

Memorandum of Association

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



بيت التمويل الكويتي

KFH

Articles of Memorandum

Article 1

Pursuant to this Memorandum of Association the Ministry of Awqaf and Islamic Affairs, the Ministry of Finance and the Public Authority for Minors Affairs have established a Kuwaiti shareholding company as per the provisions of the law.

Article 2

The founders declare that the Company has been established pursuant to the provisions of Law No. 72 of 1977. The Company is governed by the provisions of Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait and the Regulation of Banking and its amendments, Companies Law No. 1 of 2016 and its executive regulations, Law No. 7 of 2010 regarding the Capital Markets Authority and Regulating Securities Activity and its executive regulations and the provisions of this Memorandum of Association.

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

Article 3

The Company's name is:

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

Article 4

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

Article 5

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

Article 6

The Company's establishment objectives shall be as follows:

First: Conduct all banking operations and services regular and digital for its own benefit, or for the benefit of any third parties, without engaging in usury (Riba) whether in the form of interest or in any other form. The Company may carry out the following:

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

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

Second: Carry out investment activities directly or by the purchase and finance of projects or activities owned by others, without engaging in usury (Riba). The Company may, for example, carry out the following:

1. Establish new companies, participate in existing companies or financing companies.
 2. Provide individuals and governmental organizations with all types of studies, expertise, research and advice on the employment of funds and provide all types of services concerning such operations.
 3. Purchase land or other real estate either for the purpose of selling it in its original condition or after division or for renting the same in a vacant condition or with facilities, buildings and equipment added thereto.
 4. Finance investments in all types of construction activities.
 5. Conduct securities activities, including Sukuk, as an investment consultant and subscription agent in compliance with Islamic Sharia regulations.
 6. Manage properties.
 7. Carry out real estate appraisal procedures including built and under-construction real estate, vacant lands of all types and residential units.
- In general, the Company may carry out all such activities to achieve its banking and investment objectives directly or in cooperation with other organizations, companies and governments in compliance with Sharia regulations.

Article 7

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

Article 8

An independent committee called the Fatwa and Sharia Supervisory Board shall be formed within the Company, comprising not less than three scholars specialized in Islamic jurisprudence and holding university degrees in that field. Committee members shall be appointed by the Company's general assembly.

The Sharia committee shall have the following tasks:

1. Express Sharia opinion on the Company's activities and actions.
2. Verify the Company's compliance with Islamic Sharia principles.

Provide the Company's general assembly with an annual report stating the extent of the Company's business activities and operations with Sharia principles and management's compliance with Sharia committee opinions in this respect and express any remarks on the Company's business.

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

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

Article 9

The Company's authorized, issued and paid-up capital is KD 1,847,712,327.500 (One Billion, Eight Hundred Forty-Seven Million, Seven Hundred Twelve Thousand, Three Hundred Twenty-Seven Kuwaiti Dinars and Five Hundred Fils) distributed over 18,477,123,275 shares (Eighteen Billion, Four Hundred and Seventy-Seven Million, One Hundred and Twenty-Three thousand and Two Hundred and Seventy-Five shares). The value of each share is one hundred Fils and all shares are in cash.

Article 10

The founders have subscribed to the Company's capital by purchasing shares amounting to 4,900,000 (four million, nine hundred thousand) shares to be divided as follows:

1. Ministry of Awqaf and Islamic Affairs: 900,000 (nine hundred thousand) shares with a value amounting to KD 900,000 (nine hundred thousand Kuwaiti dinars).
2. Ministry of Finance: 2,000,000 (two million) shares with a value amounting to KD 2,000,000 (two million Kuwaiti dinars).
3. Public Authority for Minors Affairs: 2,000,000 (two million) shares with a value amounting to KD 2,000,000 (two million Kuwaiti dinars).
4. They shall undertake to deposit 25% of the shares' value in any of the banks operating in Kuwait.
5. The remaining shares shall be offered for public subscription in Kuwait.

Article 11

The Company shall pay establishment expenses amounting to KD 50,000 (fifty thousand Kuwaiti dinars) approximately. These expenses shall be deducted from the general expenses account.

Article 12

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

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

Article 13

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

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

Article 14

The Company may increase its capital or use treasury shares as part of an initiative to incentivize efficient employees to work for the Company by establishing an employee share purchase option prepared by the Board of Directors. Priority in benefiting from the capital increase shares shall be granted to eligible employees. Existing shareholders shall waive their priority rights to these shares in favor of eligible employees, as outlined in the system established by the board.

Articles of Association

Article 1

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

The Company is subject to the provisions of Companies Law No. 1 of 2016 and its relevant executive regulations and Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait, and the Regulation of Banking and its amendments, Law No. 7 of 2010 regarding the Capital Markets Authority and Regulating Securities Activity as well as its relevant executive regulations.

Article 2

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

Article 3

The duration of the Company shall be unlimited.

Article 4

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

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

1. Accept various types of cash deposits, either for safekeeping or for conditional or unconditional reinvestment in compliance with Sharia regulations.
2. Purchase and sell gold bullions and supply, sell and purchase foreign currencies and drafts.
3. Provide short-term financing against collaterals in the form of commercial papers with agreed commercial returns in compliance with Sharia regulations.
4. Issue letters of credit and provide banking facilities, with or without collaterals.
5. Issue guarantees in favor of third parties, with or without collaterals.
6. Provide collection services of drafts, promissory notes, cheques, bills of lading and all other instruments against a commission for the benefit of customers and other parties.
7. Receive subscriptions during various establishment stages of new shareholding companies or capital increases.
8. Purchase shares, investment certificates and similar securities for the benefit of the Company or for the benefit of others in accordance with Islamic Sharia regulations.

9. Provide safekeeping for all kinds of currencies, precious metals, jewelry, documents, packages and parcels as well as the rental of safe deposits.
10. Act as trustee and agent, accepting agencies and appointing agents with or without commission. In general, the Company has the right to carry out all types of banking operations and services as well as other operations permissible by banking laws, rules and regulations in compliance with Sharia regulations.

Second: Carry out direct investment activities, purchasing or financing projects or activities owned by others without engaging in usury (Riba). The Company has the right, for example, to carry out the following:

1. Establish new companies or participate in or finance existing companies.
2. Provide individuals and government entities with studies, expertise, research and advice on capital placements, and provide all services concerning such operations.
3. Purchase land and other real estate either for the purpose of selling it in its original condition or after division or for renting the same in a vacant condition or with facilities, buildings and equipment added thereto.
4. Provide investment financing services for all types of construction activities.
5. Conduct securities activities, including Sukuk, as an investment consultant and subscription agent in compliance with Islamic Sharia regulations.
6. Manage properties.
7. Carry out real estate appraisal procedures including built and under-construction real estate, vacant lands of all types and residential units.

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

Article 5

The Company's authorized, issued and paid-up capital is KD 1,847,712,327.500 (One Billion, Eight Hundred Forty-Seven Million, Seven Hundred Twelve Thousand, Three Hundred Twenty-Seven Kuwaiti Dinars and Five Hundred Fils) distributed over 18,477,123,275 shares (Eighteen Billion, Four Hundred and Seventy-Seven Million, One Hundred and Twenty-Three thousand and Two Hundred and Seventy-Five shares). The value of each share is one hundred Fils and all shares are in cash.

Article 6

The founders shall subscribe to the Company's capital with 4,900,000 (four million, nine hundred thousand) shares. They undertake to pay 25% of the nominated value which is equal to KD 4,900,000 (four million, nine hundred thousand Kuwaiti dinars) to one of the local accredited banks in Kuwait.

The remaining 5,100,000 (five million, one hundred thousand) shares shall be offered for public subscription in Kuwait. The offering conditions and procedures shall be determined by the founders.

Article 7

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

Article 8

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

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

Article 9

Notwithstanding the provisions of Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait, and the Regulation of Banking and its amendments, no natural or nominal person is allowed to own more than 5% of the Company's capital shares.

The above ownership limit does not apply to shares purchased by companies for the benefit of the government.

Article 10

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

Article 11

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

Article 12

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

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

Article 13

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

Article 14

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

Shares may be mortgaged even if not paid in full. The mortgage shall be recorded in the shareholder register in the presence of the mortgagor and the mortgagee or their representatives.

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

Article 15

Ownership of shares shall inevitably result in the acceptance of the Company's Articles of Association and the general assembly resolutions.

Article 16

Each share grants its holder an equal and non-discriminatory ownership stake in the Company's assets and the distribution of profits, as specified below.

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

Article 17

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

Authorized capital may not be increased unless the value of the original shares is already paid in full. The extraordinary general assembly may issue a resolution authorizing the Board of Directors to determine the execution date of the capital increase resolution.

The Company may increase its capital or use treasury shares as part of an initiative to incentivize efficient employees to work for the Company by establishing an employee share purchase option prepared by the Board of Directors. Priority in benefiting from the capital increase shares shall be granted to eligible employees. Existing shareholders shall waive their priority rights to these shares in favor of eligible employees, as outlined in the system established by the board.

Article 18

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

1. Offering the increased shares for public subscription.
2. Transfer of funds from the voluntary reserve or retained earnings or amounts in excess of the statutory reserve into shares.
3. Transfer of a company's debt, bonds or Sukuk into shares.
4. Providing corporeal shares.
5. Issuance of new shares to be allocated to the entry of new partners proposed by the Board of Directors and approved by the extraordinary general assembly.
6. Any other methods regulated by the Companies Law regulations.
7. In all cases, additional shares' nominal value shall be equal to the nominal value of the original shares.

Article 19

If capital increase was decided by offering shares for public subscription as per clause 1 of Article 18 (Bis), shareholders shall have the priority to subscribe to the new shares on pro rata basis within fifteen days from date of notice.

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

Article 20

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

Article 21

If the capital increase shares are not fully covered, the extraordinary general assembly which has approved the increase may resolve to cancel the capital increase or suffice itself with the amount subscribed thus far. The Companies Law and its executive regulations demonstrate the applicable procedures to be taken in this respect.

Article 22

The extraordinary general assembly may resolve to add an issuance premium to cover issuance expenses, adding said premium to the Company's reserve.

This process may be performed as provided in the Companies Law regulations and Capital Markets Authority instructions.

Article 23

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

Article 24

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

Article 25

In case capital increase is covered through the transfer of company debt, bonds or Sukuks into shares, the provisions of the Companies Law and its amendments and regulations shall apply.

Article 26

The extraordinary general assembly may resolve, upon a justified proposal from the Board of Directors and subject to the consent of the Central Bank of Kuwait and the Capital Markets Authority to decrease capital in the following cases:

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

Article 27

If resolution to decrease capital is based on the fact that the capital exceeds the Company's needs, then the Company must, prior to the execution of the decrease resolution, settle all outstanding debts and provide sufficient guarantees to settle all future debts. The Company's creditors shall be entitled, in case of the Company's failure to settle its debts or provide sufficient guarantees to settle future debts, to object to the decrease resolution before a court of law as provided in the Companies Law regulations.

Article 28

Capital may be decreased as follows:

1. Decrease in shares' nominal value by not less than the minimum determined limit.
2. Cancellation of a number of shares equal to the intended capital decrease amount.
3. The Company's purchase of a number of shares equal to the intended decrease in capital.
4. Procedures in this respect shall apply as outlined in the executive regulations of the Companies Law.

Article 29

The Company may purchase, sell or dispose of its shares. The Ordinary General Assembly shall authorize the Board of Directors to purchase, sell or dispose of the Company shares by not more than 10% of the Company's issued and paid-up capital in the following cases:

1. Maintaining share price stability. In this case, purchased shares shall not exceed the ratio out of total company shares determined by the Central Bank of Kuwait and the Capital Markets Authority.
2. Decreasing the Company's capital.
3. Collecting a debt due from a third party against said shares.
4. Settling a debt due to a third party.
5. Distribution to shareholders without causing any increase in capital or in the number of issued shares, pursuant to general assembly approval as per the rules and regulations resolved thereby.
6. Swapping transactions in case of acquisition or merger of the Company subject to Central Bank of Kuwait approval.
7. Selling or granting the Company's employees all or part of its share as per the employees share purchase option program, subject to a resolution issued by the ordinary general assembly and as per the rules and regulations endorsed by the general assembly.
8. Any other cases determined by the related laws and ministerial decrees or determined by the Central Bank of Kuwait or the Capital Markets Authority in the future.

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

Article 30

The Company is managed by a Board of Directors consisting of 14 members, including four independent members. The ordinary general assembly elects all members by secret ballot. The term of board membership is three years subject to renewable, and the term of membership of each independent member ends upon completion of the board session for which the member was chosen. The membership of the independent member shall be also terminated either by resigning or by losing the independent member's conditions for any other reasons in accordance with the law and instructions. The ordinary general assembly may choose the member for a further one term, taking into account what is stipulated in the Companies Law and its amendments as well as the instructions of the regulatory authorities.

Article 31

Board membership candidates shall meet the following conditions:

1. Have the capacity to act.
2. Not be convicted of or imprisoned for any crime including bankruptcy, default, fraud, breach of honor, breach of trust or any other punishment for violating the provisions of the Companies Law unless he is later acquitted.
3. Excluding independent board members, the board member shall own in his capacity or by proxy a number of shares in the Company.

If the board member fails to meet any of the above conditions or any of the conditions outlined in the Companies Law or other laws, his membership shall be nullified effective the date of failure to meet said conditions.

Article 32

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

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

Article 33

Pursuant to the provisions of the Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait, and the Regulation of Banking and its amendments, no board member may assume a board membership position in any similar or competent company, be a merchant in any business similar or competent to the Company's business, have any direct or indirect interest in the contracts and transactions concluded with or for the account of the Company or have any interest conflicting with the Company's interests without the prior consent of the general assembly and subject to the same conditions applied by the Company in dealing with other parties.

The Chairman or any board member (even if a representative of a corporate body) shall not use the information which he acquires by virtue of his position to achieve an interest for himself or for others. Furthermore, he shall not dispose the shares of the Company of which he is a board member in any way throughout his membership term without the prior consent of the Capital Markets Authority.

Article 34

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

Article 35

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

Article 36

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

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

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

Article 37

The Board of Directors shall elect by secret ballot a chairman and a vice chairman for a period of three years each.

Article 38

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

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

Article 39

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

Article 40

The Board of Directors shall hold its meetings six times during each fiscal year per the invitation of the Chairman or the Vice Chairman in absence of the Chairman or upon the request of three board members at minimum.

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

In the absence of the Chairman and the Vice Chairman the meeting shall be presided by the oldest member.

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

The Company's Board of Directors shall appoint the Board Secretary.

Article 41

The Board of Directors' decisions must be issued by majority vote of the present members. If votes are equal, the Chairman shall cast the deciding vote.

Board meeting minutes shall be prepared and signed by all present members and the Board Secretary. Any opposing member may request the entry of his objection in the minutes.

Article 42

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

Article 43

The ordinary general assembly shall determine the total remuneration of the Chairman and the board members, which shall not exceed 10% of net profit less depreciation and reserves. In this case, the dividends to be distributed to shareholders shall not be less than 5% of the share capital.

The board shall determine executive management and Chief Executive Officer remunerations.

The board shall prepare an annual report and present the same to the ordinary general assembly for approval. The report shall accurately detail all amounts and benefits received by the board, whatever their nature or category.

Article 44

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

Article 45

Parties having representatives on the board, the Chairman, board members, members of the executive management or their wives or second degree relatives shall not have any direct or indirect interest in the contracts and deals concluded with or for the benefit of the Company without the prior consent of the ordinary general assembly.

Article 46

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

The Board of Directors shall take utmost care and caution in practicing its powers and authorities.

Article 47

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

Article 48

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

Article 49

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

Furthermore, the board may sell or mortgage the Company's real estate, issue guarantees, conclude loan contracts, and grant loans guaranteed by company real estate provided these actions do not constitute usury (Riba).

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

Article 50

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

Article 51

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

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

Article 52

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

Article 53

The Company may file lawsuits against members due to any damages resulting from members' faults. If the Company is under liquidation, the liquidator shall file the case.

Article 54

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

Article 55

The annual ordinary general assembly shall convene upon invitation from the Board of Directors within three months from the end of the Company's fiscal year at the time and place determined by the Board of Directors. The board may call for a general assembly meeting whenever necessary. The board shall also call for a general assembly meeting when shareholders owning not less than one tenth of the capital or a public accountant demand so. The meeting shall convene within 21 days from the date of request. The agenda shall be prepared by the party calling for the meeting. Invitations shall invite shareholders to attend the general assembly meeting in any capacity. Invitations shall comprise the agenda as well as the time and place of the meeting. Invitations shall be issued through any of the following means:

1. Announcement in two daily Arabic newspapers at minimum. The advertisement shall be published twice provided that the second advertisement is published after the lapse of one week from the date of publishing the first announcement and no less than one week prior to the general assembly meeting. The second announcement shall be published in the official gazette in addition to the two daily newspapers. The invitation shall be accompanied by an agenda.
2. By e-mail.
3. By fax.

The second invitation shall be addressed after the lapse of seven days from the date of the first invitation and seven days prior to the meeting date.

Article 56

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

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

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

Article 57

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

The founders' general assembly shall verify the information contained in the report and its conformity with the law and the Company's Memorandum and Articles of Association. The assembly shall review all reports presented by the Ministry of Commerce and Industry in this respect, elect board members, appoint public accountants and announce the final incorporation of the Company.

Article 58

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

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

Article 59

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

Each shareholder shall be given a card to attend the meeting. The card shall determine the number of votes which the shareholder is entitled to.

Article 60

An ordinary general assembly meeting shall be valid only if attended by shareholders representing more than half of the issued capital.

If such quorum is not met, a second general assembly meeting shall convene with the same agenda within a minimum period of seven days and a maximum of 30 days from the date of the first meeting. The second meeting of the general assembly shall be valid irrespective of the number of present shareholders.

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

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

Article 61

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

Article 62

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

Article 63

The ordinary general assembly shall convene at minimum once per year upon invitation from the Board of Directors within three months from the end of the Company's fiscal year.

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

Article 64

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

1. Board reports on the Company's activities and financial position at the year end.
2. Auditor's reports on the Company's financial statements.
3. Reports on any violations detected by control authorities and for which the Company is penalized.
4. Company financial statements.
5. Board proposals for the distribution of dividends.
6. Providing clearance to board members.
7. Election and dismissal of board members and determination of their remunerations.
8. Appointment of auditors and determination of their fees or authorization of the board to do so.

9. Fatwa and Sharia Supervisory Board report on the compliance of company business with Sharia regulations.
10. Appointment of the Fatwa and Sharia Supervisory Board and determination of their remunerations or authorization of the board to do so.
11. Report on related party transactions. Related parties are defined as per the International Accounting Standards.

Article 65

The Board of Directors shall submit to the ordinary general assembly a full report on the progress of the Company's operations and financial and economic position, including the balance sheet, profit and loss account, Board of Directors' remunerations, auditors' fees, and proposed distribution of dividends.

Article 66

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

Article 67

The ordinary general assembly may not discuss any matters not listed in the agenda unless they are of an urgent nature which occur following agenda preparation or during the meeting or are requested by a regulatory authority, the auditor or shareholders representing 5% of the Company's capital. If it is determined during discussion that the information concerning said matter is not sufficient, the meeting shall be postponed for a maximum period of ten working days if shareholders representing 25% of the issued capital so demand. The postponed meeting shall be convened without the need for new invitation procedures.

Article 68

The board shall execute the general assembly resolutions unless the same comprise any breach of the law or of the Company's Memorandum of Association.

The board shall represent the resolutions in violation of the law or the Company's memorandum to the general assembly in a meeting addressing said violations.

Article 69

All rules and regulations applied to the ordinary general assembly shall be applicable to the extraordinary general assembly taking into consideration the provisions of Articles 247-251 of the Companies Law.

Article 70

The extraordinary general assembly shall convene its meeting upon invitation from the Board of Directors or a written request by shareholders representing 15% of the issued capital or by the Ministry of Commerce and Industry. The board shall call for the extraordinary general assembly meeting within a period of 30 days from the request submission date.

If the board fails to invite the extraordinary general assembly to convene within the period set out in the above clause, the Ministry shall call for the meeting within 15 days from the end of the period set out in the preceding clause.

Article 71

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

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

Article 72

The following issues shall be processed by the extraordinary general assembly only:

1. Amend the Company's Memorandum or Articles of Association.
2. Sell the whole project executed by the Company or dispose of the same in any other manner.
3. Dissolve the Company or merge it with another company or entity.
4. Decrease or increase company capital.

No amendment, disposal, merger, joining, or any other procedure aiming to increase the Company's ability to finance shall breach the rule of avoiding all types of usury (Riba).

No amendment of the Company's Articles of Association shall be valid without prior consent of the Ministry of Commerce and Industry and the Central Bank of Kuwait and while observing the provisions of Currency, the Central Bank of Kuwait and the Organization of Banking Business and the Commercial Companies Law.

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

Article 73

The Company shall receive two kinds of deposits:

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

Article 74

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

Article 75

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

Investment authorization may be limited to certain real estate, industrial, financial or any other of the Company's projects or it may be an absolute authorization.

The deposit term may be limited or unlimited.

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

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

Article 76

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

Article 77

Ordinary banking business carried out by the Company shall be organized and regulated by certain bylaws laid out by the Board of Directors. Such bylaws shall determine the rates of fees and commissions which the Company shall charge for such services, provided that such rates do not constitute usury (Riba) in any manner whatsoever.

Article 78

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

Article 79

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

Article 80

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

Article 81

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

Article 82

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

Article 83

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

Article 84

The public accountant shall have the authorities and obligations provided in the Companies Law. He is entitled, in particular, to view the Company's books, documents and records at any time and request the information which he deems necessary. He may check the Company's assets and liabilities. If an auditor is unable to use these powers, he shall report this matter in writing to the Board of Directors which in its turn shall refer the matter to the general assembly. Furthermore, the board may call for a general assembly meeting in this respect.

Article 85

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

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

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

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

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

Article 86

A certain percentage determined by the Board of Directors shall be deducted from gross profit and allocated to establish special reserves, such as debts reserve and currency fluctuations reserve in addition to depreciations and reserves and allocations required by law and industry practices or the provisions of these articles.

Article 87

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

Such funds shall be used for the purchase of materials, machines and construction necessary for their repair. Moreover, a portion of the gross profit shall be recommended by the Board of Directors and approved by the ordinary general assembly to be deducted to meet the Company's obligations under labor laws.

Article 88

The net profits are distributed as follows:

1. 10% shall be deducted and allocated to the statutory reserve.
2. 10% shall be deducted and allocated to the voluntary reserve.
The ordinary general assembly may, upon the board's proposal, increase the percentage contained in both preceding paragraphs as it deems suitable. Also, it may stop this deduction upon the board's proposal and as per the Central Bank of Kuwait.
3. The required amount shall be deducted to distribute 5% of dividends to shareholders.
4. A calculated percentage of 1% from the bank's net annual profit shall be applied annually to the Kuwait Foundation for the Advancement of Sciences (KFAS).
5. An amount approved by the Ordinary General Assembly shall be allocated as a reward to the Board of Directors, provided that its total does not exceed 10% of net profits after previous deductions.
6. The balance amount is distributed to shareholders as an additional share of the profits or is retained to the following year as proposed by the board or allocated according to the suggestion of the Board of Directors or is allotted to create the profit-settling reserve to ensure distribution of profit during the years in which net profit is not sufficient to distribute dividends or to form extraordinary provisions.

Article 89

The ordinary general assembly may, based on the proposal of the Board of Directors, decide to distribute profits on a biannual basis. The ordinary general assembly, in its annual meeting, may also empower the Board of Directors to implement its decision and allow the Board of Directors to distribute profits for the first half of the fiscal year, as per percentages approved by the Board of Directors. The validity of this distribution is based on the condition that profits are actual according generally accepted accounting principles, provided that distribution should not affect the paid capital.

Article 90

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

Article 91

The reserve funds are used based on the decision of the Board of Directors, in a manner that serves the Company's interests.

It is not permissible to distribute mandatory reserves to shareholders, but it is permissible to use them to secure dividends for shareholders reaching up to 5% in years where the Company's profits do not suffice to cover this limit.

If the mandatory reserve exceeds half of the Company's capital, the General Assembly may decide to stop deducting it or to use the excess for purposes deemed beneficial to the Company and its shareholders.

Article 92

The Fatwa and Sharia Supervisory Board shall be established at the Company. The committee shall comprise not less than three members to be appointed as per a general assembly resolution. The committee shall nominate a chairman from its members.

Article 93

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

The Fatwa and Sharia Supervisory Board shall also perform the following functions:

1. Submit an annual report to the general assembly to determine the Company's business compliance with Sharia regulations.
2. Monitor Sharia supervisors' performance in all company sectors.
3. Organize Sharia courses for company employees to enable them to carry out their duties in accordance with Sharia principles. The Sharia board may propose to the Board of Directors to hold seminars and conferences related to Islamic economics.
4. Carry out other duties entrusted to the Fatwa and Sharia Supervisory Board by the Board of Directors.

Article 94

In the event of disagreement among the members of the Sharia Supervisory Board on any Shari'ah pervision, the subject of the dispute shall be referred to the Central Bank of Kuwait's Higher Committee of Shari'ah Supervision by the Board of Directors.

Article 95

The Sharia Board shall convene its meetings at minimum 12 times per year upon invitation by the Sharia Board Chairman. All meetings shall be held at the allocated place at the Company.

Article 96

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

The Memorandum of Association shall be amended accordingly.

Article 97

On dissolution, the Company's holdings shall be liquidated in accordance with the relevant provisions of the Commercial Companies Law, and Law No. 32 of 1968 concerning Currency, the Central Bank of Kuwait, and the Regulation of Banking Business.