank	4,040	4,228	4,279	4,345
Gulf Bank.....	5,174	5,129	4,837	4,309
Al Ahli Bank of Kuwait K.S.C.P	4,281	4,039	3,387	3,117
Commercial Bank of Kuwait	2,386	2,420	2,278	2,279

Source: 30 June 2023 financial statements and historical annual reports for each bank.

⁽¹⁾ Customer loans and advances are based on consolidated figures and include international customer loans and advances. Figures for the Group include Islamic financing.

As at 30 June 2023, the Group's consolidated customer loans, advances and Islamic financing to customers represented approximately 57.6 per cent. of the total consolidated customer loans and advances of the Kuwaiti conventional commercial banking sector.

The Group's current competitive strategy is to focus on maintaining its market leadership positions in its domestic market and to attract new customers through the products and service which it offers. See "*Strategy—Defend and grow leadership position in Kuwait*".

The Islamic banking sector in Kuwait is attracting a growing customer base, particularly among local cooperative and other similar bodies. A general prohibition on Kuwaiti banks offering financing secured on mortgages of private residences in Kuwait was introduced in 2008. However, in 2011 a court decision resulted in an exception in respect of Islamic banks only, allowing them to finance purchases of residential properties using a mortgage over the property as security. Accordingly, the principal competitive advantage enjoyed by Islamic banks is their ability to offer residential mortgage financing, which conventional banks are not permitted to do. Regulatory restrictions relating to interest rates and ratios for personal lending typically favour Islamic banks over conventional banks. In particular, whereas the interest rates that can be charged by conventional banks are capped, given there is no concept of interest in Islamic banking, the Islamic banks in Kuwait are able to earn better margins than conventional banks on their financing portfolios. Although Boubyan Bank has a smaller balance sheet than certain other Islamic banks operating in Kuwait, its strategy is to differentiate itself by focusing on high net worth and affluent clients and large and mid-market corporate customers, thereby leveraging many of the Group's core strengths. See "*Strategy—Geographic and product and service diversification—Strengthening its Islamic banking franchise*".

INFORMATION TECHNOLOGY

To ensure that its IT continues to meet changing business requirements, the Group's IT strategy is structured to optimise people, process and technology (each as discussed further below), with the main focus on governance, organisation, quality, applications portfolios and technology infrastructure.

People

The Group aims to recruit and retain talented and competent IT staff to manage its technology assets and deliver change. In addition, a focus on training and succession planning aims to establish clear career paths for IT staff. The Group considers alternative forms of resourcing, including managed services and selective outsourcing, to allow the IT function to contain costs and better service growing needs in end-user support, network management, mainframe management, tooling, project operations support, service desk, the network operations centre and software development.

Process

The Group believes business process and automation are becoming more aligned, which will reduce manual intervention and enhance workflow. As part of its service improvement programme, change request processes, system development lifecycle, IT service management, IT vendor management, project management, risk and audit management are all within the IT realm of continuous improvement. The system and service tools adopted will help to monitor versions, highlight end-of-life technologies and help stabilise systems to ensure production deficiencies and incidents are kept to a minimum. The Group has also implemented a new data centre to safeguard stability, increase availability, provide scalability and enhance customer experience.

Technology

The Group focuses on stability, increased availability and scalability to ensure that its customers are able to access online channels and systems when needed, including online banking, mobile banking, ATMs and branch systems. As a result, the Group has focused on foundation technologies such as the new Tier III active-active data centre, utilising state of the art network, storage and server technologies, which became operational in December 2018. The Group's disaster recovery site has been transformed to operate in parallel with the new data centre in a cluster. The Group has also adopted enhanced metrics where both infrastructure and business applications can be fine-tuned with performance-monitoring tools. Since 2013, all Group businesses have measurable, annually-reviewed, service level agreements which are used to benchmark key performance indicators with a view to further continuous improvements. In addition to using services such as Infrastructure as a Service and Software as a Service, the Group also adapts cloud technology (i.e MS Azure) where applicable.

The introduction of robotic process automation is an important component of the Group's digitisation strategy, particularly in the role it will play in optimising costs. With over 150 processes identified for automation, the programme will significantly limit the need to increase headcount while eliminating human error to improve quality and increase customer satisfaction.

Data security

The Group has an offsite IT operations centre with a primary site located at Al Rai and a secondary site located at Jleeb Al Sheyokh that run as a cluster to support the operations of the Bank. This set up ensures that all systems are fully operational in line with the Group's business continuity plan, providing essential services to its customers. The Group has adopted tapeless technology and carries out daily and other periodic data backups which are stored in the primary operations centre and replicated online (in real time) to the secondary site.

Additionally, the Group provides near real time back-ups of all critical systems and data to an international location (which is in the United Kingdom) in compliance with CBK instructions. Cyber security maintains its place among the Group's highest priorities and is a key area of investment.

As the Bank expands its footprint in the digital banking space, the Bank continues to focus on information security to ensure adequate protection against potential cyber threats. A robust cloud security framework has been established as part of the Group's digital transformation programme. Security is embedded in the process to proactively identify and mitigate risks. Third party providers are strictly scrutinised on their ability to protect and secure the Bank's assets prior to contracting.

The Bank performs various security assessments to proactively identify cyber risks through, for example, vulnerability assessments, penetration tests and source code reviews to ensure adequate controls are implemented for timely remediation of security issues. The Group's Information Security office has implemented various detective and preventive controls for timely identification and handling of potential attacks through continuous monitoring.

The Bank has also rolled out cyber security training across group entities to train employees and third parties (such as consultants) who may be working on the Bank's premises or require access to the Bank's network, alongside periodic awareness campaigns and phishing simulation programmes. The Bank also supports its customers through periodic awareness campaigns on cyber threats which it shares through various social media platforms.

Data loss prevention is also an area of focus, and the Bank has implemented a data protection framework through the adoption of data protection controls, including data classification and implementation, to protect sensitive data.

LITIGATION

As at the date of this Base Prospectus, the Group is not involved in any pending or, to the best of the Group's knowledge, threatened litigation or arbitration proceedings which may constitute a threat to the Bank or to any of its subsidiaries or which would have a material adverse effect on its financial position. Therefore, no material provision has been made as at 30 June 2023 regarding any outstanding legal proceedings.

INSURANCE

The Group maintains various insurance policies and coverage. These include standard property insurance coverage for its assets (premises and contents), bankers' blanket bond coverage, general liability insurance, crime insurance coverage, cyber-crime and cyber-security coverage, staff private medical insurance coverage and professional indemnity insurance coverage. The Group also maintains a limited terrorism insurance cover (based on commercial viability) for its assets in Kuwait, Egypt, Bahrain and other locations. The Group's assets are generally insured on a reinstatement cost basis. The Group's aim is to maintain market standard insurance coverage.

EMPLOYEES

The Group's human resources policy is designed to attract, retain and motivate high-calibre, professional, skilled and knowledgeable employees. The Group protects and abides by the rights provided to employees which include, but are not limited to:

- a transparent working environment;
- employee talent-management schemes; and
- a transparent remuneration and compensation structure and access to a "whistleblowing" policy (which enables all employees to raise concerns in good faith and confidence directly to the Chairman).

The Group has developed a "High-Fliers" programme to provide employees identified as possessing leadership potential with exposure to various departments within the Group. In line with its commitment to develop and invest in its key "human capital" resources, the Group collaborates with world-class universities to provide these employees with training in a wide range of leadership disciplines.

As at 30 June 2023 the Group employed 7,839 full-time staff, compared to 7,760 full-time staff as at 31 December 2022, 7,511 full-time staff as at 31 December 2021 and 7,179 full-time staff as at 31 December 2020.

The Bank is committed to identifying, attracting and developing Kuwaiti nationals in its workforce. The Kuwaiti Government's recommended policy is that, with effect from June 2019, 70 per cent. of a bank's total personnel in Kuwait should consist of Kuwaiti nationals. The Bank's Kuwaitisation level as at 30 June 2023 was 75.7 per cent. (which was compliant with the recommended policy at that date) and it is currently in compliance with all other applicable employment regulations.

RISK MANAGEMENT

INTRODUCTION

In common with other financial institutions, risk, including credit risk, market risk, liquidity risk and operational risk, is inherent in the Group's activities. The complexity in the Group's business operations and diversity of geographical locations require efficient and timely identification, measurement, aggregation and management of risks and efficient allocation of capital towards achieving the ultimate objectives of enhancing the Group's asset values and income streams in order to protect the interests of its shareholders and external fund providers, increase shareholder value and achieve a return on equity that is commensurate with the risks assumed. Management of these inherent risks is critical to ensuring the Group's financial soundness and profitability.

The Group's risk management framework is integral to its operations and culture and it seeks to manage risk in a structured, systematic manner through a global risk policy which embeds comprehensive risk management into the organisational structure, risk measurement and monitoring processes.

Ultimate responsibility for setting out risk appetite and effective management of risk rests with the Board. This is managed through the Board Risk and Compliance Committee (the "**BRCC**") and the Group Executive Committee (the "**EC**"). These committees ensure that risk-taking authority and policies are effectively communicated from the Board to the relevant business units. The Group's risk management, compliance management and internal audit functions assist executive management in controlling and actively managing the Group's overall risk profile.

The key features of the Group's comprehensive risk management policy are:

- the Board provides overall risk management direction and oversight;
- the Group's risk appetite is reviewed by the BRCC and ultimately approved by the Board;
- risk management focused on compliance with applicable laws, regulations and internal policies is intrinsically embedded in the Group's process and is a core competency of all its employees;
- the Group manages its credit, market, liquidity and operational risks in a co-ordinated manner within the organisation; and
- the Group's internal audit function reports to the BAC and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on a Group-wide basis.

GROUP RISK MANAGEMENT

The Group risk management, which is headed by the Group Chief Risk Officer (the "**GCRO**"), reports directly to the BRCC and is responsible for:

- identifying and assessing the key risks faced by the Group;
- measuring the Group's exposure to those risks;
- monitoring this exposure in light of the Group's risk appetite, as approved by the Board;
- determining the Group's corresponding capital needs on an ongoing basis;
- monitoring and assessing major decisions related to risk-taking; and
- following up and evaluating decisions related to certain risks.

The Group risk management comprises the following departments:

- domestic credit risk management;
- international credit risk management;

- operational and technology risk management;
- market risk management;
- insurance and risk financing;
- enterprise risk management; and
- portfolio intelligence and control.

The risk management function assists senior management in controlling and actively managing the Group's overall risk. The function also ensures that:

- the Group's overall business strategy is consistent with its risk appetite approved by the Board of Directors and allocated by the EC;
- risk policies, procedures and methodologies are consistent with the Group's risk appetite;
- appropriate risk management architecture and systems are developed and implemented; and
- risks and limits of the portfolio are monitored throughout the Group, including at appropriate "regional" levels.

The Group regularly assesses the adequacy and effectiveness of its risk management framework in light of the changing risk environment.

RISK MANAGEMENT STRATEGY

The key elements of the Board-approved risk strategy are:

- maintaining stability and business continuity during stress situations;
- ensuring effective and adequate compliance with regulatory capital requirements and internal capital targets in keeping with the Group's strategy;
- developing the Group's IT infrastructure and using modern methods to raise the professional level and levels of experience of human resources;
- effective risk planning through an appropriate risk appetite; and
- performing stress tests consistently to assess the impact on the Group's capital requirements, capital base and liquidity position.

RISK APPETITE

The Group's risk appetite defines the maximum limit of risk that the Group is willing to accept in relevant business categories in order to achieve an optimal balance of risk and return which will enable the achievement of its strategic objectives. Any risk which breaches the Group's stated risk appetite must be mitigated as a matter of priority to within acceptable levels.

The risk appetite is reviewed and presented by the BRCC to the Board for final approval. This ensures the risk appetite statements are consistent with the Group's strategy and business environment. Through the risk appetite statements, the Board communicates to management the acceptable level of risk for the Group, determined in a manner which meets the objectives of shareholders, depositors and regulators.

The Group risk management aims to identify early warnings of risk limit and risk appetite breaches, and is responsible for notifying them to the BRCC and the Board.

SCOPE AND NATURE OF RISK REPORTING TOOLS

The Group's risk management framework enables it to identify, assess, limit and monitor risks using a range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while

others are tailored to the particular features of specific risk categories and enable generation of information such as:

- credit risk in commercial and consumer lending and other asset exposures, such as collateral coverage ratio, limit utilisation and past-due alerts;
- quantification of the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis);
- quantification of exposure to losses due to extreme movements in market prices or rates.

The CBK requires all Kuwaiti banks to perform semi-annual stress tests under three scenarios: mild, medium and severe. Historically, these tests were performed utilising two sets of assumptions: one based on CBK-prescribed parameters, which were essentially shocks on Pillar 1 risks, and the other based on the Group's own assumptions, generally required to be more comprehensive (by including Pillar 2 risks) than those prescribed by the CBK. The CBK-prescribed parameters cover stress scenarios for interest income, fee income, foreign exchange trading income, falls in collateral value and stock market declines resulting in additional impairment losses.

With effect from January 2021, the CBK introduced its own model of stress-testing to assess the impact across the banking sector in Kuwait. Banks are required to continue with stress tests semi-annually utilising their own assumptions. Furthermore, from time to time the CBK may require them to conduct additional stress tests to quantify potential inherent risks.

The Group augments its overall framework for governance and capital planning and management by undertaking an ICAAP, which includes "scenario testing" at periodic, regular intervals. One of the key objectives of the ICAAP is to quantify potential inherent risks which the Group faces that are not covered under Pillar 1. As a part of ICAAP, the Group also assesses its capital contingency options. In line with the guidelines from the Basel Committee and the CBK, key principles of the Group's ICAAP include:

- responsibilities of the Board and senior management;
- sound capital management;
- comprehensive assessment of Pillar II risks, for example credit (sector and name concentration), liquidity, legal, reputational and strategic risks;
- monitoring and reporting; and
- control and review of the process.

The Group regularly assesses the adequacy and effectiveness of its risk management and other reporting tools and metrics in light of the changing risk environment.

PRINCIPAL RISKS

The principal risks faced by the Group are:

- **Credit risk**, which is the risk that one party to a financial instrument will fail to discharge an obligation on maturity, or in a timely manner, causing the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentration risk may also arise as a result of large exposures to individuals or a group of related counterparties. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. For further information regarding the Group's credit risk, see "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Credit risks*".
- **Market risk**, which is the risk that changes in market prices, such as interest rates, equity prices, commodity prices, foreign exchange rates and credit spreads (not relating to changes in

the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. Market risk is broadly classified into three categories: (i) interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates; (ii) foreign exchange risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates; and (iii) equity price risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. For further information regarding the Group's market risk, see "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Market Risks*".

- **Liquidity risk**, which is the risk that the Group will be unable to meet the payment obligations associated with its financial liabilities when they fall due and/or replace funds when they are withdrawn. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking reputational damage. For further information regarding the Group's liquidity risk, see "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Liquidity Risks*".
- **Operational risk**, which is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and includes fraud, unauthorised activities, error, omission and inefficiency. Operational risks can expose the Group to potentially large losses and, while the Group cannot eliminate all operational risk, it has developed a comprehensive process of identifying, assessing, monitoring and reporting operational risk internally. For further information regarding the Group's operational risk, see "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Operational Risks*".

Credit risk

Credit risk management strategy

Senior management implements the credit risk strategy approved by the Board following the recommendations of the BRCC and develops policies and procedures for identifying, assessing, monitoring and controlling credit risk.

The EC, chaired by the GCEO and comprising senior executives from the business divisions, meets regularly to review significant credit policies and the Group's corporate and consumer credit portfolios and advises the Board appropriately. All significant credit policies and amendments to policies are reviewed and approved annually by this committee and ratified by the Board. Within this framework, limits and approval authorities are exercised by the officers delegated with defined approval authorities.

In compliance with CBK regulations, lending to individual Board members and related parties is fully secured and monitored by the senior credit committee and the BCC. Furthermore, facilities granted to these related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. All such facilities are approved by the Board in accordance with authorities granted by the shareholders' general assembly.

Country limits are determined based on an analysis of economic, social and political factors, taking into consideration reliable data, reports by recognised and credible market sources and the application of local business and market knowledge. Significant country-limit exposures are subject to periodic review and approval by the Board or the BCC.

Corporate credit risk management

Corporate credit facilities are granted based on detailed credit risk assessments that consider the purpose of the facility and source of repayment, prevailing and potential macro-economic factors, industry trends and the customer's positioning within its industry peer group.

Internal credit-rating models are regularly reviewed by the Group risk management function in coordination with line management and the EC and are continually enhanced in line with industry credit risk management best practices.

All new credit proposals along with reviews of, and material changes to, existing credit facilities are evaluated and approved by an appropriate credit committee. The Group has the following hierarchy of credit committees at the head office level:

- *BCC*, which consists of non-executive Board members and approves all facilities exceeding the mandate of the other committees;
- *Senior credit committee*, which consists of the GCEO, the Deputy Group CEO, the CEO-Kuwait, the Deputy CEO-Kuwait, the Chief Credit Officer, the Head of Corporate Banking and a number of senior executives in Corporate Banking and is responsible for reviewing, approving or recommending domestic credit proposals that exceed the management credit committee's competence as well as those concerning criticised accounts (which, as part of the Group's overall credit quality monitoring processes, are accounts which although neither classified as 'past due' nor 'past due and impaired', have experienced difficulties which may cause them to become categorised as 'irregular' accounts (being accounts which are either classified as 'past due' or 'past due and impaired'));
- *Management credit committee*, which consists of the Head of Corporate Banking, the Deputy Head of Corporate Banking, the Head of Domestic Credit Risk Management and a number of senior executives in Corporate Banking and is responsible for reviewing, approving or recommending domestic credit proposals, except those concerning criticised accounts and those that exceed the management credit committee's competence, which are escalated to the senior credit committee;
- *Senior international credit committee*, which consists of the GCEO, the Deputy Group CEO and the GCRO and is responsible for reviewing, approving or recommending all credit proposals originating from the Group's international offices that exceed the management international credit committee's mandate as well as those concerning criticised accounts; and
- *Management international credit committee*, which consists of the Head of Group Risk Management, the Chief Credit Officer, the CEO of the International Banking Group and the Assistant General Manager of International Credit and is responsible for reviewing, approving or recommending all credit proposals originating from the Group's international offices except those concerning criticised accounts, which are escalated to the senior international credit committee.

The credit committees have a set of approval authorities in place as delegated by the Board and which vary by reference to the type of counterparty (for example, sovereign, financial institution and corporate), the counterparty rating (investment grade or speculative) and whether the facility is secured or non-cash, among other factors. Specific approval authorities exist for fully-secured facilities as well as criticised accounts.

In addition, the Group's international offices have their own hierarchy of credit committees.

Credit facility administration is undertaken by a segregated function to ensure proper execution of all credit approvals and maintenance of documentation, and proactive control over maturities, expiry of limits, collateral valuation and contractual covenants.

Consumer credit risk management

The Group's consumer credit risks are managed through an independent unit which is part of the Group risk management and works with the consumer banking business. Consumer credit risk management functional areas are aligned with key concepts of risk management, namely governance, control and measurement and reporting.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers. Within this framework, all credit exposure limits are approved within a defined credit approval authority framework. Policies and procedures specific to each business/product line are approved by the EC and significant policies are ratified by the Board.

Credit review procedures and loan classification

Corporate and SMEs

The Group's policy is to assess the credit risk in commercial banking through a risk-rating process which provides transparency and consistency to enable comparison between obligors. The Group uses an industry standard risk-rating tool to make these assessments. Under this risk-rating framework, the borrowers are rated based on financial and business assessments.

The risk-rating process derives obligor risk-ratings ("**ORRs**") and facility risk-ratings ("**FRRs**"). The rating methodology focuses on factors such as operating performance, liquidity, debt service and capital structure. The ratio analysis includes the assessment of each ratio's trend across multiple periods, in terms of both rate change and the volatility of the trend. It also compares the value of the ratio for the most recent period with the values of the comparable peer group. Qualitative assessments of the operations, liquidity and capital structure are also included in the assessment. The ORR yields a scale of 10 ratings for performing obligors plus three for non-performing obligors and reflects the probability of default for an obligor (irrespective of facility type or collateral) over the next 12 months for a senior unsecured facility. The Group has implemented risk-rating models for commercial, real estate, high net worth individuals and project finance facilities.

The Group also has an approved framework for FRRs. While the ORR does not take into consideration factors such as the availability of collateral and support, the FRR is a measure of the quality of the credit exposure based on the expected loss in the event of default after considering collateral and support. The availability of eligible collateral or support substantially reduces the extent of the loss in the event of default and such risk-mitigating factors are reflected in the FRR.

In cases where the risk-rating tool is not applicable, the Group assigns a rating based on an internal assessment which is mapped to the relevant external rating scale.

The Group classifies its exposure in accordance with the North American Industry Classification System Code in addition to the classification based on purpose codes as defined by the CBK. This additional classification helps to improve the accuracy of ORRs through peer group analysis in respect of performance and financial indicators and also allows the Group to classify its portfolio into sub-segments which facilitates analysis and improves the management of concentrations.

Financial institutions

The Group's policy is to assess the credit risk in facilities granted to financial institutions by utilising data from external credit agencies. This data is further complemented by the relevant financial institution's existing bilateral transaction history and potential relationship with the Group. The resulting credit facilities are structured across various products and maturities and are subject to review at least twice annually.

Consumer lending

Credit risk scorecard models are used to facilitate credit decisions and to monitor credit facilities advanced to higher-risk customer segments of consumer banking. Consumer lending criteria incorporate CBK regulatory guidelines and Group policies related to consumer credit facilities, such as debt-to-income ratio, minimum qualifying income and limits on advances by product type. Additional inputs utilised include applicant characteristics obtained from credit bureaus, particularly the Kuwait credit bureau, to assist in assessing an applicant's ability to repay and the probability of default.

Consumer credit risk is monitored with three lines of defence. In the first line of defence, the consumer business lending group is responsible for adherence to credit policies, controls and processes. In the second line of defence, the consumer credit risk management team, working independently of the business unit, assesses and ensures implementation of credit risk management discipline and policies. The third line of defence, the internal audit function, independently tests, verifies and evaluates controls for effective credit risk management and the implementation of policies and procedures.

Portfolio management

The Group has also introduced a portfolio risk-rating process through which the overall portfolio quality is assessed at regular intervals and analysed in credit committees. In addition, a RAROC (Risk-Adjusted

Return on Capital) model is in use to guide business lines and management in pricing credit facilities granted to corporate clients. The RAROC model is based on the premise that pricing should be aligned with the risk embedded in the proposal.

The table below shows a classification of the Group's customer loan portfolio by credit quality as at 31 December in each of 2022, 2021 and 2020 and has been extracted from note 13 to the 2022 and 2021 Financial Statements .

	Neither past due nor impaired			Total gross customer loan portfolio
	High⁽¹⁾	Standard⁽²⁾	Impaired	
		<i>(KD thousands)</i>		
31 December 2022	19,049,904	2,466,407	310,046	21,826,357
31 December 2021	17,689,493	2,455,348	211,154	20,355,995
31 December 2020	15,339,168	2,540,017	312,381	18,191,566

⁽¹⁾ Credit exposures classified as "High" quality are those where the default risk from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and repayment capacity which are considered to be good to excellent.

⁽²⁾ Credit exposures classified as "Standard" quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not impaired.

As at 31 December 2022, 31 December 2021 and 31 December 2020, 92.8 per cent., 92.6 per cent. and 91.5 per cent., respectively, of the past due but not impaired category was 60 days or less past due, with the remaining loans being between 61 and 90 days past due.

Of the aggregate amount of gross past due or impaired loans, advances and Islamic financing to customers, the fair value of collateral that the Group held as at 31 December 2022 was KD 211 million (31 December 2021: KD 182 million and 31 December 2020: KD 201 million).

Loan monitoring

The Group's credit exposures are regularly reviewed and monitored through a system of triggers and early-warning signals aimed at detecting adverse symptoms which could result in a deterioration of credit risk quality. The triggers and early-warning systems along with market intelligence, facility utilisation and collateral valuation updates are included in the regular review of the credit facilities to enable timely corrective action by management. These reviews are performed on a semi-annual, annual and ad-hoc basis as required. The results of the monitoring process are reflected in the internal rating.

The total portfolio credit risk is monitored on an ongoing basis with formal monthly and quarterly reporting to ensure senior management awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.

Cross-border exposures are monitored by the central credit risk management function against specific and set limits for this purpose.

Consumer credit risk reporting also includes a dashboard for consumer and small-business lending, classification and delinquency monitoring, such as ageing and migration.

A specialised problem loan workout team handles the management and collection of problem credit facilities.

Credit risk mitigation strategy

Portfolio diversification is the cornerstone of the Group's credit risk mitigation strategy, which is implemented through customer, industry and geographical limit structures.

In accordance with CBK regulations, the Group limits its credit concentration per group of related entities to 15.0 per cent. of the Group's regulatory capital. This does not apply to government and quasi-government entities, agencies and departments in the GCC countries that do not work on a commercial basis nor to banks. The Group also measures its concentration levels across sectors, geographies and products to ensure and enhance the portfolio oversight and diversification.

Credit risk mitigants, such as collateral and guarantees from third parties, are used within the Group's portfolio and collateral quality is continuously monitored and assessed. Risk transfer in the form of syndications, risk participation arrangements with other banks and the sale of loans are additional practices used to manage the Group's exposures.

The main types of collateral accepted by the Group are:

- cash collateral;
- quoted shares and units in collective investment schemes;
- bank guarantees;
- commercial and residential real estate; and
- eligible debt instruments (principally sovereign and bank obligors).

In accordance with the Group's credit policies, banks and creditworthy companies and individuals with a high net worth are accepted as guarantor counterparties, subject to credit risk assessment. However, in accordance with the CBK Basel III framework, only cash collateral, quoted shares, eligible debt instruments and units in collective investment schemes are recognised as risk mitigants for capital adequacy purposes.

The custody and daily mark-to-market of financial collateral are performed independently of the business units. Except for private residences, real estate collateral is valued on an annual basis.

For each of the years ended 31 December 2022, 31 December 2021 and 31 December 2020, respectively, an average of 45 per cent. of the Group's loans, advances and Islamic financing to customers portfolio (excluding consumer loans and net of provisions) were secured by collateral, primarily including cash, shares and real estate collateral.

The Group is authorised to liquidate the portfolio of collateral at its discretion in the event of any default in the payment of the covered loan. The most liquid collateral (such as cash and listed shares) can then be liquidated within a matter of days and the proceeds applied to discharge the amounts outstanding on the relevant loan.

The collateral enforcement process in Kuwait in respect of real estate involves a number of steps. Given the fact that the relevant debtor and/or guarantor may raise objections at each stage, if enforcement is contested the typical time taken to finalise enforcement proceedings in relation to real estate is between 36 and 48 months and, in difficult cases, up to 60 months.

Consumer loans are generally not secured. However, before granting consumer loans, the Group requires that the customer's employer makes the customer's salary payments direct to the customer's account held with the Group.

Impairment, expected credit loss and/or provisions

The Group computes ECLs on the following financial instruments which are not measured at fair value through profit or loss:

- loans and advances, Islamic financing to customers including credit commitments;

- letters of credit and financial guarantee contracts including commitments;
- investment in debt securities measured at amortised cost or fair value through other comprehensive income; and
- balances and deposits with banks.

Equity investments are not subject to ECL.

Credit facilities

Credit facilities granted by the Group consists of loans and advances, Islamic financing to customers, letters of credit and financial guarantee contracts and commitments to grant credit facilities. Impairment on credit facilities is recognised in the consolidated statement of financial position at an amount equal to the higher of: (i) ECL under IFRS 9 according to the CBK guidelines or (ii) the provisions required by CBK instructions.

The Group in estimating ECL on credit facilities takes into consideration the following key parameters based on inputs from the CBK:

- a floor for estimating probability of default ("**PD**") for specific portfolios;
- eligible collateral with haircuts for determining loss given default ("**LGD**");
- deemed maturity for exposures in Stage 2 (as described below); and
- a credit conversion factor on utilised and un-utilised portions for cash and non-cash facilities.

Impairment of financial assets other than credit facilities

The Group recognises ECL on investment in debt securities measured at amortised cost or at fair value through other comprehensive income and on balances and deposits with banks.

ECLs

The Group applies a three-stage approach to measure the expected credit loss as follows:

- **Stage 1: 12-month ECL:** The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been a significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.
- **Stage 2: Lifetime ECL – not credit-impaired:** The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but the financial assets are not credit-impaired.
- **Stage 3: Lifetime ECL – credit-impaired:** In accordance with IFRS 9 as adopted by the CBK, the entire balance is taken as ECL.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of lifetime ECL that result from default events that are possible within the 12 months after the reporting date. Both lifetime ECLs and 12-month ECLs are calculated either on an individual basis or on a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of Expected Credit Loss

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial

assets that are 30 days past due are deemed to have a significant increase in credit risk since initial recognition and are migrated to Stage 2 even if other criteria do not indicate a significant increase in credit risk.

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit-impaired. The Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. All credit-impaired financial assets are classified as Stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about the following:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or past due event;
- the lender having granted to the borrower a concession, that the lender would otherwise not consider, for economic or contractual reasons relating to the borrower's financial difficulty;
- the disappearance of an active market for a security because of financial difficulties; and
- purchase of a financial asset at a deep discount that reflects the incurred credit loss.

At the reporting date, if the credit risk of a financial asset has not increased significantly since initial recognition or is not credit-impaired, the financial asset is classified as Stage 1.

Measurement of ECLs

ECL is a probability-weighted estimate of credit losses and is measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfalls represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include PD, LGD and exposure at default ("EAD"). The Group estimates these elements using appropriate credit risk models taking into consideration all relevant information, including the internal and external credit ratings of the asset and the nature and value of any collateral and forward looking macro-economic scenarios, which primarily reflect reasonable and supportable forecasts of future macro-economic conditions.

Modification of loans and Islamic financing to customers

Under certain circumstances, the Group seeks to restructure loans and Islamic financing to customers rather than taking possession of collateral. This may involve extending the payment arrangements, a reduction in the amount of principal or interest or profit and the agreement of new loan or financing conditions. If the modifications are substantial, such a facility is derecognised and a new facility is recognised with substantially different terms and conditions. In cases where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL, except in the rare occasions where the new financing is considered to be originated credit-impaired. This applies only in cases where the fair value of the new financing is recognised at a significant discount to its revised par amount, because there remains a high risk of default which has not been reduced by the modification. Management continuously reviews modified loans and Islamic financing to customers to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been significant increase in credit risk or the facility should be classified in stage 3. When loans and Islamic financing to customers have been modified but not derecognised, any impairment is measured using the original effective interest rate as calculated before the modification of terms.

Write off

The gross carrying amount of a financial asset is written off (either partially or in full) when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost. In the case of debt instruments measured at fair value through other comprehensive income, the Group recognises the ECL charge in the consolidated statement of income and a corresponding amount is recognised in other comprehensive income with no reduction in the carrying amount of the financial asset in the consolidated statement of financial position. ECL for loan commitments, letters of credit and financial guarantee contracts are recognised in other liabilities.

When the Group is unable to identify the ECL on the undrawn portion of credit commitments separately from drawn portion of commitments, the combined amount of ECL is presented as a deduction from the gross carrying amount of the drawn portion.

Provisions for credit losses in accordance with CBK instructions

Credit facilities are classified as past-due when a payment has not been received on its contractual payment date, or if the facility is in excess of pre-approved limits.

A credit facility is considered as past-due and impaired if the interest or profit or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value.

Past-due and past-due and impaired facilities are managed and monitored as "irregular" facilities and are classified into the following four categories, which are then used to guide the provisioning process:

- Watchlist, irregular for a period up to and including 90 days (no specific provision required);
- Substandard, irregular for a period from and including 91 days and up to and including 180 days (20 per cent. specific provision required);
- Doubtful, irregular for a period from and including 181 days and up to and including 365 days (50 per cent. specific provision required); and
- Bad, irregular for a period exceeding 365 days (100 per cent. specific provision required).

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

In relation to credit facilities which have been rescheduled by agreement between the Group and the customer, any previously-made provision is required to be maintained to meet the rescheduled credit facilities. When 25 per cent. of the rescheduled debt balance has been repaid, the provision committee may reduce the provision to an amount not less than 20 per cent. of the debt balance.

In addition to specific provisions, minimum general provisions of 1 per cent. for cash facilities and 0.5 per cent. for non-cash facilities (net of certain restricted categories of collateral) are required to be made for all facilities in respect of which no specific provision has been made.

MARKET RISK

Market risk is defined as the potential loss in value of financial instruments or contracts caused by adverse movements in market variables such as interest rates, foreign exchange rates, equity prices, volatility and spreads.

The Group identifies market risk inherent in its financial claims and loans, foreign exchange exposure, trading and investment activities, and defines its market risk management strategy through:

- the implementation of a Market Risk Management Framework;
- well-defined processes and strong and effective controls;
- recognition of market risk as inherent in the Group's business model and macro-economic environment;

- clear segregation of "front", "back" and "middle" office duties;
- the Group's approach to accepting, limiting and increasing market risks;
- regular and effective monitoring and reporting of exposures and risk measures;
- regular monitoring of market prices and valuation of financial instruments;
- a defined set of internal limits and regular reporting on the adherence to those limits;
- regular independent reviews of internal controls and limits; and
- implementation of adequate infrastructure.

Market risk management

The Group's market risk management consists of governance, identification and measurement and management and limit setting (risk appetite), as well as reporting/management information.

The Board is ultimately responsible for determining and setting the amount of market risk that the Group is exposed to as a result of executing its business strategy through the Group's risk appetite. The EC is responsible for ensuring all market risks are monitored and maintained within approved limits. All activities giving rise to market risk are conducted within a structure of approved credit and position limits. Group Market Risk Management independently measures, monitors and reports on Bank's market risk exposure. Unresolved material breaches to risk limits are reviewed by a subcommittee of the EC and either approved or recommended for remedial action. The Group Asset Liability Management unit is responsible for supervising the management of market risk exposure.

The General Manager of the Treasury Group and General Managers in overseas locations are responsible for managing the Group's trading activities.

Market risk arising from trading activities

The Group's market risk management independently monitors the regional and global trading market risk exposure using Value-at-Risk ("**VaR**") methodology to derive quantitative measures specifically for market risk under normal market conditions. This enables the Group to apply a constant and uniform measure across all of its trading activities and facilitates comparisons of market risk estimates, both over time and against daily trading results. Group VaR is calculated using a 99 per cent. confidence level and a holding period of ten days.

The VaR is supplemented with stress-testing (a stressed VaR) to quantify market risk under extreme stress scenarios based on observed historical worst-case and in-house developed scenarios. VaR computation allows for diversification benefits at the Group level. Furthermore, the Group recognises and mitigates the correlation of other risks and processes on its market risk monitoring process.

In addition to VaR, the Group uses a structure of foreign exchange and interest rate limits to manage and control its market risk associated with trading activities. The Group's market risk is also assessed under stressed conditions using the same framework. Computations are based on stressed historical data.

Non-trading market risk in the banking book

The Group's key non-trading market risk is the sensitivity of its net interest income to movements in interest rates. This interest-rate risk in the banking book is managed through a "re-pricing gap" limit structure which is supplemented by periodic analysis of scenarios (instantaneous parallel shift of +/-5 basis points and +/- 10 basis points to the yield curve) to capture the sensitivity of the exposure to interest rate changes.

This analysis of scenarios showed the following impacts in the banking book as at the dates stated:

	<u>+5 bps</u>	<u>-5 bps</u>	<u>+10 bps</u>	<u>-10 bps</u>
		<i>(KD thousands)</i>		
31 December 2022	3,359	(3,359)	6,717	(6,717)
31 December 2021	3,014	(3,014)	6,028	(6,028)

	<u>+5 bps</u>	<u>-5 bps</u>	<u>+10 bps</u>	<u>-10 bps</u>
		<i>(KD thousands)</i>		
31 December 2020	2,363	(2,363)	4,727	(4,727)

The Group does not use the results of scenario analysis to predict changes in its earnings because of the simplified assumptions inherent in scenario analysis, which include assumptions that interest rates move by the same percentage irrespective of maturity, that all positions run to maturity and that no management corrective action is taken to mitigate the impact of interest rate risk. In addition to interest rate risk, the Group is also exposed to market risk as a result of changes in the "fair value" of its strategic equity and investment positions held without any intention of liquidation.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group does not believe that it is excessively exposed to interest rate risk as most of its assets and liabilities are re-priced regularly and much of its exposures arising on medium-term fixed rate lending or fixed rate borrowing are covered by interest rate swaps. In addition, the re-pricing gaps of its assets and liabilities are carefully monitored and controlled through limits pre-established by the Board and adjusted where necessary to reflect the changing market conditions. In the case of certain consumer loans denominated in Kuwaiti dinar, the Group is exposed to some interest rate risk, since interest rates on those loans are not re-priced for the first five years and then the subsequent permitted adjustments are restricted in amount.

Interest rate sensitivity of profit measures the effect of the assumed changes in interest rates on the net interest income for one year, based on the interest-bearing financial assets and financial liabilities held at the year-end. This includes the effect of hedging instruments but excludes loan commitments. The sensitivity on equity is the impact arising from changes in interest rates on the fair value of investments in debt securities classified as fair value through other comprehensive income/available for sale. Sensitivity to interest rate movements is symmetrical as financial instruments giving rise to non-symmetric movements are not significant.

Based on the Group's financial assets and financial liabilities held as at 31 December 2022, 31 December 2021 and 31 December 2020, respectively, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact the Group's profit and equity as follows:

Currency	Movement in basis points	2022		2021		2020	
		Effect on Profit	Effect on equity	Effect on profit	Effect on equity	Effect on profit	Effect on equity
			<i>(KD thousands)</i>				
KWD	+25	9,138	-	9,290	-	8,761	-
USD	+25	5,579	-	4,343	-	1,412	(2)
EUR	+25	463	-	256	-	493	-
GBP	+25	621	-	857	-	716	-
EGP	+25	169	(402)	128	(1,085)	80	(372)

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risks are controlled through limits, established by the Board (which are within regulatory limits set by the CBK) and implemented by executive management, on currency position exposures. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange rate exposures. Appropriate segregation of duties exists between the treasury front and back office functions, while compliance with position limits is independently monitored on an on-going basis.

The table below shows the effect on profit of an assumed 5 per cent. strengthening in value of the currency rate against the Kuwaiti dinar from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit, whereas a positive amount reflects a net potential increase.

Currency	2022	2021	2020
	<i>(KD thousands)</i>		
	+5%	+5%	+5%
USD	(248)	(151)	2,252
GBP	99	(20)	149
EUR	57	213	(240)
Other	(74)	(97)	(142)

Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual shares. Equity price risk arises from the change in fair values of equity investments. The Group manages equity price risk through diversification of investments in terms of geographic distribution and industry concentration.

The CBK has set a maximum limit of 50 per cent. of a bank's regulatory capital for investment in funds and equities, excluding subsidiaries.

The table below shows the effect of equity price risk on the Group's profit (as a result of changes in the fair value of equity investments held as fair value through profit and loss) and on the Group's equity (as a result of changes in the fair value of equity investments classified as fair value through other comprehensive income) as at the dates provided based on an assumed 5 per cent. change in market indices, with all other variables held constant.

Market indices	2022		2021		2020	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity	Effect on profit	Effect on equity
	<i>(KD thousands)</i>					
Kuwait stock exchange	121	28	135	26	70	15
Qatar stock exchange	97	-	228	-	182	-
UAE stock indices	342	-	205	-	159	3
Saudi Stock Exchange.....	883	81	856	92	592	-

Liquidity Risk

Liquidity risk is defined as the inability to generate sufficient financial resources to meet all obligations and commitments as they fall due, or the ability only to secure them at excessive cost. It is the policy of the Group to maintain adequate liquidity at all times, in all geographical locations.

The Group's liquidity management is guided by its internal liquidity policy, which is reviewed annually and approved by the Board. The EC assigns responsibilities and ensures the Group has sufficient resources to carry out liquidity risk management work in an independent and effective manner. The primary responsibilities for the management of liquidity are with the ALEC, regional asset and liability committees, the Group Treasurer and local Treasurers. Day-to-day cash-flows and liquidity management is handled by the 'local' treasury teams at Group head office and the Group's international locations. The longer-term liquidity and funding profile of the Group is monitored and managed by Group treasury under the guidance of the ALEC.

The Group's liquidity policy specifies the main goals, roles and responsibilities, processes and procedures for managing the Group's liquidity risk. It also encompasses the Group's contingency funding plan, which is intended to provide a framework for effective responses to any potential liquidity crisis, whether triggered by Bank-specific or by systemic liquidity shortages.

The Group's liquidity risk strategy is centred on maintaining an adequate liquidity position at all times, primarily by means of an acceptable maturity mismatch profile, relying on more 'stable' deposits and maintaining an adequate stock of HQLAs at all times. Further, the Group's liquidity objectives are:

- to ensure the strategies are in conformity with the regulatory requirements of the CBK and the requirements of the local regulators in other jurisdictions where the Group operates;
- to ensure the use of proper tools in ascertaining liquidity risk;
- continuously to seek sources of stable customer funds and to keep its funding costs as low as possible;
- to limit its dependence on the use of short-term inter-bank funding;
- to leverage its strong position, reputation and credit strength in order to secure long-term funding, such as customer deposits, institutional deposits, government deposits and debt issuance at a competitive cost;
- to ensure the Group's ability to generate or obtain cash or its equivalent in a timely and cost-efficient manner so that the Group can meet its obligations;
- to maintain market confidence; and
- to ensure profitable business opportunities can be pursued without liquidating assets at undesirable times, or raising additional unsecured funding on an unreasonable scale or timescale.

The liquidity and funding management process includes:

- self-imposed and regulatory liquidity ratios, including ratios in accordance with Basel III principles;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- liquidity stress tests to make sure the Group can survive liquidity squeezes under different stress scenarios.

In accordance with the Basel III framework, as implemented by the CBK, the Group manages its liquidity through compliance with the LCR. As part of its requirements to report its liquidity position to the CBK in compliance with the LCR, the Group manages its internal liquidity through periodic internal 30-day and 60-day LCR stress tests which are more conservative than the Basel II requirements. Additionally, the Group's treasury division invests in various short-term or medium-term, highly marketable assets in line with Basel III guidelines for HQLAs (such as government and central bank securities in jurisdictions in which the Group has operations).

As at 30 June 2023, the Group's portfolio of HQLAs was valued at KD 7,865 million (post factor) and the LCR was 156.3 per cent. As at 31 December 2022, the Group's portfolio of HQLAs was valued at KD 7,393 million (post factor) and the LCR was 140.7 per cent. As at 31 December 2021, the Group's portfolio of HQLAs was valued at KD 7,714 million (post factor) and the LCR was 153.8 per cent. As at 31 December 2020, the HQLA portfolio was valued at KD 6,626 million (post-factor) and the LCR was 145.2 per cent. See "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Liquidity Risks*" for more information.

The ALEC monitors compliance with these ratios internally at least on a monthly basis.

In accordance with the Basel III framework, as implemented by the CBK, the Group also manages its liquidity through compliance with the NSFR. As at 30 June 2023, the NSFR ratio was 109.7 per cent. (31 December 2022: 112.5 per cent., 31 December 2021: 110.3 per cent. and 31 December 2020: 115.1 per cent.).

The Group maintains a diversified and stable funding base of core retail and corporate deposits, and the treasury group maintains liquidity and funding contingency plans to cope with potential difficulties that may arise from local or regional markets or geopolitical events.

Liquidity risk is further reduced by the Group's adherence to the CBK's liquidity requirements which comprise:

- maturity ladder mismatch limits for specific time periods: 10 per cent. for seven days or less; 20 per cent. for one month or less; 30 per cent. for three months or less; and 40 per cent. for six months or less;
- a requirement to hold 18 per cent. of KD customer deposits booked in the Group in Kuwaiti Government treasury bills and bonds, current account/deposit balances with the CBK and/or any other financial instruments issued by the CBK; and
- a requirement to keep sufficient funding against loan generation, as required by the CBK under its loan to deposit ratio requirements.

As at the date of this Base Prospectus, the Group was fully compliant with the CBK's liquidity requirements set out above.

The Group has a well-defined repurchase agreement ("**Repo**") policy in place as a means of raising liquidity. Repos and reverse repos are governed by master agreements with netting terms based on the Global Master Repurchase Agreement ("**GMRA**"), including holding collateral in the form of cash. The Group also has a contingency funding plan to manage a stressed liquidity situation created by bank-specific issues or by market-wide (systemic) liquidity disturbances. The purpose of the plan is to provide a framework within which an effective response to a liquidity crisis can be managed.

In order to assist Kuwaiti banks in managing their liquidity positions during stressed conditions, the CBK provides a "repo window" for portfolios of CBK bonds and Kuwaiti Government treasury bonds held by Kuwaiti financial institutions. In exceptional circumstances, additional discretionary liquidity support is available from the CBK, including the ability to access funding at the CBK discount rate.

Note 30 to each of the Annual Financial Statements sets out the maturity profiles of the Group's assets and liabilities based on contractual cash flows and maturity dates and on contractual repayment arrangements.

DERIVATIVES

A financial derivative is an instrument whose value is derived from the performance of underlying assets which may include reference rates and indices. Derivatives are designed to provide more flexibility and granularity in financial markets, and are also used as risk hedging instruments.

The Group enters into various types of transactions that involve financial derivative instruments in the ordinary course of its business.

The Board has approved a range of derivative products for use, including:

- foreign exchange forwards and futures;
- foreign exchange swaps;
- interest rate swaps (including amortising and ascending swaps);
- cross-currency interest rate swaps (including amortising and ascending swaps);
- total return swaps; and
- foreign exchange options contracts, including plain calls and puts, collars, knock-ins, knock-outs, Asian and digital options.

Other more complex derivative products may only be used in line with the requirements of specific approvals by relevant authorising bodies.

The Group also transacts in derivative instruments both as principal, solely to manage its own financial risk, and on behalf of its clients. In the latter case, the Group covers the exposure which it assumes on a

back-to-back basis with market counterparties to avoid taking any market risk. The Group deals in interest rate swaps to manage its interest rate risk on interest-bearing assets and liabilities and to provide interest rate risk management solutions to customers. Similarly the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows. Interest rate swaps used to hedge the change in fair value of the Group's financial assets and liabilities and which qualify as effective hedging instruments are disclosed as 'held as fair value hedges'. Other interest rate swaps and forward foreign exchange contracts are carried out for customers or used for hedging purposes but do not meet the qualifying criteria for hedge accounting.

Derivative financial instruments are carried at fair value in the Group's consolidated statement of financial position. Positive fair value represents the cost of replacing all transactions with a fair value in the Group's favour had the rights and obligations arising from that instrument been closed in an orderly market transaction as at the reporting date. Credit risk in respect of derivative financial instruments is limited to the positive fair value of the instruments. Negative fair value represents the cost to the Group's counterparties of replacing all their transactions with the Group.

The fair values and notional amounts of the Group's positions in these instruments are set out in note 12 to the Interim Financial Statements and in note 26 to the 2022 and 2021 Financial Statements.

Counterparty credit risk

The Group risk management function independently monitors counterparty credit risk exposures arising from the Group's derivatives transactions using the concept of potential future exposure ("PFE"). The PFE is defined as the maximum expected credit exposures over a specified horizon at a particular confidence level. As such, the risk exposure is an upper bound of possible exposures at the selected confidence level and not the maximum risk exposure possible. For 2022, the Group's PFE on its derivatives transactions amounted to KD 388 million. For 2021, the Group's PFE on its derivatives transactions amounted to KD 136 million. For 2020, the Group's PFE on its derivatives transactions amounted to KD 32 million.

Assignment of credit limits for counterparty credit exposures

Counterparty credit exposure arises from the risk that counterparties to derivative contracts with the Group are unable to meet their payment obligations under financial contracts. The allocation of credit limits for derivatives counterparties is provided by the Group's Institutional Banking Division taking into consideration counterparty credit profile, historical financial performance, geographical location, legal jurisdiction and other relevant factors. The credit limits are reviewed on an annual basis and credit exposure is regularly monitored and reported for all derivatives' counterparties.

Policies for securing collateral and credit reserves

In order to reduce its counterparty risk, the Group selectively enters into credit support arrangements based on industry standard forms for derivative contracts. In line with these standards, the Group generally accepts only cash as collateral. It also has policies and procedures for reviewing the legal enforceability of credit support documents in accordance with applicable rules. Through the use of a collateral service agent, daily margining is performed with the appropriate counterparties. Daily valuations for qualified derivatives are compared to those reported by the counterparties and any disagreements are directly resolved between the parties. The Group uses an internal model to estimate PFE, which includes the mitigating effects of netting and collateral in valuing over-the-counter contracts. For financial derivatives transacted with a Central Clearing Counterparty ("CCP"), collateral is posted on a daily basis.

Additional collateral requirements due to credit rating downgrade

The Group has no provisions in its agreements with counterparties where a downgrade in its credit rating will have an impact on the collateral amount to be posted. The Group also does not enter into derivatives whose valuations depend on the credit quality of the counterparty.

Netting

In response to the various regulations, including the European Market Infrastructure Regulations ("EMIR"), and uncertainties regarding the binding nature and enforceability of "netting" arrangements and agreements under the laws of Kuwait, the market practice amongst leading banks in the GCC active in the derivatives market has been to create special purpose companies in netting-friendly jurisdictions for the exclusive

purpose of dealing in the OTC derivatives market with European banks. The International Securities and Derivatives Association has classified the Cayman Islands as a netting-friendly jurisdiction. The Group has, with the approval of the CBK, established NBK GDM (Caymans) Limited to deal in financial derivatives products, which allows the Group to continue dealing with highly-rated counterparties on derivative transactions with netting arrangements in place and removes the risk that the Group may be required to post "margin" collateral on an asymmetric basis.

Operational Risk

Operational risks are managed at the Group level through a Board-approved operational risk management framework which defines the roles and responsibilities of the BRCC, the EC, the operational risk management function and the internal audit function for monitoring, managing and reporting operational risk. The key components of the Board-approved framework are:

- comprehensive, documented policies, procedures and controls which reflect CBK and Basel III guidelines for internal controls and sound practices for managing and supervising operational risks in banks;
- periodic and ad-hoc risk and control self-assessments conducted by business line management in coordination with and supported by the operational risk management function;
- quarterly key risk indicator submission and validation to identify risk trends and develop mitigating actions;
- operational incident and loss reporting and investigation of causes and failed controls; and
- assessment of external operational loss incidents occurring at other banks, which are cross-checked against the Group's internal control system to proactively identify any potential control weaknesses.

The Group's risk management works closely with all of the Group's business lines to raise awareness of operational risk. In addition to the risk opinions and constant support provided by the operational risk management function through daily activities, operational risk awareness is achieved through a comprehensive training programme developed and delivered by the operational risk management function to the various business units. The aim of this training programme is to cultivate strategic relationships with business line management and to encourage open communication and ownership of risk issues.

Risk and control self-assessments are conducted on a periodic and on an ad-hoc basis to ensure executive management has a clear picture of the operational risk exposure in terms of residual risks and to highlight any major internal control weaknesses. The emphases are on business units performing the self-assessment of actual risks facing them and on the effectiveness of the controls they are implementing, which are then validated and reassessed by the operational risk management function.

Key risks across business and support units are identified and monitored on a quarterly basis, using various key risk indicators developed with the business units in line with the Group's risk appetite.

The capture and reporting of operational risk incidents and losses is established as a firm process across all business and support units. Close coordination with business units and the internal audit function enables operational risk management to track operational incidents and losses and to propose mitigating actions for business units to follow in order to address control weaknesses.

In addition, a comprehensive business continuity and disaster recovery management programme has been implemented and fully tested and is designed to cope with business disruptions and major disasters.

The Group's operational risk management function leads the process management and control function across the Group to ensure control gaps are minimised across its key processes. Operational risk reporting is escalated periodically to the BRCC to ensure comprehensive oversight and review is conducted by relevant members of the Board and executive management.

GROUP COMPLIANCE AND GOVERNANCE

The Group Compliance and Governance is a part of NBK Group's culture of complying and operating in accordance with regulatory and legislative frameworks, where Group Compliance and Governance attempts to enhance sound practices and ensure that the Bank does not violate any requirements set by legislators and regulatory bodies either in Kuwait or other countries where Group operates.

The Compliance and Governance function is a key component of the Bank's second line of defence for managing compliance risks. Its main role is to support the Bank and its Management in managing the compliance risks, embedding and improving the compliance arrangements in all levels and structures of the Bank, in order to ensure that the Bank operates with integrity and adheres to applicable laws, regulations and internal policies.

The key features of the Group's comprehensive policy of managing compliance risks and embedding sound governance principles are:

- the Board provides overall guidance to implement compliance culture and sound corporate governance principles across the Bank;
- the Group's compliance and governance policies and procedures are reviewed by the Board Risk and Compliance Committee and ultimately approved by the Board;
- comprehensive reports concerning level of compliance and associated risks are presented to the Board and Board Risk and Compliance committee;
- the Group coordinates and works with the Bank's Management under the supervision of the Board of Directors; and
- the Group's internal audit function provides independent validation of the adequacy and effectiveness of the Group's compliance and governance framework on a Group-wide basis.

The Group Compliance and Governance division is headed by the Group Chief Compliance and Governance Officer ("GCC&GO"), who reports directly to the BRCC. The Group Compliance and Governance division has the following objectives and responsibilities:

1. Review the compliance risk processes that are in place to anticipate and effectively manage the impact of regulatory change on the Group's operations.
2. Review and endorse the contents of the Group's annual risk and compliance reports submitted to the CBK.
3. Oversee the implementation of the policy, and ensure compliance issues are resolved effectively and expeditiously by senior management with the assistance of the Group Compliance and Governance function.
4. Ensure the Group (including each subsidiary and branch in every jurisdiction of operation) abides by all relevant laws and regulations applicable to it.
5. Ensure the Group's compliance with the regulations related to the Anti-Financial Crime, Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS) and other similar applicable regulations.
6. Ensure the existence of clear reporting lines, authority and accountability for managing, monitoring and reporting risks as performed internally and as required by CBK and applicable laws and regulations.

The Group Compliance and Governance division comprises the following departments:

- Regulatory and Credit Compliance;
- Corporate Governance and Capital Markets Authority Compliance;

- Anti-Financial Crime and Tax Compliance;
- Impairments Compliance and Regulatory Reporting; and
- Model Validation and Quantitative Analytics.

The Group's compliance programme has three main pillars (advise, monitor and report) built on a foundation of a sound understanding of the appropriate regulatory requirements. Advising encompasses the internal notification of regulatory change, new products and services and internal processes as well as other internal communications including training and a compliance calendar. Monitoring includes procedures for compliance reviews, breach escalation, complaints handling and compliance indicators.

Anti-money laundering ("AML") and counter-terrorism financing ("CTF")

The Group has an AML/CTF policy and procedures which take into account Financial Action Task Force recommendations, international sanctions lists (such as those of the United Nations, the European Union and the U.S. Office for Foreign Assets Control) and applicable local and international laws and regulations. As the Group has a presence in various jurisdictions, it seeks to apply the most stringent of the different requirements applicable to it.

The Group's AML/CTF policy covers the following key areas:

- customer due diligence, which includes know your customer, enhanced due diligence, event-driven reviews and periodic reviews;
- ongoing screening of customers against all sanction/prohibited lists to ensure compliance with international/local sanctions lists;
- transaction monitoring;
- product assessments;
- staff training; and
- payments (SWIFT) screening against sanctions lists.

In addition, the Group uses a risk-based approach to classify customers as high, medium and low risk and enhanced due-diligence is conducted for customers who are rated as high risk. Factors used for classification include but are not limited to the nature of the ultimate beneficial owner, products and jurisdiction concerned.

Anti-bribery and corruption

The Group is committed to conducting business in an ethical and honest manner and to implementing and enforcing systems which ensure bribery is prevented. The Group has no tolerance for bribery and corrupt activities and is committed to acting professionally, fairly and with integrity in all business dealings and relationships, wherever it operates. The Group's anti-bribery and corruption policy sets out the responsibilities of the Group and those who have a working or business relationship with it in relation to observing and upholding its zero-tolerance position on bribery and corruption.

The areas defined by the Group as having increased bribery risk are:

- accepting and offering gifts, hospitality and entertainment;
- political contributions;
- charitable donations;
- facilitation payments; and
- dealing with third parties.

In order to establish efficient controls against violations of the anti-bribery and corruption policy requirements, there are a number of internal standards and procedures in place, including but not limited to:

- code of ethics;
- code of conduct;
- know your partner procedures, including a risk assessment of the type of third parties the Group is engaged with;
- assessment of the Group's business lines;
- gift and hospitality instructions;
- whistleblowing policy; and
- incident and risk escalation procedures together with management information process.

Global data protection regulation ("GDPR")

The Group has presence in a number of territories and this includes two subsidiaries in the EU, in France and The Netherlands. Group entities in EU locations are "Data Controllers" (as defined in the GDPR) in respect of various types of personal data obtained from data subjects locally, whilst certain Group entities located outside the EU receive data from those Group entities in the capacity of Data Processors (as defined in the GDPR). Further, the Group in Kuwait also centrally monitors Kuwait data subjects in respect of fraud monitoring and AML/CTF in relation to transactions they perform globally (including at EU locations) and therefore GDPR may be directly applicable to the Group under the provisions of the extra-territorial applicability of the GDPR.

In this connection, the Group has developed a specific data privacy policy that is applied in Kuwait as well as at various EU locations and in the United Kingdom. The Group has also taken steps to assess its footprint in respect of transactions and dealings which may be considered to be within the scope of GDPR and reviewed the associated privacy risks and legal implications of such transactions. The Group has taken appropriate legal advice to assist it in implementing the GDPR requirements at a Group level, including agreements between Group entities in relation to service levels and data transfers in accordance with the GDPR requirements as well as clear definition of roles within concerned entities to manage privacy requirements and enhancement of internal processes.

The Group has taken steps to leverage Group-level capabilities to manage its IT systems centrally and host systems of multiple Group entities at the Group in Kuwait. This strategy of centralised hosting and management of IT systems is impacted by the GDPR given that Group entities in EU jurisdictions and the United Kingdom transfer personal data to the Group in Kuwait. The Group's EU entities have taken appropriate legal advice and implemented measures to comply with the GDPR requirements as Data Controllers and have entered into legally-binding agreements with the Group acting as a Data Processor.

MANAGEMENT

CORPORATE GOVERNANCE FRAMEWORK

The Bank has developed a corporate governance framework which is based on international best practice and the CBK's "Rules and Standards of Corporate Governance in Kuwaiti Banks" which were issued in June 2012. On 10 September 2019, the CBK issued a revision to the corporate governance regulations effective from 30 June 2020. The core principles and standards of the Bank's corporate governance framework are embedded into the day-to-day business and practices of the Bank, with particular oversight at the Bank's board of directors (the "**Board**") level and at Board committee level through the Board Corporate Governance Committee (the "**BCGC**").

The framework is designed to secure effective oversight of the Group's strategy and business operations with a robust risk management approach, transparency, accountability and Board independence.

The Board, together with the BCGC, reviews and updates the corporate governance framework on an annual basis which is documented in the Board-approved corporate governance manual. The Group's executive management ensures the framework is implemented through policies and procedures, and employees are required to follow the corporate governance requirements in accordance with the governance manual.

The Group is committed to providing timely, consistent and accurate information to its stakeholders and has adopted a disclosure and transparency policy to ensure this is achieved. This policy covers a wide range of areas, including the key quantitative and qualitative information related to financial performance and financial stability, risk management factors, remuneration, corporate governance, related-party transactions, conflicts of interest and substantial changes in business.

BOARD

The Group operates under the direction of the Board, which is the principal decision-making forum with overall responsibility for the Group's strategy and for monitoring performance of the Group's businesses and executive management. As at the date of this Base Prospectus, the Board comprises 11 members, six of which are non-executive members, one is an executive member and four are independent members. Each member of the Board is elected at a shareholders' general assembly meeting for a period of three years. All elected directors seeking to serve an additional term are required to seek re-election by the shareholders every three years.

In line with CBK requirements, the Board convenes at least once each quarter. The Board convened a total of 9 times in 2022.

The primary mandate of the Board is to align the Group's strategic objectives, risk appetite and overall corporate governance framework with the best interests of the Group and thereby maximise value for shareholders. This mandate is coupled with responsibility for monitoring and maintaining the Group's financial and economic stability and safeguarding the rights and benefits of all of the Group's stakeholders.

The roles of the Chairman of the Board and the GCEO are separate and independent of one another and there is a clear segregation of their respective duties and responsibilities. The Chairman's responsibilities are set out in full in the Board Charter but, in summary, his main responsibility is to lead the Board and ensure the effective engagement and contribution of all directors, so that the Board may fully discharge its legal and regulatory responsibilities.

The Board appoints the GCEO and specifies his powers and authority. The day-to-day management of the Group's business has been delegated by the Board to the GCEO, who is assisted by the other members of the executive management. The GCEO, assisted by the other members of the executive management, is responsible for controlling and monitoring the Group's business on a day-to-day basis, recommending strategy to the Board, leading executive management and implementing the Board's strategic and operational decisions.

Any candidate for appointment as a director must first be recommended by the Board Nomination and Remuneration Committee ("**BNRC**") and approved by the Board, the CBK and the Bank's shareholders at the annual general meeting. Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person) at the meeting.

Board members

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

<u>Name</u>	<u>Position</u>
Mr. Hamad Mohammed A. Al-Bahar	Chairman
Mr. Isam Jasem A. Al-Sager	Board Vice Chairman and Group Chief Executive Officer
Mr. Yacoub Yousef A. Al-Fulaij	Board Member
Mr. Muthana Mohammed A. Al-Hamad.....	Board Member
Mr. Haitham Sulaiman H. Al-Khaled	Board Member
Mr. Emad Mohamed A. Al-Bahar.....	Board Member
Mrs. Huda Mohammad S. Al-Refaei	Board Member
Dr. Robert Maroun Eid	Independent Board Member
Dr. Nasser Amin H. Saidi	Independent Board Member
Mr. Abdulwahab Ahmad H. Al-Bader	Independent Board Member
Mr. Farouq Ali Akbar A. Bastaki.....	Independent Board Member

Set out below is brief biographical information about each member of the Board as at the date of this Base Prospectus.

Mr. Hamad Mohammed Abdulrahman Al-Bahar – Chairman

Mr. Al-Bahar has been a Board member since 2005 and Chairman of the Board since 12 March 2022. He is the Chairman of the Board Corporate Governance Committee and a member of the Board Credit Committee.

Mr. Al-Bahar was on the board of the Kuwait Investment Company from 1981 to 1991, where he served as the Chairman and Managing Director. He was also the Managing Director of Bank of Bahrain and Kuwait. He has extensive experience in investment banking and asset management, in addition to experience in internal controls.

Mr. Al-Bahar holds a Bachelor of Arts degree in Economics from Alexandria University, Egypt.

Mr. Isam Jasem A. Al-Sager - Board Vice Chairman and Group Chief Executive Officer

Mr. Al-Sager joined the Bank in 1978 and was appointed as GCEO in March 2014 and as Board Vice Chairman in March 2022. He is a member of the Board Credit Committee. He had previously served as Deputy Group Chief Executive Officer since 2010.

Mr. Al-Sager is Chairman of the board of NBK (International) PLC and serves on the board of directors of Watani Wealth Management (Kingdom of Saudi Arabia) and NBK Trustees (Jersey) Limited.

Mr. Al-Sager holds a Bachelor of Science degree in Business Administration from California State Polytechnic University, United States

Mr. Yacoub Yousef Al-Fulaij – Board Member

Mr. Al-Fulaij has been a Board member since 1998. Mr. Al-Fulaij is a member of the Board Credit Committee and the BCGC.

Having previously been a General Manager at the Bank from 1983 to 1998, Mr. Al-Fulaij has broad experience in banking activities, including risk management and internal controls.

Mr. Al-Fulaij holds a Bachelor of Arts degree in Business Administration from the University of Miami, United States.

Mr. Muthana Mohammed Ahmed Al-Hamad – Board Member

Mr. Al-Hamad has been a Board member since 2007. He is a member of the BRCC, BAC, BCGC and the BNRC.

Mr. Al-Hamad is also a board member of Al-Watyah United Real Estate Company. He was previously the Chairman of Future Communication Company International (between 2005 and 2014), a board member of Arab European Company for Financial Management from 1987 to 1993, a board member of the Commercial Bank of Kuwait from 1993 to 1997 and a board member of United Bank of Kuwait from 1996 to 1997. He has considerable experience in finance and business economics.

Mr. Al-Hamad holds a Bachelor of Arts degree in Economics and Political Science from Kuwait University, Kuwait.

Mr. Haitham Sulaiman Hamoud Al-Khaled – Board Member

Mr. Al-Khaled has been a Board member since 2010. He is a member of the Board Audit Committee, the Board Risk and Compliance Committee and the BNRC.

Mr. Al-Khaled has served as a board member of Al Shall Consulting & Investment Co. since 2006 and Al Arjan Global Real Estate Company since 2010. He is also the Chairman of Al Arjan International Real Estate Company since 2014. Mr. Al-Khaled previously held a number of senior positions at the telecom operator Zain, including Chief Business Development Officer, Chief Executive Officer for the Middle East and Chief Strategy and Business Planning Officer. He has extensive experience in strategic planning, investments, mergers and acquisitions, corporate governance and internal controls.

Mr. Al-Khaled holds a Bachelor of Science degree in Electronic Engineering from Kuwait University, Kuwait.

Mr. Emad Mohammed Abdulrahman Al-Bahar – Board Member

Mr. Al-Bahar has been a Board member of the Bank since August 2014, following the death of the late Chairman, Mr. Mohamed Abdulrahman Al Bahar. He is a member of the Board Credit Committee and the BNRC.

Mr. Al-Bahar is a member of the executive board of the Al Bahar Group, which is one of the oldest trading conglomerates in Kuwait and the Middle East. He is also the Vice-Chairman of the board of Al-Ahleia Insurance Company Kuwait and of other overseas companies.

Mr. Al-Bahar holds a Management Degree from the American University of Washington, United States.

Mrs. Huda Mohammad S. Al-Refaei – Board Member

Mrs. Al-Refaei has been a Board member since 12 March 2022. She is a member of the Board Risk and Compliance Committee and the Board Corporate Governance Committee.

Mrs. Al-Refaei worked as a risk management officer at the Bank from 1999 to 2003. She served as a board member of Posta Plus Company from 2008 to 2012 and as a senior lawyer at Abdullah Al-Refaei Legal Consultancy & Law Firm from 2009 to 2019.

Mrs. Al-Refaei holds a Bachelor's degree in Industrial and Systems Engineering from Kuwait University, Kuwait and a Bachelor of Law degree from Cairo University, Egypt.

Dr. Robert Maroun Eid – Independent Board Member

Dr. Eid has been an independent Board member since March 2021. He is the Chairman of the BRCC and the BNRC and is a member of the Board Audit Committee.

Dr. Eid served as a Managing Director and Chief Executive Officer of the Arab National Bank in Saudi Arabia from 2005 until January 2021. He also spent over 22 years with the National Bank of Kuwait running the International Banking Group in addition to managing the Bank's subsidiary in the UK. He has had international experience in banking for nearly four decades.

Dr. Eid holds a PhD in Money and Banking from Sorbonne University – Paris and a MA and a BA in Economics from the American University of Beirut.

Dr. Nasser Amin Hassan Saidi – Independent Board Member

Dr. Saidi has been an independent Board member since March 2021. He is a member of the Board Audit Committee.

Dr. Saidi was the Minister of Economy and Trade and the Minister of Industry of Lebanon between 1998 and 2000. He was the first Vice-Governor of the Central Bank of Lebanon for two successive mandates, 1993-1998 and 1998-2003. He is the former Chief Economist and Head of External Relations of Dubai International Financial Centre and Executive Director of the Hawkamah-Institute for Corporate Governance. In 2013, he was named among the 50 most influential Arabs in the World by The Middle East magazine.

Dr. Saidi holds a PhD and a MA in Economics from the University of Rochester in the USA, a MSc from University College, London University and a BA from the American University of Beirut.

Mr. Abdulwahab Ahmad H. Al-Bader – Independent Board Member

Mr. Al-Bader has been an Independent Board member since 12 March 2022. He is a member of the Board Corporate Governance Committee and the Board Nomination and Remuneration Committee.

Mr. Al-Bader held a number of senior positions at Kuwait Fund for Arab Economic Development from 1977 to 2021, with the most recent being the General Manager from 2005 to 2021. He was also the alternate governor for the State of Kuwait to the OPEC Fund for International Development from 1981 to 1986, governor from 1986 to 2014 and Chairman of the governing board from 2014 to 2021. He has also been a director of various entities.

Mr. Al-Bader holds a Bachelor of Arts degree from Whittier College, USA.

Mr. Farouq Ali Akbar A. Bastaki – Independent Board Member

Mr. Bastaki has been an Independent Board member since 12 March 2022. He is the Chairman of the Board Audit Committee and a member of the Board Risk and Compliance Committee.

Mr. Bastaki held several senior positions at Kuwait Investment Authority (one of the world's largest sovereign wealth funds) from 1989 to 2021, including Managing Director and Group Chief Executive Officer between 2017 and 2021. Mr. Bastaki worked for Gulf Bank from 1985 to 1988 and was a board member from 2009 to 2017. He also worked for the Bahraini Kuwaiti Investment Group from 1988 to 1989.

Mr. Bastaki holds a Bachelor's degree in Industrial Engineering from University of Miami, USA.

The business address of each member of the Board is National Bank of Kuwait S.A.K.P., P.O. Box 95, Safat, 13001 Kuwait, Jaber Al-Mubarak and Al-Shuhada Street, NBK Tower, Sharq, State of Kuwait.

Certain members of the Board, their families and companies of which they, or members of their families, are principal owners, or of which they are employees, are customers of the Group in the ordinary course of business. The transactions with these parties are made at arm's length and on substantially the same terms, including interest rates, as those prevailing at the same time for comparable transactions with unrelated parties. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Related Party Transactions*".

Except as disclosed in the next paragraph, no member of the Board named in the table above has any actual or potential conflict of interest between his duties to the Group and his private interests and/or other duties.

Each of the directors of the Bank named in the table above has outside interests in entities other than the Group, including employment and/or directorships with third parties (as set out in their respective biographies). Given the wide scope of the Group's operations, such entities have banking and/or other commercial relationships with the Group. Some Board members also have personal banking relationships with the Group. As the directors are involved in the Group's decision-making process and have knowledge of the Group's products and services, including the commercial terms thereof, a potential conflict of interest may arise. However, the Group has established robust internal procedures to deal with any such potential conflict, including the relevant director being excluded from voting at Board meetings on issues which relate to the relevant director's and/or other connected entity's dealings with the Group.

The Group is committed to managing all related party transactions and potential conflicts of interest which may arise and to meet the Group's obligations to maintain and operate effective organisational and

administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage related party transactions and conflicts of interest.

The Group has adopted "Related Party Transaction Policy" and "Conflict of Interest Policy" in line with IFRS 24 and related CBK instructions. The Group's internal policies with respect to related party transactions are designed to ensure that appropriate procedures and measures are in place to identify and effectively manage all related party transactions and any relevant or material conflicts of interest, that the Board appropriately deals with actual, potential and perceived conflicts of interest, and that all decisions are made in the best interests of the Group.

The Group maintains a register for all related party transactions and a separate register for conflict of interest cases.

The table below sets out the number of shares held by each director as at 30 June 2023:

Director	30 June 2023
Mr. Hamad Mohammed A. Al-Bahar	56,595,530
Mr. Isam Jasem A. Al-Sager.....	15,708,296
Mr. Yacoub Yousef A. Al-Fulaij	5,247,287
Mr. Muthana Mohammed A. Al-Hamad.....	15,293,347
Mr. Haitham Sulaiman H. Al-Khaled	200,007
Mr. Emad Mohamed A. Al-Bahar	55,125,000
Mrs. Huda Mohammad S. Al-Refaei	1,653,750
Dr. Robert Maroun Eid.....	265,315
Dr. Nasser Amin H. Saidi.....	Nil
Mr. Abdulwahab Ahmad H. Al-Bader.....	Nil
Mr. Farouq Ali Akbar A. Bastaki	Nil

Board committees

The Board has established the five Board committees which are described below. The roles and authorities of each Board committee are defined and delegated by the Board and are described in each committee's charter. Each Board committee reviews its charter annually and submits any recommendations for amendments or updates to the Board for approval. The Board committees also submit reports to the Board's Chairman and the Board each quarter regarding their respective duties.

- Board Audit Committee.** The Board audit committee ("**BAC**") is responsible for overseeing the Group's internal control framework and for ensuring the independence of its external auditors. The BAC has responsibility for assessing the effectiveness of the Group's internal control framework on a periodic basis through the evaluations carried out by the Group's internal audit function. The BAC reports the results of its assessment on the adequacy of existing controls and processes to the Board. The committee is also responsible for the recruitment, dismissal, performance evaluation and remuneration recommendation of the Head of Internal Audit. The BAC is also responsible for monitoring the performance of the Group's external auditors and coordinating with them on subjects related to audit and financial statements. The BAC also reviews and oversees the preparation of the Group's annual and interim financial results.

As at the date of this Base Prospectus, the members of the BAC are: Mr. Farouq Ali Akbar A. Bastaki, Mr. Muthana Mohamed Ahmed Al-Hamad, Mr. Haitham Sulaiman Hamoud Al-Khaled, Dr. Robert Maroun Eid and Dr. Nasser Amin Hassan Saidi.

A quorum of three is required to convene a meeting of the BAC. Only members of the BAC, the Secretary of the BAC and the Group chief internal auditor are entitled to attend the committee's meetings, although members of management and other specialists or professional advisers may be invited to attend meetings at the request of the committee.

The BAC is required to hold a minimum of four meetings per year (one each quarter) and provides regular reports to the Board. In 2022, the BAC sat 10 times.

- Board Credit Committee.** The Board credit committee ("**BCC**") is responsible for reviewing the quality and performance of the Group's credit portfolio, overseeing the effectiveness and

administration of credit-related policies and reviewing and approving credit limits above certain thresholds. Membership of the BCC does not overlap with membership in either the BAC or the Board Risk and Compliance Committee.

As at the date of this Base Prospectus, the members of the BCC are: Mr. Hamad Mohamed Al-Bahar, Mr. Yacoub Yousef Abdulaziz Al-Fulaij, Mr. Emad Mohammed Al-Bahar and Mr. Isam Jasem A. Al-Sager.

The quorum for any meeting of the BCC is a minimum of two members, provided they include the Committee Chairman or his delegate. Only members of the Committee (including the Committee Secretary) are entitled to attend Committee meetings. However, members of management or representatives, and other specialists may be invited to attend meetings at the request of the Committee.

The BCC meets at least once per month and provides regular reports to the Board. In 2022, the BCC sat 21 times.

- **Board Risk and Compliance Committee.** The Board risk and compliance committee ("**BRCC**") is responsible for ensuring that the Group's enterprise-wide risk management has (1) identified the relevant risks that could affect the ability of the Group to achieve its strategies and preserve its assets, (2) established an enterprise risk management infrastructure—the people, processes and technology—to identify, measure, monitor and report on the risks the Group faces, and (3) established a strong and sustainable compliance culture and compliance management system that seeks to ensure the Group's compliance with applicable laws, rules and regulations governing its businesses.

The Committee shall also monitor the performance of the Group Chief Risk Officer ("**Group CRO**") and Group Chief Compliance and Governance Officer, and assist management in its efforts to ensure a culture of people at all levels in the Group recognising and managing risk and help to set the tone for a strong risk management and compliance culture within the Group.

As at the date of this Base Prospectus, the members of the BRCC are: Dr. Robert Maroun Eid, Mr. Muthana Mohamed Ahmed Al-Hamad, Mr. Haitham Sulaiman Hamoud Al-Khaled, Mrs. Huda Mohammad S. Al-Refaei and Mr. Farouq Ali Akbar A. Bastaki.

A quorum of three is required to convene a meeting of the BRCC, the Secretary of the BRCC, the Group CRO and the Group Chief Compliance and Governance Officer are entitled to attend the committee's meetings, although members of management and other specialists or professional advisers may be invited to attend meetings at the request of the committee.

The BRCC is required to hold a minimum of four meetings per year and provides regular reports to the Board. In 2022, the BRCC sat seven times.

- **Board Corporate Governance Committee.** The BCGC supervises the Group's Corporate Governance Office and supports the Board in reviewing the Group's corporate governance principles and practices at regular intervals. The Corporate Governance Office is a centralised and independent function at Group level that is responsible for ensuring effective implementation of the Group's corporate governance framework.

The BCGC is responsible for monitoring the robustness of the governance policies and procedures that the Group has developed. The BCGC is also responsible for the effective implementation of the Bank's disclosure framework, which includes policies, procedures, templates, a disclosure register and a disclosure monitoring dashboard. The committee supervises the monitoring and reporting of conflicts of interest and related party transactions.

As at the date of this Base Prospectus, the members of the BCGC are: Mr. Hamad Mohamed Al-Bahar, Mr. Yacoub Yousef Abdulaziz Al-Fulaij, Mrs Huda Mohammad S. Al-Refaei, Mr. Abdulwahab Ahmad H. Al-Bader and Mr. Muthana Mohamed A. Al-Hamad.

A quorum of three members of the committee is required to convene a meeting. Only members of the committee and the Secretary of the committee are entitled to attend the committee meetings,

although members of management and other specialists or professional advisers may be invited to attend meetings at the request of the committee.

The BCGC is required to hold a minimum of two meetings per year and to provide regular reports to the Board. In 2022, the BCGC sat two times.

- ***Board Nomination and Remuneration Committee.*** The BNRC is responsible for overseeing the Group's succession planning processes, the review of the Group's remuneration framework and suggesting recommendations with respect to executive management remuneration. In addition, the BNRC is responsible for nominating potential Board members, on-boarding and training of new Board members and training and raising the awareness of the Board. The committee also initiates and oversees the evaluation process of the Board and the Board committees. The committee is also supported by the Group's Corporate Governance Office.

The Group's Board level succession planning is managed by the BNRC, which has responsibility for determining the composition of the Board in line with CBK guidelines. For the purposes of Board-level succession planning, the Group's general assembly has approved the nomination of 'first reserve' and 'second reserve' future Board members, who were initially identified by the BNRC. When a Board vacancy appears, the BNRC will recommend a nominee from the group of 'first reserve' or, if required, 'second reserve' future Board members to fill the vacant post.

As at the date of this Base Prospectus, the members of the BNRC are: Mr. Muthana Mohamed Al-Hamad, Mr. Haitham Sulaiman Hamoud Al-Khaled, Mr. Emad Mohammed Al-Bahar and Abdulwahab Ahmad H. Al-Bader.

The quorum for BNRC meetings is three members. Only members of the committee and the Secretary of the BNRC are entitled to attend the committee meetings, although members of management and other specialists may be invited to attend meetings upon request of the committee.

The BNRC is required to hold a minimum of two meetings per year and to provide regular reports to the Board. In 2022, the BNRC sat three times.

EXECUTIVE MANAGEMENT

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

Members of executive management

Detailed below is brief biographical information about each member of the Group's executive management team as at the date of this Base Prospectus.

Mr. Isam J. Al-Sager – Vice Chairman & Group Chief Executive Officer

Mr. Al-Sager joined the Bank in 1978 and was appointed as GCEO in March 2014. Mr. Al Sager was elected as Vice Chairman in March 2022. He had previously served as Deputy Group Chief Executive Officer since 2010.

He is the Chairman or a member of various management committees.

Mr. Al-Sager is chairman of the board of NBK (International) PLC and serves on the board of directors of Watani Wealth Management (Kingdom of Saudi Arabia); NBK Properties (Jersey) Limited; NBK Trustees (Jersey) Limited and NIG Asian Investment Co. Mr. Al Sager is a Board Member of MasterCard.

Mr. Al-Sager enjoys an extensive banking experience at the Bank and has played a major role in turning the Bank into a leading regional institution with a wide international presence.

Mr. Al-Sager holds a Bachelor of Science degree in Business Administration from California State Polytechnic University, United States.

Ms. Shaikha K. Al-Bahar – Deputy Group Chief Executive Officer

Ms. Al-Bahar joined the Bank in 1977, has been Deputy Group Chief Executive Officer since March 2014 and was previously Chief Executive Officer of the Bank's operations in Kuwait from 2010 onwards.

Ms. Al-Bahar is the Chairperson of National Bank of Kuwait – Egypt, National Bank of Kuwait – France, National Bank of Kuwait (Lebanon) and serves on the boards of directors of NBK (International) PLC and NBK Global Asset Management Limited and The Turkish Bank, Turkey. She has been a member of Kuwait's Supreme Council for Planning since August 2017. She has extensive experience in privatisation, project finance, advisory services, bond issues, build/operate/transfer financing, initial public offerings, global deposit receipt programmes and private placements.

Ms. Al-Bahar holds a Bachelor of Science degree in International Marketing from Kuwait University and has attended specialised management and executive programmes at Harvard Business School, Stanford University and Duke University.

Mr. Salah Y. Al-Fulaij – Chief Executive Officer – Kuwait

Mr. Al-Fulaij joined the Bank in 1985 and was appointed as Chief Executive Officer – Kuwait in January 2015. He was previously the Chief Executive Officer of NBK Capital from 2008 to 2014.

Mr. Al-Fulaij is a member of the Board of Watani Financial Brokerage Company K.S.C.C. and serves on the boards of National Bank of Kuwait – France. He has served as Vice Chairman of NBK Capital since 2015.

Prior to joining NBK Capital, Mr. Al-Fulaij held several key positions at the Bank and his last position was Group General Manager of Treasury and Investment Services.

Mr. Al-Fulaij is a graduate of the University of Miami where he received his Bachelor's degree in Industrial Engineering and his MBA in Business Management. He has participated in a number of executive programmes at Harvard Business School, Stanford Graduate School of Business and Duke University.

Mr. Sulaiman Barrak Al-Marzouq – Deputy Chief Executive Officer - Kuwait

Mr. Al-Marzouq joined the Bank in 2002 and is now the Deputy Chief Executive Officer – Kuwait.

Mr. Al-Marzouq moved to the CBK from 2012 to 2015, where he headed the Department of Foreign Operations, before moving back to the Bank as Group Treasurer. Mr. Al-Marzouq has extensive experience in investment and Wealth Management, in addition to his experience in Treasury and Banking Operations. He is a board member of NBK Capital, Hayat Investment Co. and has served as a board member for several banks and other companies in Kuwait.

Mr. Al-Marzouq holds a Bachelor's degree in Economics from Portland State University, United States.

Mr. Faisal Abdulatif Al-Hamad – CEO - Global Wealth Management

Mr. Al-Hamad joined the Bank on 1 April 2021 as CEO of Global Wealth Management and has been part of the Group for 14 years.

Mr. Al-Hamad was previously the CEO of NBK Capital and has extensive experience in the fields of asset management, investment banking, financial restructuring and corporate governance.

Mr Al-Hamad holds a Master's degree in Business Administration from Harvard University and a BA from the University of Chicago.

Mr. Omar Bouhadiba – CEO – International Banking Group

Mr. Bouhadiba joined the Bank in November 2020 as Acting CEO of the International Banking Group. Mr Bouhadiba has over 39 years' experience in corporate and investment banking, with a major U.S. bank and several banks in the MENA region, including NBK and, most recently, as Chief Executive Officer and Senior Adviser at a bank in the GCC.

Mr. Bouhadiba holds a Master's degree in Business Administration (MBA) in Finance from the Wharton School, University of Pennsylvania (USA).

Mr. Maged Fanous – Group Chief Risk Officer

Mr. Maged Fanous joined the Bank in March 2023 in the position of Group Chief Risk Officer. He is also a member of several management committees at the Bank.

Mr. Fanous has over 25 years of experience in risk management with several international organizations, regulatory authorities and global financial institutions. He was the lead partner of EY's MENA Risk & Regulatory practice. Prior to joining NBK, Mr. Fanous held several positions in leading organizations including Chief Risk Officer at Boubyan Bank, Partner – Head of Risk at EY MENA and UK.

Mr. Fanous holds a Bachelor's degree in Financial Accounting from Cairo University.

Mr. Walid El Seyoufi – Group Chief Compliance and Governance Officer

Mr. Walid Gamal El Din El Seyoufi joined the Bank in 1998 and has been the Group Chief Compliance and Governance Officer since 2019. Former appointments at the Bank include Deputy General Manager and Group Compliance Officer. He is a Board member of National Bank of Kuwait-Egypt and a member in several management-level committees.

Mr. El Seyoufi has more than 25 years of strong and sound experience in the fields of compliance, corporate governance, disclosure and transparency, protecting shareholders' rights, anti-financial crimes (anti-money laundering and combating financing of terrorism, anti-fraud and anti-bribes and corruption), risk management, accounting and auditing.

Mr. El Seyoufi holds a Bachelor's degree in Accounting from Helwan University, Egypt, a Master's degree of science in Risk Management from Glasgow Caledonian University, United Kingdom, a Master's in Business Administration from the American University in Beirut, and an International High Diploma in Enterprise Risk Management and Fellowship from the Institute of Risk Management, United Kingdom. He has also participated in number of executive programmes at Harvard Business School, Stanford Graduate School of Business and Duke University, United States.

Mr. Sujit Ronghe – Group Chief Financial Officer

Mr. Ronghe joined the Bank in 2002 and has been the Group Chief Financial Officer since June 2022. His former appointments at the Bank include Acting Group Chief Financial Officer and Group Financial Controller. He is also a member of various management-level supervisory committees at the Bank.

Prior to joining the Bank, Mr. Ronghe worked as a Senior Auditor at a big four accounting firm in Kuwait. He has extensive experience in banking and finance.

Mr. Ronghe is a member of the Institute of Chartered Accountants of India and a graduate of the Institute of Cost Accountants of India. He also holds a Bachelor of Commerce degree from the University of Pune, India.

Mr. Nidal Tebawi – Group Chief Internal Auditor

Mr. Tebawi joined the Bank in December 2011 and was appointed as Group Chief Internal Auditor in June 2022. Mr. Tebawi is an experienced Senior Banking Internal Audit Professional with over 22 years' global leadership experience in the areas of banking, governance, internal audit, risk management, compliance, internal controls, cybersecurity and operational resilience.

Mr. Tebawi has been a Certified Public Accountant since 2001, a Certified Information Systems Auditor since 2002 and a Certified Internal Auditor since 2004. He holds an MBA and a BS from Indiana University.

Mr. Emad Al-Ablani – General Manager – Group Human Resources

Mr. Al-Ablani joined the Bank in March 2003 and was appointed as General Manager - Group Human Resources in 2014. He is also member of various management committees.

His former appointments at the bank include Deputy General Manager, Head of Human Resources – Kuwait and Assistant General Manager – Recruitment & HR Operations. He has more than 27 years' experience in Human Resources.

Mr. Al-Ablani holds an Executive Master's degree in Business Administration (EMBA) from the American University of Beirut (Lebanon) and a Bachelor of Arts degree in Educational Psychology from Kuwait University.

Mr. Pradeep Handa – General Manager – Foreign Corporate, Oil & Trade Finance Group

Mr. Handa joined the Bank in 1980 and has been the General Manager of the Foreign Corporate, Oil and Trade Finance Group, since 2012. He is also a member of various management committees.

Mr. Handa's former appointments at the Bank include: Assistant General Manager, Executive Manager and Senior Manager in the Corporate Banking Group of Kuwait. He has more than 33 years' experience in handling foreign corporate banking and oil and trade finance matters.

Mr. Handa holds a Master's degree from the University of Delhi, India.

Mr. Mohammed Al Othman – Chief Executive Officer of Consumer & Digital Banking for the Group

Mr. Mohammed Al Othman joined the Bank in 2006 and has been Head of Consumer Banking Group since April 2018, and he is currently Chief Executive Officer of Consumer & Digital Banking for the Group. He is also a member of various management committees.

Mr. Al Othman has been the Chairman of the Shared Electronic Banking Services Company (K-Net) since 2015 and a member since 2014. He has extensive expertise in retail banking, personal banking payment services and banking products.

Mr. Al Othman holds a Bachelor's degree in Philosophy from Kuwait University and has attended several training programmes at Harvard Business School.

Mr. Ahmed Bourisly – General Manger – Corporate Banking Group

Mr. Bourisly joined the Bank in 1998 and has been Head of Domestic Corporate Banking Group since June 2019.

Mr. Bourisly served on the board of NBK Capital from April 2012 until January 2015. He serves on the Board of Boubyan Takaful. He is also a member of various Management and Credit Committees.

Mr. Bourisly has extensive experience in many areas of Credit and Corporate Banking Management.

Mr. Bourisly holds a Bachelor's degree in Business Administration with a concentration in Marketing from University of the Pacific, California, United States. He attended numerous training courses and seminars at Harvard University and INSEAD.

Mr. Mohammed Al Kharafi – Chief Operating Officer – Head of Operations & Information Technology

Mr. Mohammed Al Kharafi joined the Bank from 2001 until 2008 where he progressed to the position of Branch Manager. He re-joined the Bank again in 2010 where he assumed many leadership roles and he is currently the General Manager – Group Operations Head. He is a board member of the Credit Information Network Company (Ci-Net).

He has extensive experience in retail banking and operations.

Mr. Mohammed Al Kharafi has a Bachelor's degree in Business Administration from the Arab Open University. He has participated in a number of Executive Education Programmes at Harvard Business School, Chicago Booth School of Business and American University of Beirut.

Mr. Jad Zakhour – General Manager – Head of Treasury Group

Mr. Zakhour joined the Bank in 2006 and has been Head of Treasury Group since January 2020. He was previously the Deputy Group Treasurer since August 2014. He is also a member of various management committees.

Mr. Zakhour has extensive experience in treasury, investment and wealth management.

Mr. Zakhour holds a Bachelor's degree in Civil Engineering from Homs University and a Master's Degree in Business Administration in Finance from American University of Beirut. He is a Certified Financial Risk Manager (FRM). Mr Zakhour has participated in a number of Executive Programs at Harvard Business School and INSEAD.

The business address of each member of the executive management is National Bank of Kuwait S.A.K.P., P.O. Box 95 Safat, 13001 Kuwait, Jaber Al-Mubarak and Al-Shuhada Street, NBK Tower, Sharq, State of Kuwait.

No member of the Bank's executive management has any actual or potential conflict of interest between his or her duties to the Bank and his or her private interests and/or other duties.

The Group has established a formal executive management succession plan which is approved by the BNRC on an annual basis. Under the current executive management succession plan, the nominated successor to the GCEO is the Deputy Group Chief Executive Officer; the successor to the Deputy Group Chief Executive Officer is the Chief Executive Officer – Kuwait; and the successor to the Chief Executive Officer – Kuwait is the Deputy Chief Executive Officer - Kuwait.

Executive management committees

The Group's executive management committees include the credit committees described under "*Risk Management—Credit Risk—Credit risk management strategy—Corporate credit risk management*", the EC and the ALEC.

Group Executive Committee

The EC is the highest management level authority which is responsible for managing and overseeing matters related to all aspects of the Group's business including corporate organisation, finance and operations. All management level committees report to, and are subject to the oversight of, the EC which has authority to determine, for example, the frequency with which other management committees are required to meet.

When taking decisions on behalf of the Group, the EC is required to give consideration to the prevailing risk environment, in addition to adhering to the Group's established corporate governance framework and the Group's overall strategic goals as mandated by the Board.

The EC's key responsibilities and duties include the following:

- preparing and reviewing strategic objectives, financial plans and key policies and procedures of the Group, to be submitted for approval by the Board;
- monitoring and overseeing the financial and operational performance of the Group;
- approving key procedures for individual business units and recommending policies for Board consideration and approval;
- setting annual business plans, financial forecasts, budgets of each subsidiary, capital expenditures, performance targets, and other initiatives to attain the Group's targets, and submitting for Board approval; approving projects with capital expenditure in excess of executive managerial limits;
- reviewing the respective authority for the various operations as specified in the list of approval authority and submitting for Board approval;
- reviewing "high" residual risks identified through risk assessments or internal audit reports that have been accepted by the relevant business unit and/or Group Head and to determine whether to accept those risks or mitigate them in accordance with the Group's risk appetite;
- establishing and dissolving any wholly-owned subsidiary, branch of the subsidiary or associated company or representative office of the Group, and obtaining Board approvals if required; and

- monitoring employee performance at all levels with regard to risk management, including the effectiveness of the internal control system and operations in compliance with related laws, rules and regulations.

As at the date of this Base Prospectus, the EC has 16 members, with the GCEO serving as chairman of the committee.

A quorum of at least one half of the committee's members is required to convene a meeting, at least one of whom must be the EC chairman or vice-chairman.

The EC is required to meet at least quarterly and as often as it deems appropriate to carry out its responsibilities. In 2022, the EC sat 11 times.

Group Asset Liability Executive Committee

The ALEC is an executive management committee that determines matters relating to liquidity risk, interest rate risk, balance sheet management and trading activities. The role of the ALEC is to ensure policies and internal guidelines approved by the EC other Group management committees are adhered to.

The ALEC seeks to manage the Group's assets and liabilities in order to enhance profitability and protect the Group from any adverse consequences that may result from extreme changes in market conditions and other financial risks.

In carrying out these key functions, the ALEC:

- reviews and recommends changes to the structure of the Group's balance sheet and management of the Group's assets and liabilities generally;
- oversees the Group's liquidity policies including the setting and monitoring of liquidity margins, liquidity ratios and the management of liquidity risk;
- oversees and manages the Group's exposures to different asset classes, including monitoring the Group's deposit concentration levels;
- reviews management strategies with respect to balance sheet structure including asset allocation strategies; changing liability structure and mix; balance sheet growth, structure and maturity; and hedging, which are consistent with the Group's strategic goals and in compliance with regulatory requirements;
- monitors and reviews the Group's capital position and funding requirements;
- determines current and projected liquidity requirements and monitors the sources and uses of liquidity, including contingency plans for unexpected or volatile market conditions;
- reviews and revises, when necessary, short and medium term projections and other external regulatory and economic factors, which affect the liquidity of the Group;
- identifies, analyses and recommends changes in policies, guidelines and procedures relating to assets and liabilities consistent with the Group's mission and financial goals;
- approves the approach and strategies utilised in the management of treasury products;
- reviews the Group's hedging strategy periodically to ascertain it is in accordance with the overall objectives of the Group and that it considers the market conditions and currency market trends; and
- monitors and reviews the Group's compliance with applicable regulatory ratios and Board policy relating to the management of market risk and interest rate risk.

As at the date of this Base Prospectus, the ALEC has 14 members, with the GCEO serving as chairman of the committee.

A quorum of five members (including the Chairperson or assigned deputies) is required to convene a meeting.

The ALEC is required to meet at least once a month (as required by the EC) or as otherwise required. In 2022, the ALEC sat 10 times.

INTERNAL CONTROLS

The Group's internal controls over financial reporting comprise processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting principles. The Group's internal controls include policies and procedures that: (i) are designed to ensure the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Group's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles, and that receipts and expenditures of the Group are being made only in accordance with authorisations of management and directors of the Group; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets.

The Board has assigned the BAC with responsibility for the oversight of the Group's internal control framework along with the selection and rotation of external auditors in compliance with regulatory requirements.

An annual review of the Group's internal control functions is conducted by an external audit firm other than the auditors of the Group in accordance with CBK requirements. This review examines the Group's accounting and other records, and evaluates the internal control systems in place in the following, non-exhaustive areas: corporate governance, consumer banking, corporate and private banking, treasury, financial control, information technology, risk management, human resources and administration, internal audit, legal affairs, customer complaints, financial securities, confidentiality of customer information, anti-fraud and embezzlement systems and anti-money laundering.

None of the external review reports for 2022, 2021 and 2020 have highlighted any significant issues with the Group's internal control functions.

Notwithstanding the above, internal controls are subject to inherent limitations. Please see "*Risk Factors—Factors that may Affect the Bank's Ability to Fulfil its Obligations in Respect of Notes Issued under the Programme—Operational risks—The Group's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks, which could result in material losses*".

COMPENSATION

In 2022, the total compensation paid to the executive management amounted to KD 13.6 million, compared to 12.2 million in 2021 and KD 8.3 million in 2020. The remuneration paid to directors of the Bank, amounting to KD 770 thousand for 2022 (2021: KD 120 thousand), is in accordance with local regulations and is subject to the approval of shareholders at the Annual General Meeting.

Board members do not receive any compensation in the form of fees, salaries or bonuses for their services rendered to the Group.

OVERVIEW OF KUWAIT

Unless indicated otherwise, information in this section has been derived from Kuwaiti Government publications.

OVERVIEW

Kuwait is located in the north-east of the Arabian Peninsula in Western Asia. It is bordered by 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-Ahmedi, 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 proven crude oil reserves in the world as well as very low relative oil production costs. According to OPEC's 2023 Annual Statistical Bulletin (the "**OPEC 2023 Bulletin**"), Kuwait has the sixth largest proven crude oil reserves in the world estimated at around 101.5 billion barrels (accounting for 6.5 per cent. of the world's total proven crude oil reserves). In addition, Kuwait was the world's eighth largest crude oil producer and seventh largest crude oil exporter for the year ended 31 December 2022, accounting for 3.7 per cent. of the world's total crude oil production and 4.3 per cent. of the world's total crude oil exports for the year ended 31 December 2022. According to the same source, Kuwait's production levels were 2.7 million bpd on average for the year ended 31 December 2022. As a founding member of OPEC, Kuwait's crude oil production is subject to any agreements that are reached to limit crude oil production, and in April 2020, Kuwait participated in the 'OPEC plus' agreement to cut global crude oil production in response to the reduced demand for crude oil following the outbreak of COVID-19. By August 2022, key GCC crude oil exporters, had largely attained their pre-pandemic output levels, though in conjunction with some other 'OPEC plus' members, Kuwait's output has subsequently been cut again to help prop up crude oil prices.

POPULATION

The latest official Kuwait census for which data has been published was conducted in April 2011. Accordingly, all population figures for subsequent years are estimates based on historic data.

The most recent estimate of the population in Kuwait published by the Public Authority for Civil Information estimated the population to be approximately 4.7 million as at 31 December 2022, of which approximately 1.5 million were Kuwaiti nationals (32.0 per cent.) and approximately 3.2 million were non-Kuwaiti nationals (68.0 per cent.).

ECONOMIC OVERVIEW

Since oil was discovered in Kuwait in 1937, Kuwait's economy has grown significantly, principally due to the revenues generated from the export of crude oil and related products. Kuwait's major industries include petroleum, petrochemicals, cement, shipbuilding and repair, water desalination, food processing and construction.

According to provisional figures prepared by the CSB, Kuwait's real GDP increased by 2.9 per cent. in 2016, declined by 4.7 per cent. in 2017, increased by 2.4 per cent. in 2018 and declined by 0.6 per cent. in 2019 and 8.9 per cent. in 2020 to KD 36.0 billion. According to preliminary IMF data (as of April 2023), Kuwait's real GDP is estimated to have increased by 1.3 per cent. in 2021 and 8.2 per cent. in 2022, and is projected to rise by 0.9 per cent. in 2023.

According to data from Kuwait's Ministry of Finance, oil revenues comprised 92.7 per cent. of total Government revenues for the fiscal year ended 31 March 2023. According to the Central Bank of Kuwait, oil and oil products represented 93.7 per cent. of total exports for the year ended 31 December 2022. Kuwait's

economy has generally benefitted from healthy fiscal and current account surpluses, although lower oil prices since mid-2014 meant that Kuwait realised a net budget deficit (before transfers to the Future Generations Fund ("FGF")) for the fiscal years ended 31 March 2016, 2017, 2018, 2019, 2020, 2021, and 2022, while in the financial year ended 31 March 2023 the government achieved a surplus of KD 6.4 billion. The annual average OPEC Reference Basket prices in each of 2016, 2017, 2018, 2019, 2020, 2021 and 2022 were U.S.\$40.76, U.S.\$52.43, U.S.\$69.78, U.S.\$64.04, U.S.\$41.47, U.S.\$69.89 and U.S.\$100.08, respectively. In the first half of 2022, the OPEC Reference Basket price per barrel increased significantly, reaching U.S.\$117.72 in June 2022 against a backdrop of a recovery in global oil demand from its pandemic lows and concerns over the oil supply outlook due to fallout from the Russia-Ukraine conflict. However, prices soon reversed course, falling each month in the second half of 2022, as markets grew increasingly concerned about the health of the global economy amid soaring inflation, tightening monetary policy and the economic damage caused by China's continuing struggle with COVID-19. While the 'OPEC plus' production cut announcement in October helped provide some support for prices in that month, it was only short term, and by December, the OPEC Reference Basket had fallen to a year-low of U.S.\$79.68. The monthly average OPEC Reference Basket prices were U.S.\$81.62 in January 2023, U.S.\$81.88 in February 2023, U.S.\$78.45 in March 2023, U.S.\$84.13 in April 2023, U.S.\$75.82 in May 2023, U.S.\$75.19 in June 2023, and U.S.\$80.55 in July 2023.

OPEC Reference Basket price movements are shown solely to illustrate the historic volatility in international crude oil prices and no implication is intended that the Group's revenue from crude oil production is directly linked to the price of the OPEC Reference Basket. The price per barrel of Kuwait Export Crude Oil (which is produced by Kuwait and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

While the oil industry has historically dominated and continues to be the largest part of, Kuwait's economy with the oil sector (excluding refining) accounting for approximately 53.9 per cent. of real GDP for the year ended 31 December 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. Based on provisional figures from the CSB, the non-oil sector of the economy (including oil refining) contributed approximately 46.1 per cent. of Kuwait's real GDP in the year ended 31 December 2020 and declined by 8.8 per cent. in real terms in the same time period from KD 18.2 billion to KD 16.6 billion. Based on IMF estimates, real GDP expanded by 1.3 per cent. in 2021 and by 8.2 per cent. in 2022 and is estimated to increase by 0.9 per cent. in 2023.

Kuwait's public finances benefit from one of the world's largest sovereign wealth funds. Based on third party public sources, the KIA is ranked as the world's fifth largest sovereign wealth fund with approximately U.S.\$ 750 billion in assets according to the Sovereign Wealth Fund Institute. The KIA is prohibited by law from publicly discussing the exact size of its holdings. The KIA is responsible for the management of Kuwait's General Reserve Fund ("GRF") and its FGF, as well as other funds entrusted to it by the Minister of Finance for and on behalf of Kuwait. On an annual basis and by law, a minimum of 10 per cent. of all Government revenues were transferred to the FGF, though in 2020 this rule was modified such that transfers are suspended when the budget is in deficit. The GRF is available to fund budget deficits in Kuwait and Kuwait has never drawn down on the funds in the FGF since the FGF's inception in 1976, other than for liberation and reconstruction costs related to the Iraqi invasion. Recently, the government has changed the law making transfers to FGF decided by the Minister of Finance and approved by the Cabinet. The government is expected to transfer 1% of its 2022/23 surplus to the FGF at KD 64 million.

INFLATION

The following table sets forth the consumer price index ("CPI") and annual inflation rate in Kuwait for the years ended 31 December 2022, 2021, 2020, 2019 and 2018, respectively.

	Average for the year ended 31 December				
	2022	2021	2020	2019	2018
Consumer Price Index (base year 2013=100).....	125.4	120.6	116.6	114.2	113.0

Inflation (percentage change, year on year)*	4.0	3.4	2.1	1.1	0.6
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*Inflation (percentage change, year on year) in June 2023 was 3.8 per cent.
Source: Central Statistical Bureau

GOVERNMENT, POLITICAL AND LEGAL SYSTEM

Kuwait is a constitutional monarchy with a parliamentary system of government. Under its Constitution, which entered into force in 1963, the head of the State is the Emir, who is chosen from among the members of the ruling Al-Sabah family and confirmed by the National Assembly. The current Emir is His Highness Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah, who acceded to the throne in September 2020. The Emir has, among other powers, the power to appoint the Prime Minister, dissolve the National Assembly, suspend certain parts of the Constitution and refer bills to the National Assembly for consideration. The Emir has the right to propose legislation as well as the right to promulgate and sanction laws. His Highness Sheikh Meshal Al-Ahmad Al-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. The National Assembly has the power to question and dismiss ministers through a vote of no-confidence, including the Prime Minister, and to propose, enact or block enactment of legislation introduced by the Government.

The Council of Ministers forms the executive level of government and advises and assists the Prime Minister, who is appointed by the Emir. The current Prime Minister is His Highness Sheikh Ahmed Nawaf Al-Sabah who was appointed in 2022.

Kuwait's legal system is primarily modelled on the French civil law system, Egyptian civil code and elements of Islamic Shari'a law. Although Kuwait is a democratic nation where sovereignty rests with the people, its system is based on the principles of justice, liberty and equality and governed by a Constitution of delegated powers to the legislative, the executive and the judicial authorities. In descending order of importance, the Constitution is followed by laws and their implementing instruments such as regulations and ministerial resolutions.

DEVELOPMENT STRATEGY OF KUWAIT

In 2010, the Government announced its new overall strategy for Kuwait's future development through the year 2035 known as "**Kuwait Vision 2035**", which is based on three main themes:

- recovering the pioneering regional role of Kuwait and transforming it into a financial and trade centre, attractive to investors, where the private sector plays the lead role in economic activity creating competition and promoting efficiency; with supportive national governmental institutions providing the adequate infrastructure, appropriate legislative framework and an inspiring business environment;
- providing a climate for balanced human development, safeguarding social values and national identity and preserving the community's values; and
- strengthening the democratic system, respect for the Constitution, and the promotion of justice, political participation and freedom.

The New Kuwait Vision

On 30 January 2017, the Government updated its long-term development strategy under the slogan "**New Kuwait 2035**". The New Kuwait Vision 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. It is also a member of numerous international and multilateral organisations, including the IMF, the International Bank for Reconstruction and Development, the WTO, the League of Arab States, the Organisation of the Islamic Conference, the Multilateral Investment Guarantee Agency and the United Nations Educational, Scientific and Cultural Organisation (UNESCO).

BANKING 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 Kuwaiti dinar and its free convertibility into other currencies;
- direct credit policy in order to contribute to Kuwait's social and economic progress and the growth of national income;
- supervise the banking system in Kuwait;
- serve as the Government's bank; and
- render financial advice to the Government.

The CBK is largely independent of Kuwait's executive and legislative branches and is managed by a Board of Directors, consisting of the Governor of the CBK, who also acts as the Chairman, the Deputy Governor of the CBK, a representative from each of the Kuwait Ministry of Finance and the Kuwait Ministry of Commerce and Industry (the "**MOCI**") and four additional members, each of whom must be a Kuwaiti national and must be nominated by the Minister of Finance (after obtaining the approval of the Council of Ministers). 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 December 2022 were approximately KD 13.5 billion, an increase of approximately 10.7 per cent. as compared to KD 12.2 billion as at December 2021.

BANK REGULATION AND SUPERVISION

All banks operating within Kuwait are subject to the supervision of the CBK, which is the primary regulator of banks and financial institutions in Kuwait whilst the Kuwait Capital Markets Authority (the "**CMA**") exercises supervisory authority over all Kuwaiti entities (including banks and financial institutions) which are listed on Boursa Kuwait (previously known as the Kuwait Stock Exchange) or engage in securities activities as discussed further below.

Off-site and On-site supervision department

The CBK's off-site supervision department receives periodic financial reports from institutions under its supervision, issues supervisory regulations, resolutions and instructions to such institutions, examines ongoing banking and financial trends and monitors their impact on the soundness and stability of these institutions. The 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.

BANKING REGULATION

Liquidity regulations

Prior to April 2020, the CBK required banks to maintain 18 per cent. of their Kuwaiti dinar customer deposits in the form of balances with the CBK and Kuwaiti 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 making their funding structure stable.

The CBK introduced the LCR in a phased manner, setting a benchmark requirement of 70 per cent. in 2016 which increased by 10 per cent. each year and remained at 100 per cent. between January 2019 and April 2020. Banks are required to submit, along with existing liquidity reports, their LCR reports on a daily and monthly basis for monitoring purposes as well as LCRs by major currency.

The minimum required NSFR is calculated as a percentage of available stable funding to required stable funding. The requirement to maintain an NSFR of 100 per cent. became effective in January 2018.

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 valid until 31 December 2021. Subsequently the cash reserve ratio was revised to 16.5 per cent. and the LCR and the NSFR to 90 per cent. for the period starting 1 January 2022. The ratios reverted to their original levels of 18 per cent. and 100 per cent., respectively, from 1 January 2023.

Capital adequacy regulations

Over the past few years, the CBK has refined its existing regulations to reflect global best practices. The CBK has 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, such as the Bank, and introduced the Leverage Ratio (which is defined as the "capital" measure – made up of Tier 1 capital – divided by the "exposure"

measure – being the sum of on-balance sheet assets, derivative exposures and off-balance sheet exposures) as a supplementary measure to ensure that Kuwaiti banks do not become overly leveraged.

The CBK's Instructions relating to Basel III require that the terms and conditions of Tier 1 or Tier 2 instruments issued by a licensed bank in Kuwait must contain a provision that permits such instruments to either be written-off or converted into common equity, as determined by the CBK, should a Trigger Event (as defined below) occur. Pursuant to the Instructions, a "**Trigger Event**" will have occurred if either of the following events occurs:

- the issuing bank is instructed by its regulator to write-off or convert such instruments, on the grounds of non-viability; or
- an immediate injection of capital is required, by way of an emergency intervention, without which the issuing bank would become non-viable.

Notwithstanding the definition of Trigger Event set out above, the conditions of the Tier 1 and Tier 2 capital securities issued by the Bank only allow for a write-down (as defined in the Conditions), and not a conversion into ordinary shares, 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. As at 1 January 2022, the limit was decreased to 95 per cent. and returned to the pre-COVID-19 prescribed percentage of 90 per cent. on 1 January 2023.
- *Credit facility classifications*: The CBK requires banks operating in Kuwait to evaluate and classify their credit facilities into two categories (regular and irregular) on a periodic basis. The relevant CBK instructions specify the cases when a credit facility must be classified as 'irregular' and include where payment of an instalment is not made, interest 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 in compliance with the CBK's regulatory framework, lending limits and 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 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 Kuwaiti dinar 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 Kuwaiti dinar are not regulated by the CBK.

Corporate governance

On 10 September 2019, the CBK issued a revised version of the "Rules and Standards of Corporate Governance" (the "**Corporate Governance Rules**") which apply to all banks in Kuwait and were required to be implemented with effect from 30 June 2020. This new regulation replaces the previous "Rules and Standards of Corporate Governance in Kuwaiti Banks" issued in 2012. The Corporate Governance Rules provide principles that should be applied by Kuwaiti banks in order to ensure proper governance. They comprise nine pillars that cover, amongst other things, board composition, independent board members, risk management governance, compliance governance, cyber security, disclosure and transparency, remuneration policies and systems, and overall protection of shareholder and stakeholder's rights. The Corporate Governance Rules require each bank to adopt a corporate governance manual and establish a corporate governance committee, tasked with devising an overall framework for the adherence to the governance manual.

The Corporate Governance Rules require the existence of independent directors in the composition of a bank's board of directors and the board committees. With effect from 30 June 2020, a bank's board must comprise no less than 11 board members, two of whom must be deemed "independent" but in no circumstance should the independent board members occupy more than half of the board seats. Another two independent board members are to be included to provide a total of four independent board members from the, at least, 11 board members.

The Corporate Governance Rules define the role of a bank's board of directors and executive management (including the chief executive officer and other members of senior management), the executive committee (which is to include the chief executive officer), the risk committee, the audit committee, and any other committees that have an active role in the business of the Bank.

The Board adopts and implements internationally recognised corporate governance practices and adheres to the CBK's requirements under the Corporate Governance Rules. See "*Management and Employees–Management–Corporate governance framework*" for further detail.

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) customers' special needs 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 Boursa Kuwait. As a company incorporated in the State of 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 expires on 13 November 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 from the period of August 2022 to August 2023. The final inspection report is expected to be issued by the CBK later in 2023.

Alongside the CBK, the Bank is also regulated by the CMA due to it being a publicly traded company with shares listed on Boursa Kuwait, and conducts some of the "Securities Activities" listed in Module 5 article 1-2 of the CMA Bylaws.

BANKING SYSTEM

The Kuwait banking sector has experienced increased competition and diversification from the entry of international banks establishing branches in Kuwait, following the promulgation of Law No. 28 of 2004 amending certain provisions of the CBK Law. As at 30 June 2023, total local bank assets in the Kuwaiti banking sector amounted to KD 85.6 billion and total credit facilities to Kuwaiti residents advanced by local banks amounted to KD 47.3 billion (compared to KD 81.8 billion and KD 45.7 billion, respectively, as at 30 June 2022) (source: CBK).

The key performance indicators of the conventional Kuwaiti banks as at 30 June 2023 are set out below (source: financial statements and investor publications published on the company website of each bank listed below).

	<u>Cost to income ratio</u>	<u>Return on assets</u>	<u>Return on equity</u>	<u>Earnings per share</u>
		<i>(per cent.)</i>		<i>(fils*)</i>
National Bank of Kuwait S.A.K.P.	36.5	1.53	15.2	33.0
Burgan Bank.....	50.0	(1)	(1)	3.9
Gulf Bank	46.5	1.1	10.1	11.0
Commercial Bank of Kuwait	31.3	(1)	(1)	36.8
Al-Ahli Bank of Kuwait K.S.C.P.....	49.9	1.4	8.3	11.0

* 1000 fils equals one Kuwaiti dinar.

⁽¹⁾ Figure not publicly available as at the date of this Base Prospectus.

In addition, as at 1 August 2023, 11 foreign bank branches also operate in Kuwait. These are the Bank of Bahrain and Kuwait, BNP Paribas, HSBC Bank Middle East Limited, First Abu Dhabi Bank, Citibank, Qatar National Bank, Doha Bank, Mashreq Bank, Al-Rajhi Banking & Investment Corporation, Bank Muscat and Industrial and Commercial Bank of China Limited.

DEPOSIT GUARANTEE LAW

In response to the global financial crisis in 2008, the Government took a number of measures, including the passing of 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 of Kuwait has undertaken to guarantee the principal (but not interest) of all deposits held with local banks in Kuwait, including savings accounts and current accounts.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-Entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "**banking organisation**" within the meaning of the New York Banking Law, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "**clearing agency**" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants

to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Certificate, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and

borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-Entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Global Certificate accepted in its book-entry settlement system. Upon the issue of any such Global Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Global Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Unrestricted Global Certificate, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Global Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Fiscal Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Global Certificates

Transfers of any interests in Notes represented by a Global Certificate within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Certificate to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Certificate accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Global Certificate accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear account holders, on the other hand, will be effected by the relevant clearing system in accordance with its rules and through action

taken by the Registrar, the Fiscal Agent and any custodian ("**Custodian**") with whom the relevant Global Certificates have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following summary of certain Kuwait, United States, DIFC and EU tax consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the acquisition, ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as at the date of this Base Prospectus, and of any actual changes in applicable tax laws 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 Administrative Resolution (as defined below) (together, the "**Taxation Laws**") as interpreted and implemented by the DIT as at the date of this Base Prospectus. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT 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 Base Prospectus as GCC corporate entities) and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Base Prospectus as non-GCC corporate entities) which, for the avoidance of doubt, 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 not 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 "**CML Law Amendment**"), yields of securities, bonds, sukuk and all other similar securities regardless of the issuer thereof shall be exempted from taxation. The CML 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 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 five per cent. of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. Unlike with withholding tax, the payer is not required to transfer directly the deducted amount to the DIT immediately, but instead retains such amount and releases it either: (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realised a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand.

According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include principal and interest payments. Given that neither 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 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 Guarantor) could be required to deduct 5 per cent. from every payment made by it to a payee (such as the holders of the 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 Notes shall be able to rely on the provisions in the Conditions (in particular, on Condition 9 (*Taxation*)) which require the Issuer and/or Guarantor 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 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 Notes in connection with the issue or any transfer of the Notes.

Certain United States Federal Income Taxation Considerations

The following summary discusses certain U.S. federal income tax consequences of the ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Notes purchased on original issuance at their "**issue price**" (as defined below) or additional Notes purchased from the Issuer pursuant to an offering described under Condition 18 (*Further Issues*) that qualifies as a "qualified reopening" for U.S. federal income tax purposes;
- Notes held as capital assets; and
- U.S. Holders (as defined below).

This discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

Prospective investors should note, however, that the classification of an instrument as debt or equity is highly factual, and it is possible that Notes might be issued that might be classified as equity for U.S. federal income tax purposes. No rulings have been or will be sought from the U.S. Internal Revenue Service (the "**IRS**") with respect to the classification of the Notes in general or with respect to any particular Notes. Prospective investors should consult their own advisers with respect to the proper classification of the Notes and the consequences of investing in any Notes that are not classified as debt for U.S. federal income tax purposes, including whether any such Notes might be considered to be interests in a passive foreign investment company for U.S. federal income tax purposes, which could have materially adverse consequences for U.S. taxable investors.

This discussion does not describe all of the tax consequences that may be relevant in light of a holder's particular circumstances or to Noteholders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or currencies;
- persons holding Notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- former citizens or residents of the United States;

- U.S. Holders whose functional currency is not the U.S. dollar;
- persons required for U.S. federal income tax purposes to accelerate the recognition of any item of gross income with respect to the Notes as a result of such income being recognised on an applicable financial statement; or
- partnerships or entities or arrangements classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, as of the day hereof, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described below. Persons considering the purchase of the Notes should consult the relevant Final Terms for any additional discussion regarding U.S. federal income taxation and should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations (including the application of the alternative minimum tax and the Medicare tax on net investment income) as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

This summary does not discuss Bearer Notes. In general, U.S. federal income tax law imposes significant limitations on U.S. Holders of Bearer Notes. U.S. Holders should consult their tax advisers regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Notes.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organised in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners of such entities or arrangements holding Notes should consult with their tax advisers regarding the tax consequences of an investment in the Notes.

Payments of Stated Interest

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the Holders of a Note's method of accounting for U.S. federal income tax purposes, **provided that** the interest is "**qualified stated interest**" (as defined below).

Interest income (including original issue discount, as discussed below) earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the U.S. Holder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisers about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to original issue discount notes and foreign currency notes are described under "*Original Issue Discount*," "*Contingent Payment Debt Instruments*," and "*Foreign Currency Notes*."

Pre-Issuance Accrued Interest

If a portion of the price paid for a Note is allocable to interest that accrued prior to the date the Note is issued ("**pre-issuance accrued interest**"), on the first interest payment date a U.S. Holder may exclude (and may be required to exclude, in the case of a Note that forms part of a series of Notes already outstanding) from

income, as a return on capital, the portion of the interest received in an amount equal to the pre-issuance accrued interest. The U.S. Holder's tax basis in the Note will not include any pre-issuance accrued interest excluded from income. The remainder of this discussion does not address the treatment of pre-issuance accrued interest. U.S. Holders should consult their own tax advisors with regard to the tax treatment of the pre-issuance accrued interest on the Notes.

Original Issue Discount

A Note that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued with original issue discount for U.S. federal income tax purposes (and will be referred to as an "**original issue discount Note**") unless the Note satisfies a *de minimis* threshold (as described below) or is a short-term Note (as defined below). The "issue price" of a Note generally will be the first price at which a substantial amount of the Notes are sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest." "Qualified stated interest" is stated interest unconditionally payable (other than in debt instruments of the Issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest. In addition, qualified stated interest includes, among other things, stated interest on a "variable rate debt instrument" that is unconditionally payable (other than in debt instruments of the issuer) at least annually at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity or, in the case of a Note that provides for payments, other than qualified stated interest, before maturity, the weighted average maturity, the Note will not be considered to have original issue discount. U.S. Holders of Notes with a *de minimis* amount of original issue discount will include this original issue discount in income, as capital gain, on a *pro rata* basis as principal payments are made on the Note.

A U.S. Holder of original issue discount Notes will be required to include any qualified stated interest payments in income in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. U.S. Holders of original issue discount Notes that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including stated interest, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and may revoke such election only with the permission of the IRS (a "**constant yield election**").

A Note that matures one year or less from its date of issuance (a "**short-term Note**") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. In general, a cash method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. U.S. Holders who so elect and certain other U.S. Holders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Notes in an amount not exceeding the accrued discount until the accrued discount is included in income.

The Issuer may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require the Issuer to redeem, a Note prior to its stated maturity date. Under applicable regulations, if the Issuer has an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilizing any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, the yield on the Note would be lower than its yield to maturity. If the U.S. Holders have an unconditional option to require the Issuer to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Note would be higher than its yield to maturity. If this option is not in fact exercised, the Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

Market Discount

If a U.S. Holder purchases a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain non-recognition transactions, as foreign source ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the U.S. Holder to include market discount in income as it accrues, or pursuant to a constant yield election by the U.S. Holder (as described under "*Original Issue Discount*"). In addition, the U.S. Holder may be required to defer, until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

If a U.S. Holder makes a constant yield election (as described under "*Original Issue Discount*") for a Note with market discount, such election will result in a deemed election for all market discount bonds acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies.

Acquisition Premium and Amortisable Bond Premium

A U.S. Holder who purchases a Note for an amount that is greater than the Note's adjusted issue price but less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of original issue discount that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount that is greater than the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest, the U.S. Holder will be considered to have purchased the Note with amortisable bond premium equal in amount to such excess. Special rules apply to accounting for amortisable bond premium for Notes redeemable prior to their stated maturity at the Issuer's option. The U.S. Holder may elect to amortise this premium, using a constant yield method, over the remaining term of the Note (where the Note is not optionally redeemable prior to its maturity date). If the Note may be optionally redeemed prior to maturity after the U.S. Holder has acquired it, the amount of amortisable bond premium is determined by substituting the call date for the maturity date and the call price for the amount payable at maturity only if the substitution results in a smaller amount of premium attributable to the period before the redemption date. A U.S. Holder who elects to amortise bond premium must reduce his tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the U.S. Holder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under "*Original Issue Discount*") for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the U.S. Holder's debt instruments with amortisable bond premium.

Base Rate Change

It is possible that a change in the interest rate benchmark referenced by a Floating Rate Note from the original Reference Rate to an Alternative Reference Rate or a Successor Rate (a "**Base Rate Change**") will be treated as a deemed exchange of the existing note for a new note, which may be taxable to U.S. Holders, or will affect the calculation of OID. U.S. Holders should consult with their own tax advisers regarding the potential consequences of a Base Rate Change.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of OID and market discount included in the U.S. Holder's gross income and decreased by any amortisable bond premium previously amortised and the amount of any payment received from the Issuer other than a payment of qualified stated interest. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued but unpaid interest on the Note. Amounts attributable to accrued but unpaid interest are treated as interest as described under "*Payments of Interest*."

Except as described below, gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "*Original Issue Discount*" and "*Market Discount*." In addition, other exceptions to this general rule apply in the case of foreign currency Notes, and contingent payment debt instruments. See "*Foreign Currency Notes*" and "*Contingent Payment Debt Instruments*." The deductibility of capital losses is subject to limitations.

Contingent Payment Debt Instruments

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including Notes with a variable rate or rates that do not qualify as "variable rate debt instruments" for purposes of the original issue discount rules) they will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the Note and the Note's "**projected payment schedule**" as described below. The comparable yield is determined by the Issuer at the time of issuance of the Notes. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, we will be required to construct a "**projected payment schedule**" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by us in determining interest accruals and adjustments in respect of an optionally exchangeable Note, unless the U.S. Holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of the U.S. Holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment instrument (as set forth below).

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a Noteholder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:
 - the amount of all previous interest inclusions under the contingent payment debt instrument over
 - the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the two per cent. floor limitation imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the contingent payment debt instrument. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations.

A U.S. Holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument including in satisfaction of a conversion right or a call right equal to the fair market value of the property, determined at the time of retirement. The U.S. Holder's holding period for the property will commence on the day immediately following its receipt.

Special rules apply to contingent payment debt instruments that are denominated, or provide for payments, in a currency other than the U.S. dollar ("**Foreign Currency Contingent Debt Instruments**"). Very generally, these instruments are accounted for like a contingent debt instrument, as described above, but in the currency of the Foreign Currency Contingent Debt Instruments. The relevant amounts must then be translated into U.S. dollar equivalents. The rules applicable to Foreign Currency Contingent Debt Instruments are complex and U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of such instruments.

Foreign Currency Notes

The rules applicable to Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in a currency other than the U.S. dollar ("**foreign currency Notes**") could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular U.S. federal income tax situation. U.S. Holders are

urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency. A cash method U.S. Holder who receives a payment of qualified stated interest in U.S. dollars pursuant to an option available under such Note will be required to include the amount of this payment in income upon receipt.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a U.S. Holder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount or market discount.

An accrual method U.S. Holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount, market discount, acquisition premium and amortisable bond premium on a foreign currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the foreign currency Note. Any exchange gain or loss will be ordinary income or loss as described below.

If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Note by a U.S. Holder will equal the difference between: (i) the U.S. dollar value of the proceeds from the sale, exchange or retirement of the foreign currency note and (ii) the U.S. Holder's tax basis in the foreign currency Note, including the amount of any subsequent adjustment to the U.S. Holder's tax basis. In the case of a foreign currency Note treated as traded on an established securities market, the U.S. dollar value of the foreign currency amount paid or received by a cash method U.S. Holder (and an electing accrual method U.S. Holder, as discussed below) will be computed by translating the units of foreign currency paid into U.S. dollars at the spot rate on the settlement date of the purchase or the sale, exchange or retirement. In the case of a foreign currency Note that is either purchased by a non-electing accrual method U.S. Holder or that is not treated as traded on an established securities market, the U.S. dollar value of the foreign currency amount paid or received will be

computed by translating the units of foreign currency paid into U.S. dollars at the spot rate on the date the foreign currency Note is treated as acquired or disposed of, as applicable.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between: (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of; and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. The principal amount for this purpose means the purchase price in units of the foreign currency. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss (including with respect to payments attributable to accrued interest received on the sale, exchange or retirement) will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder or the "qualified business unit" of the U.S. Holder on whose books the Note is properly reflected. Any gain or loss realised by these U.S. Holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of short-term Note, to the extent of any discount not previously included in the U.S. Holder's income. U.S. Holders should consult their own tax advisers with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue.

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. Because, as discussed above, a cash method U.S. Holder (or an electing accrual method U.S. Holder) who buys or sells a foreign currency Note that is treated as traded on an established securities market is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale, exchange or retirement, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale, exchange or retirement. An election by an accrual method taxpayer to have the same treatment for all purchases and sales of foreign currency obligations as a cash method taxpayer with respect to foreign currency Notes treated as traded on an established securities market cannot be changed without the consent of the IRS. Where a U.S. Holder determines the U.S. dollar value based on the spot rate on a different date than the settlement date, the U.S. Holder generally will recognise foreign currency gain or loss with respect to the difference in value of such currency between the settlement and trade dates of their purchase or sale.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle them to a refund, **provided that** the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisers about any additional reporting obligations that may apply as a result of the acquisition, holding or disposition of the Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 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**", a term not defined as at the date of this Base Prospectus) 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 the jurisdiction of the issuer) 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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as 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 Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and 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 (the "**grandfathering date**") generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under Condition 18 (*Further Issues*)) that have the same CUSIP or ISIN as the previously issued Notes and are not otherwise distinguishable from previously issued Notes are issued after the expiration of the grandfathering date and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering date, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts or indemnify any person as a result of any FATCA withholding.

Dubai International Financial Centre

Pursuant to Article 14 of Law No. (9) of 2004 in respect of the DIFC (the "**DIFC Law**"), entities licensed, registered or otherwise authorised to carry on financial services in the DIFC and their employees shall be subject to a zero rate of tax for a period of 50 years from 13 September 2004. This zero rate of tax applies to income, corporation and capital gains tax. In addition, this zero rate of tax will also extend to repatriation of capital and to transfers of assets or profits or salaries to any party outside the DIFC. Article 14 of the DIFC Law also provides that it is possible to renew the 50-year period to a similar period upon issuance of a resolution by the Ruler of the Emirate of Dubai. As a result no payments by the Issuer under the Notes are subject to any DIFC tax, whether by withholding or otherwise.

In the event of the imposition of any withholding, the Issuer and the Guarantor have undertaken to gross-up any payments of principal or interest subject to certain limitations, as described in Condition 9 (*Taxation*).

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 Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, 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 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 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 Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN ERISA CONSIDERATIONS

Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), prohibit certain transactions involving: (A) (i) "employee benefit plans" (as defined in Section 3(3) of ERISA) that are subject to Part 4 of Subtitle B of Title I of ERISA, (ii) "plans" as defined in Section 4975(e)(1) that are subject to Section 4975 of the Code (together with (i), "**Plans**"), or (iii) any person or entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the person or entity (each of (i)-(iii) a "**Benefit Plan Investor**"); and (B) persons who have certain specified relationships to a Plan ("**parties in interest**" under Section 3(14) of ERISA and "**disqualified persons**" under Section 4975(e)(2) of the Code; collectively, "**Parties in Interest**"), unless an exemption is available. A violation of these "prohibited transaction" rules may result in the imposition of an excise tax, the rescission of the transaction or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless relief is available under an applicable statutory or administrative exemption. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor its affiliate has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction (in other words, not a fiduciary) and provided further that the Plan pays no more than, and receives no less than, "adequate consideration" in connection with the transaction) and the administrative exemptions of Prohibited Transaction Class Exemption ("**PTCE**") 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

"Governmental plans" (as defined in Section 3(32) of ERISA), certain "church plans" (as defined in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to a U.S. federal, state, local or non-U.S. laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"). Fiduciaries of any such plans should consult with their counsel before they purchase any of the Notes or any interest therein.

Under ERISA and a regulation issued by the U.S. Department of Labor (29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, the "**Plan Asset Regulation**"), when a Benefit Plan Investor acquires 25 per cent or more of any class of equity in an entity, disregarding the value of any equity interests held by persons (other than Benefit Plan Investors) with discretionary authority or control over the assets of the entity, or who provide investment advice for a fee (direct or indirect) with respect to such assets, and "affiliates" of such persons within the meaning of paragraph (f)(3) of the Plan Asset Regulation (with respect to the Issuer's assets, a "**Controlling Person**"), the underlying assets owned by that entity will be treated as if they were "plan assets" of such Benefit Plan Investors, unless an exception applies. If the assets of the Issuer were deemed to be "plan assets" of a Benefit Plan Investor, the Issuer would be subject to certain fiduciary obligations under ERISA, and certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA and Section 4975 of the Code.

Although no assurance can be given, the Notes issued should not be considered "equity interests" for purposes of the Plan Asset Regulation and the Issuer intends to treat the Notes as indebtedness. Nevertheless, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes are acquired by a Benefit Plan Investor with respect to which any of the Issuer, the Guarantor, the Arrangers, the Dealers, the Agents or their respective affiliates (collectively, the "**Transaction Parties**") is a Party in Interest. Accordingly, unless otherwise stated in the applicable Final Terms, each purchaser and subsequent transferee of any Note (or any interest therein) will be deemed to represent, warrant and agree that either: (A) it is not, and for so long as it holds such Note (or any interest therein) will not be and will not be acting on behalf of, or with the assets of, a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law; or (B) its acquisition, holding and disposition of such

Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law. Any purported purchase or transfer of such a Note (or any interest therein) that does not comply with the foregoing shall be null and void *ab initio*.

Unless otherwise stated in the applicable Final Terms, each purchaser and subsequent transferee of a Note (or any interest therein) that is a Benefit Plan Investor will be deemed to represent, warrant and agree that: (X) none of the Transaction Parties has provided any investment recommendation or investment advice within the meaning of Section 3(21) of ERISA to the Benefit Plan Investor, or to any fiduciary or other person investing the assets of the Benefit Plan Investor ("**Fiduciary**"), in connection with the Benefit Plan Investor's decision to purchase or acquire the Note; and (Y) the Fiduciary is exercising its own independent judgment in evaluating the investment in the Note.

This Base Prospectus is not directed to any particular purchaser or transferee, nor does it address the needs of any particular purchaser or transferee. None of the Transaction Parties shall provide any advice or recommendation with respect to the management of any purchase of Notes or the advisability of acquiring, holding, disposing or exchanging of any Notes.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the "**Programme Agreement**") dated 25 September 2023, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer and the Guarantor have agreed to reimburse the Dealers for certain of their expenses in connection with any update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement provides that the obligation of any Dealer to subscribe for Notes is subject to certain conditions and that, in certain circumstances, a Dealer shall be entitled to be released and discharged from its obligations under the Programme Agreement prior to the issue of the relevant Notes.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilisation or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations, stabilisation activities may only be carried on by the Stabilisation Manager named in the relevant subscription agreement (or persons acting on its behalf) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes who are in the United States or who are U.S. persons are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate) or person wishing to transfer an interest from one Global Certificate to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) it is outside the United States and is not a U.S. person;
- (ii) that it, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of the Notes;
- (iii) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and, accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iv) that, unless it holds an interest in an Unrestricted Global Certificate and is a non-U.S. person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so prior to the expiration of the applicable required holding period pursuant to Rule 144A only: (a) to the Issuer or any affiliate thereof; (b) inside the

United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs in a transaction meeting the requirements of Rule 144A; (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

- (v) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iv) above, if then applicable;
- (vi) that Notes initially offered in the United States to QIBs will be represented by one or more Restricted Global Certificates and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Unrestricted Global Certificates;
- (vii) unless otherwise stated in the applicable Final Terms: (A) it is not, and for so long as it holds such Note (or any interest therein) will not be and will not be acting on behalf of, or with the assets of a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law; or (B) its acquisition, holding and disposition of such Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law;
- (viii) unless otherwise stated in the applicable Final Terms if it is a Benefit Plan Investor: (X) none of the Transaction Parties has provided any investment recommendation or investment advice within the meaning of Section 3(21) of ERISA to the Benefit Plan Investor, or to any Fiduciary, in connection with the Benefit Plan Investor's decision to purchase or acquire the Note; and (Y) the Fiduciary is exercising its own independent judgment in evaluating the investment in the Note.
- (ix) that the Notes in registered form, other than the Unrestricted Global Certificates, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"NEITHER THIS SECURITY NOR THE GUARANTEE THEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS, AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT: IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) ("**QIB**") PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS IN A MINIMUM PRINCIPAL AMOUNT OF U.S.\$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND OTHER THAN: (1) TO THE ISSUER OR ANY AFFILIATE THEREOF; (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (3) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT; (4) PURSUANT TO THE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITY. EACH TRANSFEROR OF THIS SECURITY WILL PROVIDE NOTICE OF THE TRANSFER

RESTRICTIONS SET FORTH HEREIN AND IN THE AGENCY AGREEMENT TO ITS TRANSFEREE.

UNLESS OTHERWISE STATED IN THE APPLICABLE FINAL TERMS, EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (A) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE AND WILL NOT BE ACTING ON BEHALF OF, OR WITH THE ASSETS OF, (I) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")) THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN SECTION 4975(E)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) ANY PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (EACH OF (I)-(III), A "**BENEFIT PLAN INVESTOR**") OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"); OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID *AB INITIO*.

UNLESS OTHERWISE STATED IN THE APPLICABLE FINAL TERMS, EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT IS A BENEFIT PLAN INVESTOR WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT: (X) NONE OF THE ISSUER, THE GUARANTOR, THE ARRANGERS, THE DEALERS, THE AGENTS OR THEIR RESPECTIVE AFFILIATES HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE WITHIN THE MEANING OF SECTION 3(21) OF ERISA TO THE BENEFIT PLAN INVESTOR, OR TO ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR ("**FIDUCIARY**"), IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S DECISION TO PURCHASE OR ACQUIRE THE SECURITY; AND (Y) THE FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (x) that the Notes in registered form which are registered in the name of a nominee of DTC will bear an additional legend to the following effect unless otherwise agreed to by the Issuer:

"UNLESS THIS GLOBAL SECURITY IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK

CORPORATION, ("**DTC**"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED SECURITY ISSUED IN EXCHANGE FOR THIS GLOBAL SECURITY OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.";

- (xi) if it holds an interest in an Unrestricted Global Certificate, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only: (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) to a QIB in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Unrestricted Global Certificates will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"NEITHER THIS SECURITY NOR THE GUARANTEE THEREOF HAS BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT.

UNLESS OTHERWISE STATED IN THE APPLICABLE FINAL TERMS, EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (A) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE AND WILL NOT BE ACTING ON BEHALF OF, OR WITH THE ASSETS OF, (I) AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")) THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") THAT IS SUBJECT TO SECTION 4975 OF THE CODE, (III) ANY PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (EACH OF (I)-(III), A "**BENEFIT PLAN INVESTOR**") OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"); OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID *AB INITIO*.

UNLESS OTHERWISE STATED IN THE APPLICABLE FINAL TERMS, EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT IS A BENEFIT PLAN INVESTOR WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT: (X) NONE OF THE ISSUER, THE GUARANTOR, THE ARRANGERS, THE DEALERS, THE AGENTS OR THEIR RESPECTIVE AFFILIATES HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE WITHIN THE MEANING OF SECTION 3(21) OF ERISA TO THE BENEFIT PLAN INVESTOR, OR TO ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR ("**FIDUCIARY**"), IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S DECISION TO PURCHASE OR ACQUIRE THE SECURITY; AND (Y) THE FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THE SECURITY."; AND

- (xii) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Restricted Notes in the United States to any one purchaser will be for less than U.S.\$200,000 (or its foreign currency equivalent) principal amount and no Restricted Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) of Restricted Global Certificates.

Selling Restrictions

United States

The Notes and the Guarantee thereof have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, except as permitted by the Programme Agreement, that it will not offer, sell or, in the case of Bearer Notes, deliver such Notes: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution, within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes comprising the relevant Tranche, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S or Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Dealer has represented, warranted, undertaken and agreed that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with any offer and sale of the Notes in the United States.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Dealers may also arrange for the resale of Registered Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate

equivalent thereof in any other currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and U.S. Treasury regulations promulgated thereunder.

In respect of Bearer Notes where TEFRA D is specified in the applicable Final Terms the relevant Dealer will be required to represent and agree that:

- (a) except to the extent permitted under U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D) (or any substantially identical successor U.S. Treasury Regulations section including, without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**"): (i) it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and (ii) it has not delivered and it will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;
- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6) (or any substantially identical successor U.S. Treasury Regulations section including, without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010);
- (d) with respect to each affiliate that acquires Bearer Notes from it for the purpose of offering or selling such Notes during the restricted period, it repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf; and
- (e) it will obtain from any distributor (within the meaning of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(4)(ii)) (or any substantially identical successor U.S. Treasury Regulations section including, without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (other than a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of sub-paragraphs (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and U.S. Treasury regulations promulgated thereunder, including the D Rules.

In respect of Bearer Notes where TEFRA C is specified in the applicable Final Terms, the relevant Dealer will be required to represent and agree that:

- (a) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions in connection with the original issuance of the Bearer Notes; and
- (b) in connection with the original issuance of the Bearer Notes it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such prospective purchaser is

within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of the Bearer Notes.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or
- (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or
- (c) not a qualified investor as defined in the EU Prospectus Regulation.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Member State, except that it may make an offer of such Notes to the public in that Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation; or
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer and the Guarantor for any such offer; or
- (iii) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation.

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer, the Guarantor or any Dealer to publish a Base Prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a Base Prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Prohibition of Sales to Retail Investors in the United Kingdom

If the Final Terms in respect of any Notes includes the legend "Prohibition of Sales to UK Retail Investors", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the United Kingdom by virtue of the EUWA; or

- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
- (c) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation.

If the Final Terms in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

- (i) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer and the Guarantor for any such offer; or
- (iii) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer, the Guarantor, or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other Regulatory Restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer or the Guarantor;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Japan

The 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, offered or sold and that it will not offer or sell, directly or indirectly, any Notes in Japan or to, or for the

benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering or sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to any person in the DIFC 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 DFSA Conduct of Business Module of the DFSA Rulebook.

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 Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 8 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (the "**Capital Market Authority**") resolution number 3-123-2017 dated 27 December 2017, as amended by Capital Market Authority resolution number 8-5-2023 dated 18 January 2023 (the "**KSA Regulations**"), made through a capital market institution licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 10 of the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "institutional and qualified clients" under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes made by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes in the Kingdom of Bahrain except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or

- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, deliver or sell, at any time, directly or indirectly, any 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 (including the Qatar Financial Centre). This Base Prospectus: (a) has not been and will not be registered or approved by the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in Qatar (including the Qatar Financial Centre) (b) is intended for the original recipient only and must not be provided to any other person; and (c) is not for general circulation in Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the 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 Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA; (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where 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 Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to 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.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (i) to "professional investors" within the meaning of 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(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, in each case, and will not issue or have in its possession for the purposes of issue, in each case, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws in Hong Kong) other than with respect to any 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.

Malaysia

This Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, the Notes have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase any Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals, including approval from the Central Bank of Malaysia to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers shall be responsible for any invitation, offer, sale or purchase of Notes as aforesaid without the necessary approvals being in place.

Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, marketed and/or sold by it in Kuwait, except through a licensed person duly authorised to undertake such activity in Kuwait pursuant to Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and Regulating of Securities Activities and its executive bylaws (each as amended) (the "**CML Rules**") and unless all necessary approvals from the CMA pursuant to the CML Rules, together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature or type), or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing and/or sale of the Notes.

Switzerland

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes and the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made by it to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a

prospectus pursuant to the FinSA, and (iii) neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Canada

Each Dealer has acknowledged and agreed that the Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

If applicable, pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with any offering of the Notes.

General

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor or any of the Dealers represents that 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.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer, the Guarantor and the relevant Dealer shall agree and as shall be set out in the relevant subscription agreement.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Board of Directors of the Issuer dated 13 September 2023 and a resolution of the Board of Directors of the Guarantor dated 13 September 2023. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 13 September 2023.

Listing and admission to trading

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Global Certificate(s) initially representing the Notes of such Tranche. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on its Regulated Market. The approval of the Programme in respect of Notes is expected to be granted on or about 25 September 2023. Prior to the official listing and admission to trading, however, dealings will be permitted. Unlisted Notes may be issued pursuant to the Programme.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Regulated Market for the purposes of the EU Prospectus Regulation.

Documents Available

For the period of 12 months following the date of this Base Prospectus, physical copies of the following documents will, when published, be available for inspection from the registered office of the Guarantor and from the specified office of the Fiscal Agent for the time being in London (and on the website of the Guarantor at <https://www.nbk.com/nbk-group/investor-relations/debt-securities.html>):

- (a) the Articles of Association of the Issuer and the Memorandum and Articles of Association (with an English translation thereof) of the Guarantor (as the same may be amended from time to time);
- (b) the Agency Agreement, the Guarantee, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Global Certificates, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (c) a copy of this Base Prospectus; and
- (d) any future base prospectuses, information memoranda, applicable Final Terms (save that the applicable Final Terms relating to a Note which is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a Base Prospectus is required to be published under the EU Prospectus Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity) and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference.

The English language translations of the Articles of Association of the Guarantor are accurate and direct translations of the original foreign language documents. In the event of a discrepancy between the English language translation and the foreign language version, the foreign language version will prevail.

This Base Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on Euronext Dublin's regulated market will be published on the website of Euronext Dublin (<https://live.euronext.com/en/product/bonds-detail/24183/overview>).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code, the International Securities Identification Number (ISIN), the Financial Instrument Short Name (FISN) and Classification of Financial Instruments (CFI) code (as applicable) for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg may be specified in the applicable Final Terms. In addition, the Issuer may make an application

for any Notes in registered form to be accepted for trading in book entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, S.A., 42 Avenue JF Kennedy L-1885 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial performance or position of the Group since 30 June 2023 and there has been no material adverse change in the prospects of the Issuer, the Guarantor or the Group since 31 December 2022.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on the Issuer's financial position or profitability.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on the Guarantor and/or the Group's financial position or profitability.

Independent Auditors

Since the date of its incorporation, no audited financial statements of the Issuer have been prepared. The Issuer is not required by the laws of the DIFC, and does not intend, to publish audited financial statements.

The Group's appointed auditors are Ernst & Young Al Aiban, Al Osaimi & Partners ("**E&Y**") whose business address is P.O. Box 74, 18 – 21st Floor, Baitak Tower, Ahmed Al Jaber Street, Safat Square 13001, Kuwait and Deloitte & Touche Al Wazzan & Co. ("**Deloitte**") whose business address is Ahmed Al-Jaber Street, Sharq, Dar Al-Awadi Complex, Floors 7 & 9, P.O. Box 20174, Safat 13062, Kuwait. Each of E&Y and Deloitte is regulated in Kuwait by the CMA and is a registered auditor licensed to act as an auditor in Kuwait by the Kuwaiti Ministry of Commerce and Industry.

The consolidated financial statements of the Group as at and for the years ended 31 December 2022 and 31 December 2021 have been jointly audited by E&Y and Deloitte in accordance with International Standards on Auditing, as stated in their reports incorporated by reference herein.

Dealers Transacting with the Issuer and the Guarantor

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and their respective affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor and their affiliates. The Dealers and/or their affiliates may receive allocations of Notes (subject to customary closing conditions), which could affect future trading of the Notes. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer, the Guarantor and their affiliates routinely

hedge their credit exposure to the Issuer, the Guarantor and their affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Guarantor's Website

The Guarantor's website is <https://www.nbk.com>. Unless specifically incorporated by reference into this Base Prospectus, the information contained on this website is not incorporated by reference into, or otherwise included in, this Base Prospectus.

ISSUER

NBK SPC Limited
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GUARANTOR

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FISCAL AGENT, TRANSFER AGENT, EXCHANGE AGENT AND REGISTRAR

Citibank N.A., London Branch

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To the Guarantor

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Watani Investment Co. K.S.C.C.

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Goldman Sachs International

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LISTING AGENT

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