IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES OR TO ANY U.S. PERSON

IMPORTANT: **You must read the following disclaimer before continuing.** The following disclaimer applies to the attached base offering circular (the "**Base Offering Circular**") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Base Offering Circular. In accessing the Base Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the Base Offering Circular is confidential and intended only for you and **you agree you will not forward, reproduce or publish this electronic transmission or the Base Offering Circular to any other person.**

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE BASE OFFERING CIRCULAR HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE U.S. AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE BASE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Any Certificates (as defined in the Base Offering Circular) to be issued under the Programme which do not constitute "alternative finance investment bonds" ("**AFIBs**") within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) 2001 (SI 2001/544) as amended, will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, the Base Offering Circular is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of the Base Offering Circular, any applicable Pricing Supplement and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates (whether or not such Certificates are AFIBs) is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (ii) persons falling within any of the categories of persons described in Article 49 (*high net worth companies, unincorporated associations, etc.*) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"); (ii) persons falling within any of the categories of person described in Article 22 (*high net worth companies, unincorporated associations, etc.*) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be promoted. Persons of any other description in the United Kingdom may not receive and should not act or rely on the

Base Offering Circular, any applicable Pricing Supplement or any other marketing materials in relation to any Certificates.

CONFIRMATION OF YOUR REPRESENTATION: By accessing the Base Offering Circular you confirm to Kuwait Finance House K.S.C.P. ("**KFH**"), KFH Sukuk Company (in its capacities as issuer of the securities and as trustee for the holders of the Certificates, the "**Trustee**"), to each of KFH Capital Investment Company K.S.C.C., HSBC Bank plc and Dubai Islamic Bank PJSC (the "**Arrangers**") and any other dealers appointed under the Programme (as defined herein) from time to time by KFH and the Trustee, which appointment may be for a specific issue of securities or on an ongoing basis (together with Standard Chartered Bank, the "**Dealers**") that: (i) you understand and agree to the terms set out herein; (ii) you are a relevant person; (iii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of a U.S. person, and, to the extent that you purchase the securities described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including any state of the United States and the District of Colombia), its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands); (iv) you are a person who is permitted under applicable law and regulation to receive the Base Offering Circular; (v) you consent to delivery of such Base Offering Circular and any supplements thereto by electronic transmission; (vi) you will not transmit the Base Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (vii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation, *Shari'a* or other economic considerations with respect to your decision to subscribe or purchase any of the securities.

You are reminded that the Base Offering Circular has been delivered to you on the basis that you are a person into whose possession the Base Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Base Offering Circular to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Base Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Arrangers and the Dealers or any affiliate of the Arrangers or the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such licensed Arranger or Dealer or such affiliate on behalf of KFH, the Trustee or holders of the applicable securities in such jurisdiction.

Recipients of the Base Offering Circular who intend to subscribe for or purchase the securities described herein are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Offering Circular, the applicable Pricing Supplement and/or supplement(s) to the Base Offering Circular (if any).

The distribution of the Base Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the Base Offering Circular comes are required by KFH, the Trustee, the Arrangers and the Dealers to inform themselves about, and to observe, any such restrictions.

The Base Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of KFH, the Trustee, the Arrangers, the Dealers, the Delegate or the Agents, nor any person who controls them, or any director, officer, employee or agent of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Offering Circular distributed to you in electronic format and the hard copy version available to you on request from KFH, the Trustee, the Arrangers and the Dealers. Please ensure that your copy is complete. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

BASE OFFERING CIRCULAR

KFH SUKUK COMPANY
(incorporated as an exempted limited liability company in the Cayman Islands)

U.S.$4,000,000,000
Trust Certificate Issuance Programme

Under the U.S.$4,000,000,000 trust certificate issuance programme (the "**Programme**") described in this base offering circular (the "**Base Offering Circular**"), KFH Sukuk Company (in its capacities as issuer and as trustee, the "**Trustee**"), subject to compliance with all relevant laws, regulations and directives, may from time-to-time issue trust certificates (the "**Certificates**") denominated in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below).

The maximum aggregate face amount of all Certificates outstanding from time to time under the Programme will not be more than U.S.$4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to any increase as described herein.

Each Tranche (as defined in "*Terms and Conditions of the Certificates*" (the "**Conditions**")) of Certificates issued under the Programme will be constituted by: (i) a master declaration of trust dated 19 April 2023 (the "**Master Declaration of Trust**") entered into between the Trustee, Kuwait Finance House K.S.C.P. ("**KFH**") and Citibank, N.A., London Branch as delegate of the Trustee (in such capacity, the "**Delegate**"); and (ii) a supplemental declaration of trust in relation to the relevant Series (each a "**Supplemental Declaration of Trust**" and together with the Master Declaration of Trust, each a "**Declaration of Trust**"). Certificates of each Tranche confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee in relation to the relevant Series (the "**Trust**") over the Trust Assets (as defined herein).

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

The Certificates will be limited recourse obligations of the Trustee. An investment in Certificates issued under the Programme involves certain risks. For a discussion of these risks, please see "*Risk Factors*" on page 8.

Application has been made for Certificates to be admitted to trading on the International Securities Market of the London Stock Exchange plc (the "ISM"). Certificates admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the "FCA"). The London Stock Exchange plc has not approved nor has it verified the contents of this Base Offering Circular. The applicable Pricing Supplement (as defined below) which supplements the Conditions will state on which market(s) the relevant Certificates will be admitted to trading, if any. The Programme provides that Certificates may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Trustee and the relevant Dealer. The Trustee may also issue unlisted Certificates and/or Certificates not admitted to trading on any market.

Investors should also note that the Certificates will be delisted from the ISM and/or any other of further stock exchanges following the occurrence of a Tangibility Event, see Condition 8.5 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*).

The ISM is a market designated for professional investors. The ISM is not a regulated market situated or operating within the United Kingdom (the "**UK**") for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") (the "**UK Prospectus Regulation**").

Notice of the aggregate face amount of the Certificates, Profit Rate, periodic distribution amounts (if any) payable in respect of the Certificates, the issue price of the Certificates and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the "**applicable Pricing Supplement**").

The Certificates have not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**") of the United States of America (the "**United States**" or the "**U.S.**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

KFH has been assigned a long-term foreign currency issuer default rating of "A" with a stable outlook from Fitch Ratings Limited ("**Fitch**") and a long-term bank deposits rating of "A2" with a stable outlook from Moody's Investors Service Ltd. ("**Moody's**"). The Programme is expected to rated "A" by Fitch. Each of Fitch and Moody's is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). The ratings issued by each of Fitch and Moody's have been endorsed by Fitch Ratings Ireland Limited and Moody's Deutschland GmbH, respectively. Each of Fitch Ratings Ireland Limited and Moody's Deutschland GmbH is established in the European Union (the "**EU**") and registered under Regulation (EC) No. 1060/2009 (as amended) (the "**EU CRA Regulation**"). As such, each of Fitch Ratings Ireland Limited and Moody's Deutschland GmbH 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.

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

The transaction structure relating to the Certificates (as described in this Base Offering Circular) has been approved by the KFH Capital *Shari'a* Committee, the HSBC Global Shariah Supervisory Committee, Standard Chartered Bank Global Shariah Supervisory Committee and the Internal Sharia Supervisory Committee of Dubai Islamic Bank PJSC (together, the "***Shari'a* advisers**") as compliant with *Shari'a* principles as applicable to, and interpreted by, them. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisors as to whether the proposed transaction described in the approval referred to above, including the tradability of the Certificates on any secondary market, is in compliance with *Shari'a* principles (including, without limitation, with their individual standards of compliance relating thereto).

None of the Trustee, KFH or KFH Capital Investment Company K.S.C.C., HSBC Bank plc and Dubai Islamic Bank PJSC (the "**Arrangers**") or the Dealers makes any representation to potential investors as to the *Shari'a* compliance of any Certificates and/or any trading thereof (including, without limitation, any future trading of any Certificates on the secondary market) and none of the Trustee, the KFH the Arrangers or the Dealers shall be liable to any Certificateholder or any other person in respect thereof. Potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible and different *Shari'a* standards may be applied by different *Shari'a* boards.

Arrangers

Dubai Islamic Bank | **HSBC** | **KFH Capital**

Dealers

Dubai Islamic Bank | **HSBC** | **KFH Capital**

Standard Chartered Bank

The date of this Base Offering Circular is 19 April 2023

IMPORTANT NOTICES

Each of the Trustee and KFH accepts responsibility for the information contained in this Base Offering Circular and the applicable Pricing Supplement for each Tranche of Certificates issued under the Programme. To the best of the knowledge of each of the Trustee and KFH (each having taken reasonable cate to ensure that such is then case), the information contained in this Base Offering Circular is in accordance with the facts and this Base Offering Circular does not omit anything likely to affect its import.

This Base Offering Circular should be read and construed together with any supplements hereto and, in relation to any Tranche of Certificates, should be read and construed together with the applicable Pricing Supplement.

This Base Offering Circular must be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Base Offering Circular. Other than in relation to the documents which are deemed to be incorporated by reference in this Base Offering Circular (see "*Documents Incorporated by Reference*"), the information on the websites to which this Base Offering Circular refers does not form part of this Base Offering Circular and has not been scrutinised or approved by the FCA.

None of the Dealers, the Arrangers (each as specified under "*Overview of the Programme*"), the Agents (as defined in the Conditions) or the Delegate (as specified under "*Overview of the Programme*") or their affiliates or their respective directors, advisers, agents have independently verified the information contained herein. Accordingly, none of the Dealers, the Arrangers, the Agents, the Delegate or their affiliates or their respective directors, advisers, agents accepts any responsibility or liability for and makes no representation, warranty or undertaking, express or implied, as to: (i) the accuracy or completeness of the information contained or incorporated by reference in this Base Offering Circular; (ii) any acts or omissions of the Trustee, KFH or any other person in connection with this Base Offering Circular or the issue and offering of the Certificates; or (iii) any other information provided in connection with the Trustee, KFH, the Programme, any Certificates issued thereunder or their distribution. Each of the Arrangers, Dealers, Agents, the Delegate and their affiliates and their respective directors, advisers, agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Base Offering Circular or any other information provided by the Trustee or KFH in connection with the Programme, the Certificates or their distribution.

No person is or has been authorised by the Trustee or KFH to give any information or to make any representation not contained in or not consistent with this Base Offering Circular or any other information supplied in connection with the Programme or the issue or sale of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by KFH, the Trustee, the Delegate, the Arrangers, any Dealer or any Agent.

Neither this Base Offering Circular nor any other information supplied in connection with the Programme or any Certificates: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by KFH, the Trustee, the Delegate, any Arranger, any Dealer, or any Agent that any recipient of this Base Offering Circular should purchase any Certificates. Each investor contemplating purchasing Certificates should determine for itself the relevance of the information contained in this Base Offering Circular, make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Trustee and KFH and its purchase of any Certificates should be based upon such investigation as it deems necessary. Neither this Base Offering Circular nor any other information supplied in connection with the Programme or the issue of any Certificates constitutes an offer or invitation by or on behalf of KFH, the Trustee, the Delegate, the Arrangers, any Dealer or the Agents to any person to subscribe for or to purchase any Certificates. None of the Dealers, the Arrangers, the Agents or the Delegate undertakes to review the financial condition or affairs of the Trustee or KFH or KFH's consolidated subsidiaries either individually or taken as a whole (together, the "**Group**") during the life of the arrangements contemplated by this Base Offering Circular nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Dealers, the Arrangers, the Agents or the Delegate.

Neither the delivery of this Base Offering Circular nor the offer, issue, sale or delivery of the Certificates shall, under any circumstances, imply that there has been no change in the affairs of the Trustee, KFH or the Group since the date hereof or that the information contained or incorporated by reference herein

concerning the Trustee and/or KFH and/or the Group is correct as at any time subsequent to its date or that any other information supplied in connection with the offering of the Certificates is correct as at any time subsequent to the date indicated in the document containing the same. Neither the Arrangers nor the Dealers expressly undertake to review the financial condition or affairs of the Trustee, KFH or the Group during the life of the Certificates or to advise any investor in the Certificates of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

This Base Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Certificates 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 Offering Circular and the offer or sale of Certificates may be restricted by law in certain jurisdictions. KFH, the Trustee, the Delegate, the Arrangers, the Dealers and the Agents do not represent that this Base Offering Circular may be lawfully distributed, or that any Certificates 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 KFH, the Trustee, the Delegate, the Arrangers, the Dealers or the Agents, which is intended to permit a public offering of any Certificates or distribution of this Base Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Base Offering Circular 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 Offering Circular or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Offering Circular and the offering and sale of Certificates. In particular, there are restrictions on the distribution of this Base Offering Circular and the offer or sale of Certificates in the Cayman Islands, the Dubai International Financial Centre, Hong Kong, Japan, the Kingdom of Bahrain ("**Bahrain**"), the Kingdom of Saudi Arabia, Malaysia, Singapore, the State of Kuwait ("**Kuwait**"), the State of Qatar (including the Qatar Financial Centre), the United Arab Emirates (the "**UAE**") (excluding the Dubai International Financial Centre), the UK, the European Economic Area (the "**EEA**") and the United States (and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Certificates) (see "*Subscription and Sale*").

No comment is made or advice given by KFH, the Trustee, the Delegate, the Arrangers, any Dealer or the Agents in respect of taxation or *Shari'a* matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws.

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

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

The Certificates may not be a suitable investment for all investors. Generally, investment in emerging markets such as Kuwait is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Each potential investor in Certificates must determine the suitability of an investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisors, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Certificates and the complex structure thereof, the merits and risks of investing in the Certificates and the information contained in this Base Offering Circular or any applicable supplement;

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

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;

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

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

(f) is able to evaluate the compliance of the Certificates with *Shari'a* principles (including, without limitation, their individual standards of compliance relating thereto).

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Certificates are legal investments for it; (2) the Certificates can be used as collateral for various types of financing; and (3) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

NOTICE TO UK RESIDENTS

Any Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" ("**AFIBs**") within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) 2001 (SI 2001/544) (as amended by the Financial and Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010), will represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the FCA. Accordingly, this Base Offering Circular is not being distributed to, and must not be passed on to, the general public in the UK.

The distribution in the UK of this Base Offering Circular, any applicable Pricing Supplement and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates (whether or not such Certificates are AFIBs) is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (ii) persons falling within any of the categories of persons described in Article 49 (*high net worth companies, unincorporated associations, etc.*) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"); (ii) persons falling within any of the categories of person described in Article 22 (*high net worth companies, unincorporated associations, etc.*) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be promoted. Persons of any other description in the UK may not receive and should not act or rely on this Base Offering Circular, any applicable Pricing Supplement or any other marketing materials in relation to any Certificates.

Potential investors in the UK in any Certificates are advised that all, or most, of the protections afforded by the UK regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the UK Financial Services Compensation Scheme.

Any prospective investor intending to invest in any investment described in this Base Offering Circular should consult its professional adviser and ensure that it fully understands all the risks associated with making such an investment and that it has sufficient financial resources to sustain any loss that may arise from such investment.

EU MiFID II PRODUCT GOVERNANCE / TARGET MARKET

The applicable Pricing Supplement in respect of any Series of Certificates will include a legend entitled "EU MiFID II Product Governance" which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET

The applicable Pricing Supplement in respect of any Series of Certificates will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules (as defined below) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"), any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, 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.

UK BENCHMARKS REGULATION

Profit and/or other amounts payable under the Certificates may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the applicable Pricing Supplement will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the UK Benchmarks Regulation. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Trustee does not intend to update the applicable Pricing Supplement to reflect any change in the registration status of the administrator.

VOLCKER RULE

The "**Volcker Rule**", which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, KFH, the Arrangers, the Dealers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding: (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes); or (b) the ability of any purchaser to

acquire or hold the Certificates, now or at any time in the future. Any prospective investor in the Certificates should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

The CBB has not reviewed, approved or registered this Base Offering Circular or any related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Offering Circular 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 Offering Circular. No offer of Certificates will be made to the public in the Bahrain and this Base Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

KINGDOM OF SAUDI ARABIA NOTICE

This Base Offering Circular may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**") pursuant to resolution number 3-123-2017 dated 27 December 2017, as amended by CMA resolution number 8-5-2023 dated 18 January 2023 (the "**Offer of Securities Rules**"). Any offer of Certificates to any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") must be made in compliance with Article 8(a)(1) (including the definitions in the Glossary of Defined Terms Used in the Regulations and Rules of the Saudi CMA) or Article 9 and in each case Article 10 of the Offer of Securities Rules.

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

NOTICE TO RESIDENTS OF THE STATE OF QATAR (INCLUDING THE QATAR FINANCIAL CENTRE)

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

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

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

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

Unless otherwise stated in the applicable Pricing Supplement, all Certificates issued or to be issued under the Programme shall be "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in the Monetary Authority of Singapore ("**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO RESIDENTS OF KUWAIT

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

This Base Offering Circular is not for general circulation to the public in Kuwait nor will any Certificates issued under the Programme be sold by way of a public offering in Kuwait. In the event where Certificates are intended to be purchased onshore in Kuwait pursuant to a CMA Approval, 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 Offering Circular and do not approve the contents thereof or verify the validity and accuracy of its contents. The CMA, and all other regulatory bodies in Kuwait, assume no responsibility whatsoever for any damages that may result from relying (in whole or in part) on the contents of this Base Offering Circular. Prior to purchasing any Certificates, it is recommended that a prospective holder of any Certificates seeks professional advice from its advisers in respect to the contents of this Base Offering Circular so as to determine the suitability of purchasing Certificates.

STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF CERTIFICATES, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISATION MANAGER(S) (OR ANY PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF CERTIFICATES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF CERTIFICATES. ANY STABILISATION ACTION MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Base Offering Circular may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Group's plans, objectives, goals, strategies and future operations and performance as well as the assumptions underlying these forward-looking statements. When used in this Base Offering Circular, 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 "*Risk Factors*", "*Description of the Group*" and other sections of this Base Offering Circular. KFH has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although KFH believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties related to such expectations, estimates and projections materialise (including those identified below or which KFH has otherwise identified in this Base Offering Circular) or if any of KFH's underlying assumptions prove to be incomplete or inaccurate, the Group's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- macroeconomic and financial market conditions generally, including the impact of volatility in international oil prices, inflationary pressures and rising interest rates and challenging conditions in the international debt and equity capital markets;
- political and economic conditions in Kuwait and the Middle East;
- the acquisition and integration of Ahli United Bank B.S.C. by the Group;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, the Group's ability to successfully re-price and restructure financings, the impact of provisions and impairments of credit facilities and concentration of the Group's portfolio;
- liquidity risks, including the inability of the Group to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in interest rates and other market conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

These forward-looking statements speak only as at the date of this Base Offering Circular. Without prejudice to any requirements under applicable laws, the Trustee and KFH expressly disclaim any obligation or undertaking to disseminate after the date of this Base Offering Circular 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 forward-looking statement is based. Given the uncertainties of forward-looking statements, neither the Trustee nor KFH can assure potential investors that projected results or events will be achieved and the Trustee and KFH caution potential investors not to place undue reliance on these statements.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

This Base Offering Circular contains 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 Consolidated 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 Consolidated Financial Statements**" and, together with the 2022 Consolidated Financial Statements, the "**Financial Statements**").

Except where explicitly disclosed, the financial data relating to the Group and its financial position presented in this Base Offering Circular and relating to the financial information as at and for the year ended 31 December 2022 is derived from the 2022 Consolidated Financial Statements and relating to the financial

information as at and for the year ended 31 December 2021 is derived from the comparative financial information as at and for the year ended 31 December 2021 included in the 2022 Consolidated Financial Statements. The financial data relating to the Group and its financial position presented in this Base Offering Circular and relating to the financial information as at and for the year ended 31 December 2020 is derived from comparative financial information as at and for the year ended 31 December 2020 included in the 2021 Consolidated Financial Statements.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted for use in Kuwait or financial services institutions regulated by the CBK (as defined below), as further described in Note 2.1 (*Basis of Preparation*) to the 2022 Consolidated Financial Statements and Note 2.1 (*Basis of Preparation*) to the 2021 Consolidated Financial Statements. The Financial Statements have been jointly audited by Ernst & Young Al Aiban, Al Osaimi & Partners with license no. 68A ("**EY**") and Deloitte & Touche Al Wazzan & Co. with license no. 62A ("**Deloitte**") in accordance with International Standards on Auditing ("**ISAs**") as stated in their audit reports included therein.

The Group's financial year ends on 31 December and references in this Base Offering Circular to any specific year are to the 12-month period ended on 31 December of such year.

The Group publishes its financial statements in Kuwaiti dinars.

Comparability of financial information

The Acquisition

On 24 February 2020, Ahli United Bank B.S.C. ("**AUB**") received an offer from KFH to acquire 100 per cent. of the issued and paid-up ordinary shares of AUB by way of a share swap subject to fulfilment of regulatory requirements and shareholder approvals (the "**Acquisition**") as further described at "*Description of the Group – The AUB Acquisition*".

The 2022 Consolidated Financial Statements reflect the financial information of KFH after the Acquisition. The business combination and related accounting policies in connection with the Acquisition affected the financial information of KFH in the manner detailed in Note 3 (*Business Combination*) of the 2022 Consolidated Financial Statements. It should be noted that the 2021 Consolidated Financial Statements reflect the financial information of KFH prior to the Acquisition and do not include information in respect of AUB or the Acquisition. As a result, **investors should exercise caution when comparing the 2022 Consolidated Financial Statements with the 2021 Consolidated Financial Statements** and in addition, comparability of financial information in respect of the different periods presented in this Base Offering Circular may also be limited.

Certain numerical figures set out in this Base Offering Circular, including financial and operating data have been subject to rounding adjustments and some of these and other figures are also presented in KD (as defined below) millions or KD billions rather than in KD thousands as in the Financial Statements. Therefore, the sums of amounts given in some columns or rows in the tables and other lists presented in this Base Offering Circular may slightly differ from the totals specified for such columns or rows. Similarly, some percentage values presented in the tables in this Base Offering Circular have been subject to rounding adjustments 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 are calculated using the numerical data in the relevant Financial Statements and not using the numerical data in the narrative description thereof.

COVID-19

The CBK regulations, including the CBK circulars on regulatory measures in response to the COVID-19 pandemic and related CBK communications, require banks, including KFH, and other financial institutions regulated by the CBK to adopt IFRS with the following amendments: (i) expected credit loss ("**ECL**") on credit facilities is to be measured at the higher of the ECL amount computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by the CBK instructions; and (ii) the recognition of modification losses on financial assets arising from payment holidays to customers in response to the COVID-19 pandemic for the year ended 31 December 2020 are recognised in retained earnings instead of the consolidated statement of income as required by IFRS 9. For further information, see Note 2.1 (*Basis*

of Preparation) to the 2022 Consolidated Financial Statements and Note 2.1 (*Basis of Preparation*) to the 2021 Consolidated Financial Statements.

Alternative Performance Measures

Certain financial measures included in this Base Offering Circular are not defined in accordance with IFRS accounting standards because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. KFH believes that these non-IFRS measures and alternative performance measures (as defined in the European Securities and Markets Authority guidelines (the "**ESMA Guidelines**") on Alternative Performance Measures ("**APMs**")) provide useful supplementary information to both investors and to KFH's 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 non-IFRS financial measurements (such as the APMs presented by KFH in this Base Offering Circular) in the same manner, these are not always directly comparable to performance metrics used by other companies.

Such non-IFRS measures should not be considered in isolation and are not measures of financial performance or liquidity under IFRS. Accordingly, 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 presented by KFH in this Base Offering Circular may not be comparable to other similarly titled measures used by other companies. Because of the discretion that KFH and other companies have in defining these measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other companies.

Additionally, the APMs presented by KFH in this Base Offering Circular are unaudited and have not been prepared in accordance with IFRS or any other accounting standards. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. KFH considers that the following metrics (which are set out below along with their reconciliation with the Financial Statements (to the extent that such information is not defined according to IFRS and not included in the Financial Statements included elsewhere in this Base Offering Circular)) presented in this Base Offering Circular constitute APMs for the purposes of the ESMA Guidelines:

APM	***Method of Calculation***	***Reconciliation with Financial Statements***
Return on average assets	Profit for the year *divided by* average assets for the year.	Profit for the year (as set out in the consolidated statement of income in the Financial Statements) *divided by* the average assets for the year. Average asset is the sum of total assets at the beginning of the year and at the end of each quarter *divided by* five. Refers to the same concept/figure as total assets (as set out in the consolidated statement of financial position in the Financial Statements).
Return on average equity	Profit for the year attributable to shareholders of KFH *divided by* average shareholders' equity for the year.	Profit for the year attributable to shareholders of KFH (as set out in the consolidated statement of income in the Financial Statements) *divided by* the average shareholders' equity for the year.

APM	*Method of Calculation*	*Reconciliation with Financial Statements*
		Average shareholders' equity is the sum of total equity attributable to the shareholders of KFH at the beginning of the year and at the end of each quarter *divided by* five. Refers to the same concept/figure as total equity attributable to the shareholders of KFH (as set out in the consolidated statement of financial position in the Financial Statements).
Cost to income ratio	Total operating expenses for the year *divided by* the total operating income for the year.	Total operating expenses for the year (as set out in the consolidated statement of income in the Financial Statements) *divided by* the total operating income for the year (as set out in the consolidated statement of income in the Financial Statements).
Net profit margin	Profit for the year *divided by* the total operating income for the year.	Profit for the year (as set out in the consolidated statement of income in the Financial Statements) *divided by* the total operating income for the year (as set out in the consolidated statement of income in the Financial Statements).
Impaired ratio	Non-performing financing (net of deferred and suspended profit) *divided by* net financing receivables (net of deferred and suspended profit).	Non-performing cash finance facilities before impairment (net of deferred and suspended profit) (as set out in Note 11 (*Financing Receivables*) to the 2022 Consolidated Financial Statements and Note 10 (*Financing Receivables*) to the 2021 Consolidated Financial Statements) *divided by* financing receivables (net of deferred and suspended profit) (as set out in Note 11 (*Financing Receivables*) to the 2022 Consolidated Financial Statements and Note 10 (*Financing Receivables*) to the 2021 Consolidated Financial Statements).
Provision coverage ratio	Impairment for financing receivables *divided by* non-performing finance facilities before impairment (net of deferred and suspended profit).	Impairment for financing receivables (as set out in Note 11 (*Financing Receivables*) to the 2022 Consolidated Financial Statements and Note 10 (*Financing Receivables*) to the 2021 Consolidated Financial Statements) *divided by* non-performing finance facilities

APM	*Method of Calculation*	*Reconciliation with Financial Statements*
		before impairment (net of deferred and suspended profit) (as set out in Note 11 (*Financing Receivables*) to the 2022 Consolidated Financial Statements and Note 10 (*Financing Receivables*) to the 2021 Consolidated Financial Statements).
Liquidity coverage ratio	Calculated and disclosed as daily averages of the ratio components for the corresponding quarter-end in accordance with the requirements of CBK Circular number 2/IBS/346/2014 dated 23 December 2014.	Calculated as stipulated in accordance with the requirements of CBK Circular number 2/IBS/346/2014 dated 23 December 2014.
Financings to total deposits ratio	Total financing receivables *divided by* total depositors' accounts.	Financing receivables for the year (as set out in the consolidated statement of financial position in the Financial Statements) *divided by* depositors' accounts for the year (as set out in the consolidated statement of financial position in the Financial Statements).
CET 1 capital adequacy ratio	CET 1 capital *divided by* risk-weighted assets at a given date. 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.	CET 1 capital 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 *divided by* risk-weighted assets (as set out in Note 35 (*Capital Management*) to the 2022 Consolidated Financial Statements and Note 34 (*Capital Management*) to the 2021 Consolidated Financial Statements).
Tier 1 capital adequacy ratio	Tier 1 capital resources *divided by* risk-weighted assets at a given date. 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.	As set out in Note 35 (*Capital Management*) to the 2022 Consolidated Financial Statements and Note 34 (*Capital Management*) to the 2021 Consolidated Financial Statements. 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.

APM	*Method of Calculation*	*Reconciliation with Financial Statements*
Total capital adequacy ratio	Total capital resources *divided by* risk-weighted assets at a given date. 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.	As set out in Note 35 (*Capital Management*) to the 2022 Consolidated Financial Statements and Note 34 (*Capital Management*) to the 2021 Consolidated Financial Statements. 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.
Financial leverage ratio	"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). Calculated in accordance with the requirements of CBK Circular number 2/BS/342/2014 dated 21 October 2014.	Tier 1 capital (as set out in Note 35 (*Capital Management*) to the 2022 Consolidated Financial Statements and Note 34 (*Capital Management*) to the 2021 Consolidated Financial Statements) *divided by* total exposure (as set out in Note 35 (*Capital Management*) to the 2022 Consolidated Financial Statements and Note 34 (*Capital Management*) to the 2021 Consolidated Financial Statements). Calculated in accordance with the requirements of CBK Circular number 2/BS/342/2014 dated 21 October 2014.

Presentation of Statistical Information

Certain statistical information included in this Base Offering Circular (including in "*Risk Factors*", "*Overview of Kuwait*" and "*Banking Industry and Regulation in Kuwait*") has been derived from official public sources, including the CBK, the IMF, OPEC, the Sovereign Wealth Fund Institute and the Statistics Bureau (each as defined below) and has not been independently verified. All such statistical information may differ from that stated in other sources for a variety of reasons, including the fact that the underlying assumptions and methodology (including definitions and cut-off times) may vary from source to source. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Trustee or KFH to investors who have purchased any Certificates.

The statistical information in this Base Offering Circular, including in relation to GDP (as defined below) and revenues of Kuwait, have been obtained from public sources identified in this Base Offering Circular. All statistical information provided in this Base Offering Circular, and the component data on which it is based, may not have been compiled in the same manner as data provided, and may be different from statistics published, by other sources. Accordingly, the statistical data contained in this Base Offering Circular should be treated with caution by prospective investors.

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

Presentation of Other Information

Certain Definitions

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

- "**Boursa Kuwait**" means the Kuwait Stock Exchange;
- "**CBK**" means the Central Bank of Kuwait;
- "**CMA**" means the Kuwait Capital Markets Authority;
- "**EU**" means the European Union;
- "**GCC**" means the Gulf Cooperation Council;
- "**GDP**" means the gross domestic product;
- "**Government**" means the government of Kuwait;
- "**Group**" means KFH and its consolidated subsidiaries (taken as a whole);
- "**IMF**" means the International Monetary Fund;
- "**KFH Bahrain**" means Kuwait Finance House B.S.C. (as a wholly-owned subsidiary of KFH);
- "**KFH Capital**" means KFH Capital Investment Company K.S.C.C. (as a wholly-owned subsidiary of KFH);
- "**KFH Malaysia**" means Kuwait Finance House (Malaysia) Berhad (as a wholly-owned subsidiary of KFH);
- "**Kuwait**" means the State of Kuwait;
- "**LCR**" means liquidity coverage ratio;
- "**Member State**" means a Member State of the European Economic Area;
- "**MENAT region**" means the Middle East, North Africa and Turkey region;
- "**NSFR**" means net stable funding ratio;
- "**OPEC**" means the Organization of the Petroleum Exporting Countries;
- "**PRC**" means the People's Republic of China;
- "**Statistics Bureau**" means the Central Statistics Bureau of Kuwait;
- "**Turkey**" means the Republic of Turkey;
- "**U.S.**" and "**United States**" mean the United States of America; and
- "**WTO**" means the World Trade Organisation.

The language of the Base Offering Circular 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.

Certain Conventions

All references in this Base Offering Circular to:

- "**Bahraini dinar**" are to the legal currency for the time being of the Bahrain;
- "**dinar**" and "**KD**" refer to Kuwaiti dinar being the legal currency for the time being of Kuwait and all references to "**fils**" are to the sub-unit of the dinar;
- "**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;
- "**renminbi**", "**CNH**" and "**CNY**" are to the currency of the PRC;
- "**Sterling**" refer to the UK sterling being the legal currency for the time being of the UK;
- "**TRY**" and "**Turkish lira**" are to Turkish lira being the legal currency for the time being of Turkey; and
- "**U.S. dollars**" and "**U.S.$**" refer to United States dollars being the legal currency for the time being of the United States.

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. Since 1975, the Kuwaiti dinar has been pegged to the Kuwaiti Dinar Basket (defined as the undisclosed weighted basket of international currencies of Kuwait's major trade and financial partner countries), except between January 2003 and May 2007, when the Kuwaiti dinar was pegged to the U.S. dollar within margins around a parity rate. The CBK has the ability to adjust the Kuwaiti Dinar Basket at its discretion.

The following table sets forth the average U.S. dollar exchange rate against the Kuwaiti dinar for the year ended 31 December 2022 and for the year ended 31 December 2021.

	High	Low	Difference	Change (%)
31 December 2022	0.31096	0.30197	0.00355	1.17
31 December 2021	0.30445	0.30032	-0.00194	-0.64

Source: Bloomberg.

Third party and market share data

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

Statistical information relating to Kuwait included in this Base Offering Circular has been derived from official public sources, including OPEC, the IMF, the Sovereign Wealth Fund Institute, the CBK and the Statistics Bureau and has not been independently verified. All such statistical information may differ from that stated in other sources for a variety of reasons, including the fact that the underlying assumptions and methodology (including definitions and cut-off times) may vary from source to source. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Trustee or KFH to investors who have purchased any Certificates.

Certain statistical and other information in this Base Offering Circular, including in relation to GDP, balance of payments, revenues and expenditures, and indebtedness of the Government, have been obtained from public sources identified in this Base Offering Circular. All statistical information provided in this Base Offering Circular, and the component data on which it is based, may not have been compiled in the same manner as data provided by, and may be different from statistics published by, other sources, for a variety of reasons, including the use of different definitions and cut-off times. Accordingly, the statistical data contained in this Base Offering Circular should be treated with caution by prospective investors.

The Trustee and KFH accept responsibility for accurately reproducing all such third party information and, as far as each of the Trustee and KFH is aware and is able to ascertain from that published information, no facts have been omitted which would render such reproduced information inaccurate or misleading.

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

No incorporation of website information

KFH's website is https://www.kfh.com/en/home/Personal.html/. The information on this website or any other website mentioned in this Base Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Offering Circular, and investors should not rely on it.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Offering Circular and, in relation to the terms and conditions of any particular Tranche of Certificates, is completed by the applicable Pricing Supplement. The Trustee, KFH and any relevant Dealer may agree that Certificates shall be issued in a form other than that contemplated in the Conditions, in which event a new Base Offering Circular or a supplement to the Base Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.

Capitalised words and expressions used in this overview but not otherwise defined shall have the meanings given to them in the Conditions.

Issuer, Trustee and Purchaser	KFH Sukuk Company, as trustee for and on behalf of the Certificateholders and, in such capacity, as issuer of the Certificates, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 5 July 2022 with registered number 391913 and with its registered office at c/o MaplesFS Limited, PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Island. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. The Trustee shall on each Issue Date issue the Certificates to the Certificateholders and act as Trustee in respect of the Trust Assets for the benefit of the Certificateholders.
Trustee's Legal Entity Identifier (LEI) Code	5493008FLJYWGCMZDN21.
Obligor's Legal Entity Identifier (LEI) Code	2549007KX0N057S9BC98.
Ownership of the Trustee	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 shares of U.S.$1.00 each, 250 of which are issued, fully-paid and held by MaplesFS Limited on trust for charitable purposes under the terms of a share declaration of trust (the "**Share Declaration of Trust**").
Administration of the Trustee	MaplesFS Limited, a licensed trust company incorporated in the Cayman Islands, the "**Trustee Administrator**") provides corporate administrative services, director services and acts as share trustee of the Trustee pursuant to the terms of a corporate services agreement dated 21 March 2023 entered into between the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**"). The Trustee Administrator also provides registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the "**Registered Office Terms**"). The offices of the Trustee Administrator are situated at P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.
Obligor, Seller and Wakeel	Kuwait Finance House K.S.C.P., a Public Kuwaiti Shareholding Company incorporated in the State of Kuwait with its registered office at Abdullah Al-Mubarak Street, AlMirqab Area, Murqab, Kuwait City, State of Kuwait.

Description	U.S.$4,000,000,000 Trust Certificate Issuance Programme.
Size	Up to U.S.$4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement (as defined herein)) outstanding at any time (the "**Programme Limit**"). The Trustee and KFH may increase the Programme Limit in accordance with the terms of the Programme Agreement.
Risk Factors	There are certain factors that may affect the Trustee's ability to fulfil its obligations under Certificates issued under the Programme and KFH's ability to fulfil its obligations under the relevant Transaction Documents. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Certificates issued under the Programme. These include certain risks relating to the structure of a particular Series of Certificates and certain market risks. Please see "*Risk Factors*".
Arrangers	KFH Capital Investment Company K.S.C.C., HSBC Bank plc and Dubai Islamic Bank PJSC.
Dealers	KFH Capital Investment Company K.S.C.C., HSBC Bank plc, Standard Chartered Bank and Dubai Islamic Bank PJSC, together with any other Dealer(s) appointed from time to time in accordance with the terms of the Programme Agreement or in relation to a particular Tranche of Certificates. The Trustee 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. References in this Base Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Delegate	Citibank, N.A., London Branch (the "**Delegate**"). In accordance with the Master Declaration of Trust, the Trustee will, *inter alia*, unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future duties, powers, authorities and discretions vested in the Trustee by certain provisions in the Master Declaration of Trust in accordance with the terms of the Master Declaration of Trust. In addition, pursuant to the Master Declaration of Trust, certain powers will be vested solely in the Delegate.
Principal Paying Agent, Exchange Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citibank Europe Plc.
Murabaha Agent	Citi Islamic Investment Bank E.C.
Method of Issue	The Certificates will be issued on a syndicated or non-syndicated basis. The Certificates 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 profit), the Certificates of each Series being intended to be interchangeable with all other Certificates of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of profit and face amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the applicable Pricing Supplement.
Issue Price	The Certificates may be issued on a fully-paid basis and at an issue price as specified in the applicable Pricing Supplement. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, KFH and the relevant Dealers at the time of issue in accordance with prevailing market conditions.
Status of the Certificates	Each Certificate will represent an undivided ownership interest in the Trust Assets of the relevant Series and is a direct, unconditional, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application, at all times rank *pari passu* and without any preference or priority with all other Certificates of the relevant Series.
Form and Delivery of Certificates	The Certificates will be issued in registered form only, one Certificate being issued in respect of each Certificateholder's entire holding of Certificates of one Series. Certificates that are registered in the name of a nominee for a common depositary for one or more clearing systems are referred to as "**Global Certificates**".
Clearing Systems	Certificateholders must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg and in relation to any Series, such other clearing system as may be agreed between the Trustee, KFH, the relevant Dealer(s), the Principal Paying Agent and the Delegate. Transfers within and between each of Euroclear and/or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.
Initial Delivery of Certificates	On or before the issue date for each Tranche, the Global Certificates may be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg (as applicable). Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system, **provided that** the method of such delivery has been agreed in advance by the Trustee, KFH, the Delegate and the relevant Dealer. Certificates that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Certificates may be issued in any currency agreed between the Trustee, KFH and the relevant Dealer(s).

Maturities	The Certificates will have such maturities as may be agreed between the Trustee, KFH and the relevant Dealers, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the relevant Specified Currency.
Specified Denomination	The Certificates will be in such denominations as may be specified in the applicable Pricing Supplement, subject to compliance with current laws and regulations and the provisions of the following sentence. Certificates will have a minimum denomination of €100,000 (or its equivalent in other currencies). *Certificates which have a maturity of less than one year* In case of any Certificates (including Certificates denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the UK or whose issue otherwise constitutes a contravention of Section 19 of the FSMA, the minimum specified denomination shall be £100,000 (or its equivalent in other currencies), unless otherwise permitted by then current law and regulations.
Trust Assets	Pursuant to the Declaration of Trust for each Series, the Trustee has declared that it will hold the Trust Assets (as defined in Condition 5.1 (*Trust Assets*)) upon trust absolutely for, and on behalf of, the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder.
Limited Recourse	Save as provided in Condition 4.2 (*Limited Recourse*), the Certificates will not represent an interest in or obligation of any of the Trustee, the Delegate, KFH (acting in any capacity), any of the Agents or any of their respective affiliates. The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the relevant Series of Certificates.
Periodic Distribution Amounts	Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the Conditions.
Dissolution on the Scheduled Dissolution Date	Unless the Certificates of a particular Series are previously redeemed, purchased and cancelled, the Trustee will redeem the relevant Series of Certificates at an amount equal to the relevant Dissolution Distribution Amount on the Scheduled Dissolution Date specified in the applicable Pricing Supplement for such Series and, following the payment of all such amounts in full and the execution of a sale agreement pursuant to the Purchase Undertaking, the Trust in relation to the relevant Series will be dissolved by the Trustee, the Certificates shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

Early Dissolution of the Trust

Subject to the applicable Pricing Supplement in respect of each Series, the Trust may be dissolved prior to the Scheduled Dissolution Date upon:

(a) the occurrence of a Tax Event;

(b) the exercise by KFH of an Optional Dissolution Right;

(c) the exercise by the Certificateholders of a relevant Series of a Certificateholder Put Right;

(d) the exercise by the Certificateholders of a relevant Series of a Tangibility Event Put Right;

(e) the exercise by KFH of a Clean Up (Call) Right;

(f) the occurrence of a Dissolution Event; or

(g) all of the Certificates of the relevant Series being cancelled following the purchase of such Certificates by or on behalf of KFH and or any of its subsidiaries.

Early Dissolution for Tax Reasons

Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 10 (*Taxation*) or KFH has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series (as specified in the applicable Pricing Supplement), and such obligation cannot be avoided by the Trustee or KFH (as applicable) taking reasonable measures available to it, the Trustee shall redeem the Certificates in accordance with Condition 8.2 (*Early Dissolution for Taxation Reasons*).

Optional Dissolution Right and Certificateholder Put Right

The applicable Pricing Supplement issued in respect of each Series of Certificates will state whether such Certificates may be redeemed prior to the Scheduled Dissolution Date at the option of KFH or at the option of the Certificateholders and, if so, the terms applicable to such redemption. See further Condition 8.3 (*Dissolution at the Option of KFH (Optional Dissolution Right)*) and Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*).

For *Shari'a* reasons, the Optional Dissolution Right and the Certificateholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Tranche of Certificates.

Tangibility Event Put Right

If a Tangibility Event occurs and upon receipt of a Tangibility Event Notice, any Certificateholder may exercise its option within the Tangibility Event Put Right Period to require the redemption of all or any of its Certificates. Accordingly, the Trustee shall, at the option of the Certificateholder, redeem such Certificates on the Tangibility Event Put Right Date at

	its Dissolution Distribution Amount subject to and in accordance with Condition 8.5 (*Dissolution at the Option of Certificateholders (Tangibility Event Put Right)*).
Clean Up (Call) Right	If 75 per cent. or more of the aggregate face amount of Certificates then outstanding have been redeemed pursuant to Condition 8.5 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), the Trustee shall, upon receipt of a duly completed Exercise Notice from KFH pursuant to the Sale and Substitution Undertaking, on giving not less than 15 days' nor more than 30 days' notice to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*) (such notice to be given within 30 days of the Tangibility Event Put Right Date), redeem the Certificates in whole, but not in part, at their Dissolution Distribution Amount on the Clean Up Call Dissolution Date, subject to and in accordance with Condition 8.5 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*).
Dissolution Events	The Certificates will be subject to certain dissolution events as described in Condition 12 (*Dissolution Events*). Following the occurrence of a Dissolution Event, the Certificates of the relevant Series will be redeemed at an amount equal to the relevant Dissolution Distribution Amount on the relevant Dissolution Event Redemption Date.
Wakala Portfolio Asset Substitution	The Wakeel may at any time substitute any Wakala Portfolio Asset, and KFH may at any time request such substitution, in accordance with the Sale and Substitution Undertaking and ***provided that*** the Value of any substitute assets shall be at least equal to the Value of the Wakala Portfolio Assets to be so substituted. See "*Summary of the Principal Transaction Documents – Sale and Substitution Undertaking*".
Trustee Covenants	The Trustee has agreed to certain restrictive covenants as set out in Condition 6.1 (*Trustee Covenants*).
Negative Pledge	The Certificates will have the benefit of a negative pledge granted by KFH, as described in Condition 6.2 (*Negative Pledge*).
Withholding Tax	All payments under the Transaction Documents in respect of the Certificates will be made free and clear of withholding taxes of a Relevant Jurisdiction.
Ratings	Tranches of Certificates may be rated or unrated. Where a tranche of Certificates is to be rated, such rating (and the credit rating agency issuing such rating) will be specified in the applicable Pricing Supplement. *A securities 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, and each rating should be evaluated independently of any other rating*.
Governing Law	The Transaction Documents excluding the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement (which are governed by Kuwaiti law), are governed by English law. The Corporate Services

	Agreement and the Share Declaration of Trust are governed by the laws of the Cayman Islands.
Transaction Documents	The Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Agency Agreement, the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement, the Sale and Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Sale and Substitution Undertaking), the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking), the Wakala Agreement and, if applicable to a Series, the Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant to any of the foregoing in connection with the relevant Series), the Commodity Agency Agreement, the Settlement Deed, the Commodity Sale Agreement and the Commodity Purchase Agreement (each a "**Transaction Document**" and, together, the "**Transaction Documents**").
Listing and Admission to Trading	Application has been made for the Certificates to be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of the UK Prospectus Regulation. The ISM is a market designated for professional investors. Certificates which are designated in the relevant Pricing Supplement as being admitted to trading on the ISM are not admitted to listing on the Official List of the FCA. Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee and the relevant Dealer(s) in relation to the Series and as will be specified in the relevant Pricing Supplement.
Certificateholders' Meetings	A summary of the provisions for convening meetings of Certificateholders of each Series to consider matters relating to their interests as such is set out in Condition 16.1 (*Meetings of Certificateholders*).
Tax considerations	See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Certificates in the Cayman Islands, the Dubai International Financial Centre, the EU, Hong Kong, Japan, Malaysia, the Bahrain, the Kingdom of Saudi Arabia, Singapore, Kuwait, the State of Qatar (including the Qatar Financial Centre), the United Arab Emirates (excluding the Dubai International Financial Centre), the UK and the United States. Additional restrictions may be required in connection with the offering and sale of a particular Tranche of Certificates. Please see "*Subscription and Sale*".
United States Selling Restrictions	Regulation S, Category 2.
Use of Proceeds	Please see "*Use of Proceeds*".

RISK FACTORS

The purchase of any Certificate may involve a number of risks and uncertainties and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should carefully consider the risks and uncertainties associated with the Group's business and the purchase of any Certificate in the light of their own financial circumstances and investment objectives and together with all of the information that is included in this Base Offering Circular and should form their own view before making an investment decision with respect to the Certificates.

In particular, prospective investors should evaluate the risks and uncertainties referred to or described below, which may have a material adverse effect on the Trustee's ability to pay any amounts in connection with any Certificate or on the Group's ability to perform any of its obligations in respect of the Transaction Documents to which it is a party. Prospective investors should also read the detailed information set out elsewhere in this Base Offering Circular and reach their own views prior to making any investment decision.

Each of the Trustee and KFH believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the Trustee's inability to pay any amounts in connection with any Certificate and/or KFH's inability to perform any of its obligations in respect of the Transaction Documents to which it is a party may occur for other reasons and the Trustee and KFH do not represent that the statements below regarding the risks of holding any Certificate are exhaustive. Additional risks not presently known to the Trustee and KFH or that the Trustee and KFH currently deem immaterial may also impair their ability to perform their respective obligations under the Certificates and/or the Transaction Documents to which they are a party.

Risks Relating to the Trustee

The Trustee is a special purpose company with limited liability, incorporated under the laws of the Cayman Islands on 5 July 2022 and, accordingly, only has a limited operating history. The Trustee will not engage in any business activity other than the issuance of Certificates under the Programme, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets relating to each Series of Certificates, including its right to receive payments under the relevant Transaction Documents. The ability of the Trustee to pay amounts due on the Certificates of each Series will primarily be dependent upon receipt by the Trustee of all amounts due from KFH under the relevant Transaction Documents. Therefore, the Trustee is subject to all the risks to which the Group is subject to the extent that such risks could limit KFH's ability to satisfy in full, and on a timely basis, its obligations under the Transaction Documents to which it is a party. For a description of certain risks to which the Group is subject, see "*– Risks Relating to the Group*".

Risks Relating to the Group

The Group's operating income and assets are subject to concentrations of credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and causes the Group to incur a financial loss. The Group is exposed to credit risk through, amongst others, its financing receivables, leased assets, wakala arrangements with financial institutions and investments in sukuk. The Group's primary exposure to credit risk arises through its financing facilities to customers. In addition, the Group is also exposed to off-balance sheet credit risk through contingent liabilities assumed by it.

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. Concentrations of credit 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.

As at 31 December 2022, 26.7 per cent. of the Group's operating income and 43 per cent. of the Group's total assets were located in Kuwait, 9.2 per cent. of the Group's operating income and 12.2 per cent. of the Group's total assets were located in Bahrain and 50.9 per cent. of the Group's operating income and 16.6 per cent. of the Group's total assets were located in Turkey. In addition, as at 31 December 2022, 23.0 per cent. and 16.2 per cent. of the Group's gross financing receivables were from the construction and real estate sector and trading and manufacturing sector, respectively.

As a result of such concentration, the Group may be affected by the financial, political and general economic conditions prevailing from time to time in Kuwait, Turkey, Bahrain and/or the wider MENAT region generally. For instance, as a result of market conditions prevailing over the last few years, including the challenging economic environment in Kuwait (see further "*Risks relating to Kuwait*"), together with other macroeconomic factors including the performance of international debt and equity markets, rising interest rates and rising inflation rates may have an adverse effect on consumer confidence levels, consumer spending, liquidity levels, bankruptcy rates and commercial and residential real estate prices, among other factors (see further "*—Difficult macroeconomic and financial market conditions have affected, and may continue to affect, the Group adversely*"). As a result of such factors, the Group's customers and counterparties may experience decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs which may, in turn, adversely affect their ability to pay their financings or other obligations to the Group. Any such increase in customer and counterparty defaults could have a material adverse effect on the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party. For example, the Group's impairment charge for the year ended 31 December 2022 was KD 62.1 million (compared to KD 135.4 million for the year ended 31 December 2021).

Moreover, if the Group is unable to effectively monitor and control the level of or, where required, successfully restructure its impaired financings with customers in financial distress, or its allowances for financing impairment are insufficient to cover financing losses, the Group's business, results of operations, cash flows and financial condition may be materially adversely affected (see further "*–A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances would adversely affect the Group's results of operations, cash flows and financial condition*"). Accordingly, although the Group regularly reviews its credit exposures and has in place systems for assessing the financial condition and creditworthiness of its debtors (see further "*Description of the Group – Risk Management*"), its failure to do so accurately or effectively may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances would adversely affect the Group's results of operations, cash flows and financial condition

In connection with its provision of financings, the Group periodically establishes impairment allowances for financing losses, which are recorded in its income statement. Since 1 January 2018, in accordance with IFRS as adopted by Kuwait for financial services institutions regulated by the CBK, 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. As at 31 December 2022, the Group's total provision for financing losses for utilised and unutilised cash and non-cash financing facilities was KD 925.0 million, which exceeded the ECL for financing receivables under IFRS 9 by KD 517.2 million. In 2020, the Group was exceptionally allowed to charge losses on financial assets arising from payment holidays granted to customers in response to the COVID-19 pandemic 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 (see further Note 2.1 (*Basis of Preparation*) to the 2021 Consolidated Financial Statements). The impact of the modification losses has been reflected in the asset values as at 31 December 2020. These payment holidays to customers and absence of delinquency experience during such period also temporarily disrupted the Group'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 its assessment of prior loss experience, the volume and type of financings being conducted, collateral held, industry standards, past due financings, economic conditions and other factors related to the recoverability of various financings.

The Group also records impairments on its non-financial assets (such as real estate and investment in associate and joint ventures). The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the relevant asset's recoverable amount (which is the higher of such asset's fair value less costs to sell and its value in use). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount. Assessments of fair value less costs to sell and value in use of an asset are based on a number of metrics including market assessment, management's view of risks specific to that asset, quoted share prices for publicly traded companies and other available indicators. As at 31 December 2022, the Group's impairment charge on its non-financial assets was KD 18.4 million.

Any significant increase in impairment allowances or a significant change in the Group's estimate of the risk of loss inherent in its portfolio of non-impaired financings and non-financial assets, as well as the occurrence of losses in excess of the impairment allowances allocated with respect thereto, would have an adverse effect on its business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

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

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 financing losses. As at 31 December 2022, a significant portion of the Group's financing receivables were assets having a benefit of collateral, primarily including cash, shares and real estate.

The Group typically requires additional 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 financings made to individuals and corporations. Any decline in the value or liquidity of such 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, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

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. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. As was experienced in 2008 and 2009, concerns about, or a default by, one institution could also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a 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 which, in turn, could

affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

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

The Group is exposed to liquidity risk as a result of mismatches in maturity dates of assets and liabilities. In common with other banks, many of the Group's liabilities are short-term demand and time deposits, whereas its assets are generally medium- to long-term financings. 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 (see further "*Financial Review of the Group – Liquidity and Funding – Maturity profile*").

The availability of customer deposits is subject to fluctuation due to factors outside the Group's control, including possible loss of confidence and competitive pressures, which 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, Turkey, Bahrain and the MENAT region or when its major depositors experience short- or longer-term liquidity requirements. In the past, a substantial portion of such customer deposits have been rolled over upon maturity or maintained with the Group and, as a result, such deposits have over time been a stable source of funding for the Group. The Group cannot assure, however, that customers will continue to roll over or maintain their deposits with the Group. If short-term deposits or on demand deposits are not rolled over upon maturity or maintained with the Group, posing a risk to liquidity, a number of contingencies are available to the Group, including raising U.S. dollar liquidity by collateralising certain of its marketable and liquid assets (such as sukuk) or raising KD liquidity by entering into repo transaction with the CBK. In addition, the Group can access wholesale funding through the interbank money market borrowing/funding with banks, government financial institutions and sovereign funds. However, such borrowings/funding may not eliminate asset-liability maturity gaps completely. Further, 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. Accordingly, 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 funding, the Group may need to access more expensive sources to meet its funding requirements, which could have a material adverse effect on the Group's business, results of operations, financial condition and thereby affect KFH's ability to perform its obligations under the Transaction Documents.

In addition, there are certain unavoidable timing differences between cash payments the Group owes on its liabilities and the cash payments due to it on its investments and other assets. The Group's ability to overcome these cash mismatches may be adversely affected if the fixed income markets were to experience significant liquidity problems which could have a material adverse effect on the Group's business, results of operations, financial condition and thereby affect KFH's ability to perform its obligations under the Transaction Documents. Also, under certain market conditions, the Group could be unable to sell additional products or be unable to sell its portfolio investments in sufficient amounts to raise the required cash which could have a material adverse effect on KFH's ability to perform its obligations under the Transaction Documents.

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 revocable and irrevocable commitments to extend credit, guarantees, letters of credit and other financial facilities and makes commitments to invest in securities before such commitments have been fully funded. All of these are accounted for off-balance sheet until such time as they are actually funded or cancelled. Although these commitments are contingent and therefore off-balance sheet they, nonetheless, subject the Group to related credit, liquidity and market risks. Credit-related commitments are subject to the same credit approval terms and compliance procedures as financing receivables (in the form of financings, advances and Islamic financing to customers) and commitments to extend credit are contingent on customers maintaining required credit standards. As at 31 December 2022, the Group had KD 2,967.4 million in such contingent liabilities and commitments, equal to 15.7 per cent. of its financing receivables (as compared to KD 1,643.9 million, representing 14.5 per cent. of its financing receivables as at 31 December 2021).

Although the Group anticipates that not all of its obligations in respect of these commitments will be triggered, it may have to make payments in respect of a substantial portion of such commitments, which could have a material adverse effect on its financial position and, in particular, its liquidity position. Further, the Group may need 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. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and thereby affect KFH's ability to perform its obligations under the Transaction Documents.

Difficult macroeconomic and financial market conditions have affected, and may continue to affect, the Group adversely

The Group, in common with other financial institutions, is susceptible to changes in the macroeconomic environment and the performance of financial markets generally. As at 31 December 2022, 26.7 per cent. of the Group's operating income and 43 per cent. of the Group's total assets were located in Kuwait, 9.2 per cent. of the Group's operating income and 12.2 per cent. of the Group's total assets were located in Bahrain and 50.9 per cent. of the Group's operating income and 16.6 per cent. of the Group's total assets were located in Turkey. Accordingly, the Group's business is, and will continue to be, affected by economic and political developments in or affecting Kuwait, Turkey, Bahrain and the wider MENAT region generally, including:

- natural disasters (such as earthquakes) and disease outbreaks (such as the COVID-19 pandemic);
- regional political instability, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism;
- military strikes or the outbreak of war or other hostilities involving nations in the region or natural disasters (such as the Russia-Ukraine conflict);
- sovereign events such as defaults or restructuring;
- a material curtailment of the industrial and economic infrastructure development in Kuwait, Turkey, Bahrain and across the wider MENAT region;
- a material increase in costs of funds in Kuwait, Turkey, Bahrain or the wider MENAT region resulting from a material reduction in liquidity in the financial markets;
- government intervention, including expropriation or nationalisation of assets or increased levels of protectionism;
- an increase in inflation, interest rates and the cost of living;
- cancellation of contractual rights, expropriation of assets and/or inability to repatriate profits and/or dividends;
- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies and land and water use and foreign ownership;
- arbitrary, inconsistent or unlawful government action;
- changing tax regimes; and
- difficulties and delays in obtaining governmental and other approvals for operations or renewing existing ones.

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 Statistics Bureau, Kuwait's real GDP grew by 2.4 per cent. in 2018 and then fell by 0.6 per cent. in 2019 and 8.9 per cent. in 2020. According to data published by the Kuwait Ministry of Finance and the IMF, the fiscal deficit in Kuwait was 33.2 per cent. of GDP in the fiscal year ended 31 March 2021 compared to 9.5

per cent. of GDP in the fiscal year ended 31 March 2020 and 3.1 per cent. of GDP in the fiscal year ended 31 March 2019.

Within the banking sector, borrowing costs, which increased in 2018 as the CBK raised its benchmark interest rate by 0.25 per cent. to 3.0 per cent., decreased in October 2019 as the CBK cut its benchmark interest rate by 0.25 per cent. to 2.75 per cent. 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 of 100 basis points resulting in a benchmark interest 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. five times in each of March 2022, April 2022, June 2022, July 2022 and August 2022, resulting in a benchmark interest rate of 2.75 per cent. During the same period in 2022, the U.S. Federal Reserve increased its benchmark rate by 225 basis points to between 2.25 per cent. to 2.50 per cent. In November, despite continued increases in benchmark rates by the U.S. Federal Reserve, Kuwait did not raise its benchmark rates. The CBK subsequently raised rates by 0.50 per cent. from 3.00 per cent. to 3.50 per cent. on 7 December 2022 and by 0.50 per cent. from 3.50 per cent. to 4.00 per cent. on 26 January 2023, while the U.S. Federal Reserve increased its benchmark rate by 50 basis points, 25 basis points and 25 basis points to between 4.75 per cent. 5.00 per cent. on 14 December 2022, 1 February 2023 and 23 March 2023 respectively. The Group's funding costs in 2022 increased as a result of the increase in interest rates but this was offset due to higher yields from inflation-linked sukuks.

KFH's subsidiary Kuwait Turkish Participation Bank ("**Kuveyt Türk**") has banking operations in Turkey. While interest rates in Turkey have not been following the interest rate trends set by the U.S. Federal Reserve and CBK, interest rates remain high at 9 per cent. with inflation at 64 per cent. as of January 2023. In April 2022, based on cumulative inflation rates over the last three years, the Turkish economy was classified as a hyperinflationary economy. As a result, the Group determined the Consumer Price Index ("**CPI**") provided by the Turkish State Institute of Statistics should be considered in the application of IAS 29, Financial Reporting in Hyperinflationary Economies for Kuveyt Türk's financial statements. Based on this, in 2022, the Group recorded net monetary loss of KD 127.6 million in its income statement and raised equity by KD 160 million.

In 2022, the CBB increased its key one-week deposit six times in each of May 2022, June 2022, July 2022, September 2022, November 2022 and December 2022 in line with the interest rate trends set by the U.S. Federal Reserve. Most recently, the CBB increased its one-week deposit facility by 25 basis points to 5.5 per cent. on 2 February 2023. At the same time, the CBB also raised its one-month deposit, overnight deposit and lending rates by 25 basis points.

A prolonged or further decline in economic conditions in Kuwait, Turkey, Bahrain or the wider MENAT region (and emerging markets generally) as well as in the United States, European and international trading market conditions and/or related factors and/or a materialisation of systemic risk may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Group may be adversely affected by liquidity risks

Liquidity risk is the risk that the Group (or any entity within the Group) may be unable to meet its payment obligations when they fall due under normal and stressed circumstances. Liquidity risks could arise in a number of circumstances, including:

- if the Group's (or any entity's within the Group) cash flow from its operations is not sufficient to meet its short-term and medium-term contractual and contingent payment obligations coming due, the Group could experience liquidity issues. Such liquidity issues could occur if the Group's (or any entity's within the Group) available liquidity is not sufficient to enable it to service its debt, fulfil financing commitments or meet other on-balance sheet or off-balance sheet payment obligations on specific dates, even if the Group continues to receive new deposits from customers, proceeds from its current business operations and/or its future revenue streams;

- if there is an unexpected outflow from depositors' accounts;

- if there is a material decline in the value of the Group's (or any entity's within the Group) liquid investments portfolio; or

- if the Group (or any entity within the Group) is unable to anticipate and/or provide for unforeseen decreases or changes in funding sources or is otherwise unable to secure funding at commercially acceptable rates to bridge any funding gap.

Any of the foregoing may result in a default by the Group (or any entity within the Group) in respect of any of its contractual or contingent payment obligations and could, therefore, have a material adverse effect on the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

In addition, the Group is subject to the Basel III Liquidity Coverage Ratio as adopted by the CBK pursuant to CBK Circular number 2/IBS/346/2014 (the "**CBK Guidelines**"). The LCR is a metric introduced by the Basel Committee on Banking Supervision (the "**Basel Committee**") as part of the Basel III criteria to measure a bank's ability to manage a sustained outflow of customer funds in a liquidity stress event over a 30-day period. The ratio is calculated by taking a financial institution's stock of 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 that the minimum value of the ratio is 100.0 per cent. (*i.e.*, an institution's stock of HQLAs should at least equal projected total net cash outflows). The CBK introduced the LCR in a phased manner, setting benchmarks of 70 per cent. in 2016, 80 per cent. in 2017, 90 per cent. in 2018 and 100 per cent. from 2019. In 2020, the CBK reduced this benchmark to 80 per cent. in response to the COVID-19 pandemic (see further "*Banking Industry and Regulation in Kuwait – Banking Regulations – Liquidity regulations*"). 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. As at 31 December 2022, the Group held a portfolio of HQLAs valued at KD 5.6 billion and had an LCR ratio (based on CBK Guidelines) of 181.8 per cent. (compared to a portfolio of HQLAs valued at KD 5.4 billion and an LCR ratio of 224.3 per cent. as at 31 December 2021).

The Group's requirement to comply with the LCR and the associated requirement to maintain a significant buffer of HQLAs may affect the Group's funding structure, causing more dependency on funding from non-financial sources and longer-term deposits. Moreover, the inherent cost of maintaining a HQLA portfolio of sufficient size and quality to cover regulatory outflow assumptions embedded in the LCR may adversely impact the return on assets. Additionally, the inherent costs associated with LCR compliance may place the Group at a competitive disadvantage to its peer financial institutions based in other GCC states that have yet to fully implement Basel III.

The Group is also subject to the Basel III NSFR as adopted by the CBK. The NSFR is a metric introduced by the Basel Committee as part of the Basel III criteria to measure a bank's ability to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits over reliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability. The NSFR is defined as the amount of available stable funding ("**ASF**") relative to the amount of required stable funding ("**RSF**"). ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. RSF is defined as the portion of assets and off-balance sheet exposures expected to be funded on an ongoing basis over a one-year horizon. The amount of the stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures. Basel III requires the minimum value of the ratio be 100 per cent. (*i.e.*, ASF *divided by* RSF must be greater than or equal to 100 per cent.) from 2016. Kuwaiti banks are required to submit, along with existing liquidity reports, their NSFR reports on a monthly basis (including a daily report for the month) for monitoring purpose. As at 31 December 2022, the Group had an NSFR ratio of 117.0 per cent. (compared to 112.3 per cent. as at 31 December 2021).

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, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Moreover, failure by a member of the Group to comply with regulatory requirements and maintain certain capital adequacy ratios may result in actions being taken by the regulators, including imposition of sanctions, which may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

A negative change in KFH's credit ratings could limit its ability to raise funding and may increase its funding costs

As at the date of this Base Offering Circular, KFH has a long-term foreign currency issuer default rating of "A" with stable outlook from Fitch and a long-term bank deposits rating of "A2" with stable outlook from Moody's. These ratings, which are intended to measure KFH's ability to meet its debt obligations as they mature, are an important factor in determining KFH's cost of funding (see further "*Risk Factors –Risks Relating to the Group – The Group may be adversely affected by liquidity risks*").

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. A downgrade of KFH's (or that of any other entity within the Group) credit ratings, or a negative change in their outlook, may:

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

each of which may have a material adverse effect on KFH's or the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party. A downgrade or potential downgrade of Kuwait's or Turkey's or Bahrain's sovereign ratings could negatively affect the perception of each of KFH or any other Group member's ratings. In addition, a downgrade of one of KFH's subsidiaries may have a minor impact on KFH's rating. Moreover, actual or anticipated changes in KFH's (or any entity's within the Group) credit rating may affect the market value of the Certificates.

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 the Certificates.

The Group may be adversely affected by market risks

The Group's business exposes it to market risk, which is the risk that changes in market prices (such as profit rates, equity prices, commodity prices, foreign exchange rates and credit spreads) will affect the Group's income or the fair value of its holdings of financial instruments. The Group is not exposed to any risk in terms of the re-pricing of its liabilities since the Group does not provide contractual rates of return to its depositors and other financing arrangements are at fixed profit rate in accordance with *Shari'a* principles. The Group is, however, exposed to the following non-trading market risks:

- profit rate risk arising from any fluctuations in profit rates which may affect the fair value of the Group's financial assets. Such fluctuations may be caused by a number of 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 (see further "*Risk Factors –Risks Relating to the Group – Difficult macroeconomic and financial market conditions have affected, and may continue to affect, the Group adversely*");
- currency risk arising from any fluctuations in foreign exchange rates. 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 (or any other central bank which may, from time to time, exercise regulatory scrutiny over any member of the Group). However, where KFH (or any

member of the Group) is not so hedged, it is exposed to fluctuations in foreign exchange rates and any above-mentioned hedging activity may not, in all cases, protect the Group against such risks. For instance, the Group has historically had significant exposure to U.S. dollars and Bahraini dinars in respect of the Group's non-trading monetary assets and liabilities as well as its forecast cash flows. As at 31 December 2022, a 1.0 per cent. increase in the exchange rate for U.S. dollars would have increased the Group's profit for the year by KD 1.6 million while a 1.0 per cent. increase in the exchange rate for Bahraini dinars would have decreased the Group's profit for the year by KD 0.3 million; and

- equity price risk arising from any fluctuations in the levels of equity indices and/or the value of individual stocks. Such fluctuations may be caused by a number of factors beyond the Group's control (see further "*Risk Factors – Risks Relating to the Group – Difficult macroeconomic and financial market conditions have affected, and may continue to affect, the Group adversely*"). The Group holds investment securities (equity and fixed income) and a decrease in the realised and unrealised fair value investment gains, together with fair value losses on such investment securities may have a material adverse impact on the Group's business, results of operations, cash flows and financial condition. For instance, as at 31 December 2022, a 1.0 per cent. increase in Boursa Kuwait index would have increased the Group's fair value reserve by KD 137 thousand (as a result of a change in the fair value through other comprehensive income as at 31 December 2022). In addition, the Group's income from securities operations depends on numerous factors beyond its control, such as overall market trading activity, 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 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.

Adverse movements in benchmark and foreign exchange rates and/or equity indices may also adversely impact the revenues and financial condition of the Group's depositors and counterparties which, in turn, may impact the Group's deposit base and the quality of its exposures to certain counterparties and may therefore have a material adverse impact on the Group's business, results of operations, cash flows and financial condition. The foregoing, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Group may be adversely affected by operational risks

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. The Group has established policies and control procedures that are intended to ensure that its operational risks are minimised and any incidents appropriately managed and resolved. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Some of the operational risks currently faced by the Group are:

- 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 further "*Description of the Group – 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, cash flows and financial condition, as well as its general reputation in the markets in which the Group operates. In addition, 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, market, liquidity, operational and other risks or if all risks are accurately quantified by the Group's risk management systems. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant credit, market, liquidity or operational risk, which may in turn have a material adverse effect on its business, financial condition and results of operations;

- 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 Offering Circular, the Group is required to make certain estimates in preparing its financial statements (see further "*–A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances would adversely affect the Group's results of operations, cash flows and financial condition*" above). Management identifies the most significant judgments and estimates made by it for any particular period in the

relevant financial statements (for instance, see Note 2.6 (*Summary of Significant Accounting Policies*) to the 2022 Consolidated Financial Statements and Note 2.6 (*Summary of Significant Accounting Policies*) to the 2021 Consolidated Financial Statements). The Group has established policies and control procedures that are intended to ensure that its significant accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. However, due to the uncertainty surrounding such 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;

- 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. In particular, 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. In addition, even after hiring its employees, the Group may face challenges in retaining such employees due to the continued recruitment efforts of its competitors and such employees moving to competitors;

- in common with other banks in the GCC, KFH experiences a shortage of qualified employees residing in Kuwait, which requires it to recruit from outside Kuwait. In recent years, the Government has made a number of announcements regarding its intention to encourage a better balance of Kuwaiti 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 that should be employed by respective industries, with the Government's recommended policy for financial institutions being that 70.0 per cent. of a bank's total personnel should consist of Kuwaiti nationals. KFH's Kuwaitisation level as at 31 December 2022 was 79.0 per cent. (compared to 75.6 per cent. as at 31 December 2021). If KFH is not able to meet or exceed the Government's minimum threshold for Kuwaiti employees, it may be subject to certain penalties, including an exclusion from participation in certain Government-related tender processes, the imposition of fines by the Kuwait Ministry of Social Affairs or the imposition of corrective action by the CBK;

- 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. Despite the Group instituting appropriate systems, processes and procedures aimed at preventing such practices (see further "*Description of the Group – Risk Management*"), it is not always possible to detect or deter employee misconduct and the precautions the Group takes to detect and prevent misconduct may not be effective in all cases. There can be no assurance that measures undertaken to combat employee misconduct will be successful. Such actions by employees could expose the Group to financial losses resulting from the need to reimburse clients who suffered loss or as a result of fines or other regulatory sanctions, and could damage the Group's reputation, which may in turn have a material adverse effect on its business, financial condition and results of operations;

- 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. If any of these systems do not operate properly or are disabled, the Group could suffer financial loss, a disruption to 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 it continues to invest in upgrading its operational systems. Such a failure to accommodate growth, or an increase in costs related to such information systems, would have a material adverse effect on the Group's business, results of operations, cash flows and financial condition. The cost of improving or upgrading such systems and technologies may be substantial and the cost of maintaining such systems is likely to increase from its current level.

Each Group member's business operations and business processes are 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, financial condition and results of operations; and

- in common with other financial institutions based in the MENAT region and elsewhere in the world, the threat to the security of the Group's information and customer data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. 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, financial condition and results of operations.

The foregoing, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Group receives a significant portion of its operating income and assets from its two largest subsidiaries

The Group's two largest subsidiaries are AUB and Kuveyt Türk. As at the date of this Base Offering Circular, KFH owns 100 per cent. of the share capital of AUB, which is the largest subsidiary of KFH and 62.2 per cent. of Kuveyt Türk. As at 31 December 2022, 50.6 per cent. of the Group's operating income and 17.8 per cent. of the Group's total assets were from Kuveyt Türk and 10.2 per cent. of the Group's operating income and 32.5 per cent. of the Group's total assets were from AUB. AUB's contribution to the Group's results represents the results of AUB for the period from the date of acquisition on 2 October 2022 until the end of 2022. Accordingly, the Group's results of operations are, and will continue to be, generally affected by AUB's and Kuveyt Türk's business, financial condition, results of operations and prospects as well as financial and economic developments in or affecting Turkey and Bahrain.

KFH 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 KFH to comply with these laws and regulations could have a material adverse effect on KFH

KFH is subject to many prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic, social and other objectives, including in relation to anti-money laundering and counter-terrorism financing and limit their exposure to risk. These controls include, among others, liquidity regulations, Basel III capital adequacy and leverage regulations, credit risk regulations, concentration risk regulations and interest/profit cap regulations (see further "*Banking Industry and Regulation in Kuwait*"). These controls include laws and regulations promulgated by the CBK, the CMA and Boursa Kuwait, as well as the laws and regulations of the other countries in which the Group operates, including Turkey and Bahrain.

Any of the regulations to which the Group is subject may limit its ability to increase its financing 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, cash flows 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/profit rates; and (x) changes in regulations or in the methods by which the regulatory authorities, including the CBK, apply capital adequacy regulations.

Any non-compliance with applicable regulatory guidelines could expose the Group to potential liabilities and fines. Although KFH works closely with its regulators and continually monitors compliance with CBK and other applicable regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

Risks Relating to Kuwait

As at 31 December 2022, 26.7 per cent. of the Group's operating income and 43 per cent. of the Group's total assets were located in Kuwait. Accordingly, the Group's results of operations are, and will continue to be, generally affected by financial and economic developments in or affecting Kuwait.

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

The Group's results of operations are, and will continue to be, generally affected by financial and economic developments in or affecting Kuwait and the wider MENAT 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.

The oil sector is the principal contributor to Kuwait's economy and oil revenues account for the majority of the Government's total revenues and export earnings. According to the Statistics Bureau, the oil sector (excluding refining) accounted for 54.1 per cent., 53.9 per cent. and 53.9 per cent. of Kuwait's real GDP in 2018, 2019 and 2020, respectively. The oil sector continues to be the main contributor to Kuwait's annual revenues, accounting for 83.6 per cent. of total Government revenues for the fiscal year ended 31 March 2021, according to the Kuwait Ministry of Finance. Accordingly, Kuwait's economy is significantly impacted by, and is dependent upon, international oil prices. When demand and prices for oil is low, the Government may experience increased credit risk and lower liquidity, which can also have a negative impact on Kuwaiti banks' liquidity due to higher government costs.

As a founding member of OPEC, Kuwait's oil production is subject to any agreements that are reached by OPEC to limit oil production and, in April 2020, Kuwait participated in the OPEC+ agreement, and the subsequent extension in July 2020, to cut global oil production in response to the reduced demand for oil following the outbreak of COVID-19. With recovery of economic activity post-COVID-19, OPEC+ agreed in January 2021 to increase oil production by 500,000 barrels per day. The global recovery resulted in the OPEC reference basket rising from U.S.$54.38 in January 2021 to U.S.$71.89 in June 2021. On 4 January 2022, OPEC+ agreed to proceed with its planned increase in oil output of 400,000 barrels per day for February, in line with the OPEC+ agreement made in July 2021. On 2 June 2022, OPEC agreed to increase oil production by almost 650,000 barrels a day in both July and August 2022. On 5 September 2022, the OPEC and non-OPEC Ministerial Meeting decided to revert to the production level of August 2022 for OPEC and non-OPEC participating countries for the month of October 2022, noting that the upward adjustment of 0.1 mb/d to the production level was only intended for the month of September 2022. On 8 September 2022, the OPEC reference basket stood at U.S.$92.59. However, on 5 October 2022, OPEC+ announced a cut of two million 2,000,000 barrels per day to its production target, starting from November 2022 for OPEC and non-OPEC participating countries. On 4 December 2022, OPEC+ announced that it would maintain production at current levels given market uncertainty over Chinese demand and Russian supply of oil. On 30 December 2022, the OPEC reference basket stood at U.S.$81.29. On 2 April 2023, OPEC+ announced a reduction of its production target by 1,160,000 million barrels per day to the end of 2023. As of 14 April 2023, the OPEC reference basket stood at U.S.$86.80.

Based on statistics published by the Statistics Bureau, Kuwait's nominal GDP grew by 14.0 per cent. in 2018, fell by 0.9 per cent. in 2019 and by 21.5 per cent. in 2020, whilst its real GDP grew by 2.4 per cent. in 2018, declined 16 by 0.6 per cent. in 2019 and declined by 8.9 per cent. in 2020. According to preliminary IMF data (as of April 2022), Kuwait's real GDP is estimated to have increased by 1.3 per cent. in 2021, and is projected to rise by 8.2 per cent. and 2.6 per cent. in 2022 and 2023, respectively. Kuwait's current account balance recorded a surplus of KD 6.0 billion in 2018, KD 5.4 billion in 2019 and KD 0.9 billion in 2020, according to the CBK. The Government recorded fiscal deficits in each fiscal year from and including

its 2015/16 financial year to and including the 2020/2021 financial year, according to the Kuwait Ministry of Finance. The official budget for 2021/2022, as published by the Kuwait Ministry of Finance, projected a deficit of KD 12.1 billion, although this was based upon an oil price assumption of U.S.$45 per barrel. The Ministry of Finance's draft budget for the fiscal year 2022/23 projects a deficit of KD 3.1 billion based on an oil price of U.S.$65 per barrel. The budget appears contractionary with spending expected to decrease by 4.8 per cent. over the previous year's budget. Capital expenditures are targeted to be KD 2.9 billion. The intention is to narrow the fiscal deficit.

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 further "*–Kuwait is located in a region that has been subject to ongoing political and security concerns*") 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 ongoing impact of the COVID-19 pandemic and associated travel restrictions, 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 KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

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 wider MENAT region. The Group's results of operations are, and will continue to be, generally affected by political developments in or affecting Kuwait, the GCC and the wider MENAT region. 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 in locations in which the Group operates. 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, cash flows and financial condition.

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 organisation 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 Kingdom of Saudi Arabia were damaged to a significant extent in apparent drone attacks, which caused an immediate significant reduction in the output of Saudi Aramco, Kingdom of 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 MENAT region. Since the 1990 Gulf War, Kuwait and the United States have enjoyed close economic and strategic ties. On 20 January 2017, Donald J. Trump was inaugurated as the 45th President of the United States. On 8 May 2018, the United States announced its withdrawal from the comprehensive

agreement between the U.N. Security Council's five permanent members plus Germany and Iran which was reached on July 2015, reinstating U.S. nuclear sanctions on the Iranian regime. The United States also announced that it would not renew exceptional waivers for importing Iranian oil for several oil-importing countries, effective from May 2019. On 2 January 2020 the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike Iran launched missiles at a US base in Iraq. In November 2020, Joseph R. Biden, Jr. was elected as the 46th President of the United States on a platform of reversing many of Donald Trump's policies. Joseph R. Biden, Jr. became President of the United States in January 2021. A shift in the relationship between Kuwait and the United States or changing U.S. political priorities in the MENAT region could have a material adverse effect on Kuwait's economic, political or financial condition.

Any of the foregoing may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

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

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

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), KFH faces greater competition from non-Kuwaiti banks in the domestic corporate and private banking sector (see further "*Description of the Group – Competition and Competitive Strengths*").

The competitive nature of the Kuwaiti banking market and any failure by the Group to continue to compete successfully in Kuwait may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

The Government is under no obligation to support KFH

Following the global financial crisis in 2008 and its impact on the Kuwaiti banking sector, the Government initiated several plans to support its domestic banks. Although the Government has in the past supported the Kuwaiti banking industry, there can be no assurance that it will continue to provide support to the Kuwaiti banking industry in the future. The Certificates are not guaranteed by the Government, any of KFH's shareholders or any other party.

Tax changes in Kuwait and/or internationally may have an adverse effect on the Group

As at the date of this Base Offering Circular, 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 framework. In the Kuwait Ministry of Finances' annual results for the state to March 2021, it set 2023 as the date for the implementation of VAT, with customs coming in one year earlier in 2022. This is expected to raise KD 1.7 billion by 2025. However, VAT was not introduced in 2022 and no further information regarding the introduction of VAT in Kuwait has been announced.

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 KFH for future financial years. As at the date of this Base Offering Circular, 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. The Proposed Corporate Income Tax will also need to be approved by the Fatwa & Legislation Committee of the Kuwait Cabinet of Ministers and the approval has not been received yet. 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.

In addition, the implementation of new international tax regimes, such as the Organisation for Economic Co-operation and Development ("**OECD**") "BEPS 2.0 Pillar 2" may have an impact on the Group.

If the Kuwaiti or international 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 which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

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 ("**GATT**") (as administered by 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 Certificateholders.

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 Certificateholders or on the ability of KFH to comply with its obligations and make payments under the Transaction Documents to which it is a party which are governed by Kuwaiti law (including the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement and any Sale Agreement entered into under the Purchase Undertaking or under the Sale and Substitution Undertaking (each as defined in the Conditions)). Such changes may also affect the investments that KFH has made or may make in the future.

This may have a material adverse effect on the Group's business, results of operations, cash flows and financial condition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Investing in securities involving emerging markets countries, such as Kuwait or the wider MENAT region generally involves a higher degree of risk than investments in securities of issuers or obligors from more developed countries

Investing in securities involving emerging markets countries, such as Kuwait or the wider MENAT region generally involves a higher degree of risk than investments in securities of issuers or obligors from more developed countries. In the case of Kuwait or the wider MENAT region, these higher risks include those discussed in this Base Offering Circular as well as higher volatility and limited liquidity in the 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 the Certificates, 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 the Certificates could be adversely affected by negative economic or financial developments in other emerging market countries, particularly in the wider MENAT 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 or other countries in the wider MENAT region.

As a consequence, an investment in the Certificates carries risks that are not typically associated with investing in securities issued by issuers and/or obligors 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.

Risks relating to the Acquisition

KFH may experience difficulties in integrating its existing businesses with AUB

The Acquisition involves the integration of two businesses that have previously operated independently. The potential difficulties of combining the businesses include:

- the necessity of co-ordinating and consolidating management functions, organisations, systems and facilities;
- conflicts between KFH's existing policies and procedures and internal methodology and those of AUB;
- the task of integrating the management and personnel of KFH and AUB, maintaining employee morale and retaining and incentivising key employees;
- the possibility of losing AUB customers who may not wish to maintain a banking relationship with KFH following the Acquisition;
- the possibility of losing AUB's customers if they are unwilling or incapable (for any reason) to replace the AUB-offered products and services with *Shari'a* compliant products and services;
- accurately evaluating the contractual, financial, regulatory, environmental and other obligations and liabilities associated with AUB's legacy investments, including the appropriate implementation of financial oversight and internal controls and the timely preparation of financial statements that are in conformity with KFH's accounting policies; and
- accurately judging market dynamics, demographics, growth potential and competitive environment (including evaluating and managing the risks and uncertainties in entering new markets and acquiring new businesses).

The process of integrating operations may present financial, managerial and operational risks, including an interruption of, or loss of momentum in, the activities of one or more of KFH's businesses and the loss of key personnel. Any delays or difficulties encountered in connection with the integration of the operations of the businesses could have an adverse effect on the Group's business, results of operations, financial condition or prospects. Moreover, if the management of KFH is unable to integrate the operations of AUB into KFH successfully, the anticipated benefits of the Acquisition may not be realised.

In addition, KFH also expects to incur a number of non-recurring costs associated with the integration of the businesses of AUB into KFH, including fees to financial, accounting and legal advisers and other related costs.

If the integration is not successful, KFH will not realise the anticipated benefits of the integration and may, therefore, fail to offset these integration costs over time. In particular, integration of some of the legacy AUB operations and businesses may be more difficult to achieve as a result of the requirement to ensure that such operations and businesses remain *Shari'a*-compliant where applicable. Furthermore, the regulatory landscape and regulators' attitude to *Shari'a*-compliant functions of banks remains in flux and any requirement to establish further separation of *Shari'a*-compliant functions from those of conventional banking functions could have a material adverse effect on KFH's ability to leverage resources and benefit from synergies associated with the Acquisition which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

KFH may not be able to successfully integrate AUB into the Group

Prior to the Acquisition, KFH and AUB operated as independent companies. KFH may face significant challenges integrating the two organisations, their policies, technological systems and operations in a timely and efficient manner, as well as in addressing differences in the business cultures of the two companies and retaining key former personnel.

The integration process may prove to be complex and time-consuming, require substantial resources and effort and may lead to a degree of uncertainty for customers and employees. It may also disrupt KFH's ongoing businesses, which may adversely affect its relationships with customers, suppliers, partners, employees, regulators and others with whom KFH has business or other dealings. The integration process may also lead to a reduction or loss of "brand equity" of KFH.

If KFH fails to manage the integration of AUB into KFH effectively, the growth strategy and future profitability of KFH could be negatively affected and it may fail to achieve the anticipated benefits of the Acquisition.

In addition, difficulties in integrating the businesses could harm the reputation of KFH, which may result in the loss of customers and key employees.

KFH may not achieve the synergies expected from the Acquisition

KFH may fail to achieve the synergies that it anticipates will arise from the Acquisition. The success of the Acquisition will depend, in part, on KFH's ability to realise anticipated cost savings, revenue synergies and growth opportunities from integrating the businesses of AUB into the Group. In particular, KFH's ability to realise anticipated synergies and the timing of this realisation may be affected by a variety of factors, including but not limited to:

- the difficulty of implementing its cost saving plans;
- the challenges associated with the integration of AUB's businesses and operations into the Group, and, in particular, the ability to integrate new operations with existing operations in a timely and effective manner and to manage an increasingly larger business;
- the challenges associated with the integration of a *Shari'a* compliant business; and
- unforeseeable events, including major changes in the markets in which the Group operates.

There is a risk that the cost savings projected from the integration will not be realised in the time, manner or amounts expected due to unforeseen inaccuracies or factors in the pre-Acquisition computation of such savings or due to various external and internal factors.

Although KFH believes that the elimination of costs, as well as the realisation of other efficiencies related to the integration will offset the incurred implementation and integration costs over time, the net benefit may not be achieved within the expected timetable. In addition, some of these costs could be higher than KFH anticipated which could reduce the net benefits of the Acquisition and impact the Group's business, results of operations, financial condition or prospects which, in turn, could affect KFH's ability to perform its obligations in respect of the Transaction Documents to which it is a party.

Risks Related to the Certificates

Limitations relating to the indemnity provisions under the Purchase Undertaking and the Master Declaration of Trust

KFH has covenanted in the Purchase Undertaking and the Master Declaration of Trust that, in relation to any Series: (a) if, at the time of delivery of an exercise notice in accordance with the provisions of the Purchase Undertaking, KFH remains in actual or constructive possession, custody or control of all or any part of the Wakala Portfolio Assets (as defined in the Conditions); and (b) if, following delivery of an exercise notice in accordance with the provisions of the Purchase Undertaking, KFH fails to pay the relevant Exercise Price or the Certificateholder Put Right Exercise Price or the Tangibility Event Exercise Price (each as defined in the Purchase Undertaking), as the case may be, in accordance with the provisions of the Purchase Undertaking for any reason whatsoever and thereby resulting in KFH's failure to comply with its obligations under the Purchase Undertaking, KFH shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding

Certificates of such Series, and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Exercise Price, as the case may be.

Subject to the satisfaction of the conditions set out in the above paragraph, if KFH fails to pay the relevant Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Exercise Price, as the case may be, in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Master Declaration of Trust against KFH.

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

Accordingly, in such event, the Delegate (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by KFH in order to prove for damages. Such breach of contract may be due to: (i) a breach by KFH of the requirement to purchase the Trustee's interests, rights, title, benefits and entitlements in, to and under the relevant Trust Assets on the relevant Dissolution Date pursuant to the provisions of the Purchase Undertaking; and/or (ii) a breach by KFH of its undertaking to remain in actual or constructive possession, custody or control of all or any part of the Wakala Portfolio Assets.

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

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

If a Tangibility Event (as defined in the Conditions) occurs, the Certificateholders will be promptly notified: (a) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence; (b) that, as determined in consultation with KFH's Fatwa and *Shari'a* Supervisory Board, the Certificates should only be tradeable in accordance with the *Shari'a* principles of debt trading; (c) that, on the date falling 15 days following the Tangibility Event Put Right Date (as defined in the Conditions), the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to listing or if such date is not a business day, the next following business day ("**business day**" being, for this purpose, a day on which the relevant stock exchange on which the Certificates are admitted to listing is open for business); and (d) of the Tangibility Event Put Right Period (as defined in the Conditions), during which period the holder of any Certificates shall have the option to require the redemption of all or any of its Certificates. Upon receipt of such notice, the Certificateholders may elect to redeem all or any of their Certificates in accordance with the Conditions. Accordingly, a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates.

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided *pro rata* ownership interest solely in the relevant Trust Assets. Recourse to the Trustee in respect of each Series is limited to the Trust Assets of that Series and the proceeds of such Trust Assets are the sole source of payments on the relevant Certificates. Upon the occurrence of a Dissolution Event, or any early redemption of the Certificates at the option of the Certificateholders pursuant to Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*) or Condition 8.5 (*Dissolution at the Option of Certificateholders (Tangibility Event Put Right)*), the sole rights of each of the Delegate and, through the Trustee and/or the Delegate, the Certificateholders of the relevant Series will be against KFH to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will otherwise

have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or of the Delegate, the directors of the Trustee or the Delegate or KFH (to the extent that KFH fulfils all of its obligations under the Transaction Documents) in respect of any shortfall in the expected amounts due on the Certificates. KFH is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee and/or the Delegate. The Delegate will (in the name of the Trustee) have direct recourse against KFH to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. In the absence of default by the Delegate, investors have no direct recourse to KFH, through the Trustee and there is no assurance that the net proceeds of any enforcement action with respect to the relevant Trust Assets (which, as described above, will be by way of enforcing KFH's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the relevant Certificates. After enforcing or realising the rights in respect of the Trust Assets of a Series (in the manner described above) and the distribution of the net proceeds of such Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee (and no Certificateholder may take any further steps against the Delegate) to recover any further sums in respect of such Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder be entitled in respect thereof to petition or take any steps for the winding-up of the Trustee nor have any right to cause the sale or other disposition of any of the relevant Trust Assets except pursuant to the Transaction Documents. The sole right of the Trustee, the Delegate (acting in the name of the Trustee) and the Certificateholders (acting through the Delegate) against KFH shall be to enforce the obligation of KFH to perform its obligations under the Transaction Documents to which it is a party. As a result, the obligations of KFH under the Transaction Documents are unsecured and rank *pari passu* with the other unsecured indebtedness of KFH.

The terms of the Certificates may be modified by a majority of Certificateholders without the consent of, or notice to, all Certificateholders

The Master Declaration of Trust and the Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders, including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Master Declaration of Trust and the Conditions also provide that the Delegate may, from time to time and without the consent of the Certificateholders: (a) agree to any modification of any of the provisions of the Master Declaration of Trust or the Transaction Documents that is, in the sole opinion of the Delegate, (i) of a formal, minor or technical nature or (ii) is made to correct a manifest error or (iii) is not materially prejudicial to the interests of the outstanding Certificateholders **provided that** such modification is, in the case of (iii), other than in respect of a Reserved Matter (as defined in the Master Declaration of Trust); or (b): (i) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Declaration of Trust or the Transaction Documents; or (ii) determine that any Dissolution Event shall not be treated as such, in each case as further described in Condition 16 (*Meetings of Certificateholders, Modification and Waiver*).

In addition, the Conditions also provide that KFH and/or an Independent Advisor may agree, without the consent of Certificateholders, to any modification of any Certificates, in the circumstances specified in Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*).

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Prospective investors should consult their legal advisors to determine whether and to what extent: (a) the Certificates are legal investments for such prospective investors; (b) the Certificates can be used as collateral for various types of borrowing; and (c) other restrictions apply to their purchase or pledge of any Certificates. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

Certificates where denominations involve integral multiples: Individual Certificates

In relation to any issue of Certificates which have denominations consisting of a minimum Specified Denomination (as specified in the applicable Pricing Supplement) plus one or more higher integral multiples of another smaller amount, it is possible that such Certificates may be traded in amounts in excess of the minimum Specified Denomination 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 a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system, would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Certificateholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive an Individual Certificate in respect of such holding (should Individual Certificates be printed) and would need to purchase a principal amount of Certificates such that its holding amounts to at least a Specified Denomination in order to be eligible to receive an Individual Certificate.

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

Certain benchmark rates, including EURIBOR, may be discontinued or reformed in the future.

The Euro Interbank Offered Rate ("**EURIBOR**") and other rates or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing 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 Certificates linked to or referencing such a benchmark.

Regulation (EU) No. 2016/1011 (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. Among other things, it: (i) requires benchmark administrators to be authorised or registered (or, if non EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non EU-based, not deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation, amongst other things, applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. Similarly, it prohibits the use in the UK by UK-supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the UK Benchmarks Register (or, if non UK-based, not deemed equivalent or recognised or endorsed). The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Certificates linked to or referencing EURIBOR or another benchmark rate or index, 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, 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 the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, 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. On 13 September 2018, the working group on Euro

risk-free rates recommended the new Euro short-term rate ("**€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 subsequently 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.

The elimination of EURIBOR or any other benchmark, the transition of an existing benchmark to an alternate benchmark or a risk-free overnight rate or changes in the manner of administration of any benchmark, could require or result in an adjustment to the profit calculation provisions of the Conditions (as further described in Condition 7.2(j) (*Benchmark Replacement (Independent Adviser*)), or result in adverse consequences to holders of any Certificates linked to such benchmark (including Floating Rate Certificates whose profit rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Certificates, the return on the relevant Certificates and the trading market for securities (including the Certificates) based on the same benchmark.

The Conditions of the Certificates provide for certain fallback arrangements in the event that a published benchmark, such as EURIBOR, (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event or a Benchmark Transition Event (each as defined in the Conditions), as applicable, otherwise occurs. Such an event may be deemed to have occurred prior to the issue date for a Series of Certificates. Such fallback arrangements include the possibility that the rate of profit could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Certificates may not achieve this objective. Any such changes may result in the Certificates performing differently (which may include payment of a lower rate of profit) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of profit for a particular Return Accumulation Period may result in the profit rate for the last preceding Return Accumulation Period being used.

This may result in the effective application of a fixed rate for Floating Rate Certificates based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions) in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Certificates.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and the UK Benchmarks Regulation reforms or arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Certificates linked to or referencing a benchmark.

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

The use of risk-free rates, including those such as the Sterling Overnight Index Average ("**SONIA**"), the Secured Overnight Financing Rate ("**SOFR**") and €STR, as reference rates for Eurobonds and other similar securities continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds and sukuk referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Certificates that reference risk-free rates issued under this Programme. The Issuer may in the future also issue Certificates referencing SONIA, the SONIA Compounded Index, SOFR, the SOFR Compounded Index or €STR that differ materially in terms of profit determination when compared with any previous Certificates issued by it under this 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 Certificates that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the 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 such reference 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 Certificates referencing such risk-free rates.

In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Certificates, will gain widespread market acceptance. In addition, 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 Certificates, the trading price of such Certificates linked to such risk-free rates may be lower than those of Certificates referencing indices that are more widely used.

Investors should consider these matters when making their investment decision with respect to any Certificates which reference SONIA, SOFR, €STR or any related indices.

Risk-free rates may differ from LIBOR and other inter-bank offered rates in a number of material respects and have a limited history

Risk-free rates may differ from The London Interbank Offered Rate ("**LIBOR**") and other inter-bank offered rates in a number of material respects. These include (without limitation) being backwards-looking, in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as profit reference rates for the Certificates. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Certificates may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Furthermore, profit on Certificates which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Periodic Distribution Date. It may be difficult for investors in Certificates which reference such risk-free rates reliably to estimate the amount of profit which will be payable on such Certificates, and some investors may be unable or unwilling to trade such Certificates without changes to their IT systems, both of which could adversely impact the liquidity of such Certificates. Further, in contrast to Certificates linked to interbank offered rates, if Certificates referencing backwards-looking rates become due and payable as a result of a Dissolution Event under Condition 12 (*Dissolution Events*), or are otherwise redeemed early on a date which is not an Periodic Distribution Date, the final Profit Rate payable in respect of such Certificates shall be determined by reference to a shortened period ending immediately prior to the date on which the Certificates become due and payable or are scheduled for redemption.

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

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

The Bank of England, the Federal Reserve, Bank of New York or the European Central Bank (or their successors) as administrators of SONIA (and the SONIA Compounded Index), SOFR (and the SOFR Compounded Index) or €STR, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, SOFR or €STR, or timing related to the publication of SONIA, SOFR or €STR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA, SOFR or €STR or any related index (in which case a fallback method of determining the Profit Rate on the Certificates will apply). The administrator has no obligation to consider the interests of Certificateholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

Compliance of the Certificates with the principles of Islamic finance

The *Shari'a* advisers have confirmed that the Certificates and the Transaction Documents are, in their view, compliant with the principles of *Shari'a* as applicable to, and interpreted by, them. However, there can be no assurance that the Transaction Documents or any issue and trading of any Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars or that they would deem the issue or trading of any Certificates (including, without limitation, any future trading of the Certificates on the secondary market) to be *Shari'a* compliant. None of the Trustee, KFH, the Delegate, the Arrangers, the Dealers or the Agents makes any representation as to the *Shari'a* compliance of any Certificates and/or any trading thereof (including, without limitation, any future trading of the Certificates on the secondary market), the Transaction Documents or the above pronouncements and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible and different *Shari'a* standards may be applied by different *Shari'a* boards. In addition, none of the Delegate, the Arrangers, the Dealers or the Agents will have any responsibility for monitoring or ensuring compliance with any *Shari'a* principles of debt trading referred to in Condition 8.5 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) nor shall they be liable to any Certificateholder or any other person in respect thereof. Potential investors should not rely on the above pronouncements in deciding whether to make an investment in the Certificates and should obtain their own independent *Shari'a* advice as to whether the Transaction Documents, the Certificates and the issue and trading of the Certificates comply with *Shari'a* principles (including, without limitation, their individual standards of compliance relating thereto) and should also make their own determination as to the future tradability (including, without limitation, in compliance with the *Shari'a* principles of debt trading) of the Certificates on any secondary market. Questions as to the *Shari'a* compliance of the Transaction Documents or the *Shari'a* permissibility of the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, potential investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents or the Certificates shall be, if in dispute, be referred to, and finally resolved by, arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**"), in London, England. In such circumstances, the arbitrator or court (as applicable) will apply the governing law of the relevant Transaction Document and/or the Certificates in determining the obligations of the parties.

Shari'a requirements in relation to interest awarded by an arbitral tribunal

In accordance with applicable *Shari'a* principles, each of the parties will waive all and any entitlement it may have to interest awarded in its favour in any arbitral award in connection with any dispute under any of the Transaction Documents to which it is a party. Should there be any delay in the enforcement of an arbitral award given against KFH, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

Investors in the Certificates must rely on Euroclear and Clearstream, Luxembourg procedures to exercise certain rights under the Certificates

The Certificates of each Series will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (see further, "*Form of the Certificates*"). Except in the circumstances described in each Global Certificate, investors will not be

entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Certificate held through it. While the Certificates are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Certificates of a Series are represented by a Global Certificate, the Trustee will discharge its payment obligations under the Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Certificates. Neither the Trustee nor KFH has any responsibility or liability for the records relating to, or payments made in respect of, ownership interests in any Global Certificate.

Holders of ownership interests in a Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

A secondary market may not develop for any Certificates and there may be limited liquidity for Certificateholders

The Certificates may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. The liquidity of any market for the Certificates that may develop depends on a number of factors, including:

- the method of calculating the dissolution and periodic distribution amounts in respect of the Certificates of the relevant Series;
- the time remaining to the maturity of the Certificates of the relevant Series;
- the outstanding amount of the Certificates of the relevant Series;
- the redemption features of the Certificates of the relevant Series; and
- the level, direction and volatility of market interest rates generally.

Therefore, investors may not be able to sell their Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. A lack of liquidity may have a material and adverse effect on the market value of Certificates.

The Certificates may be subject to exchange rate risk and exchange controls

The Trustee will pay Periodic Distribution Amounts and Dissolution Amounts on the Certificates in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include 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 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. The Trustee does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. However, fluctuations between currencies in the past are not necessarily indicative of fluctuations that may occur in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Certificates; (ii) the Investor's Currency-equivalent value of the principal payable on the Certificates; and (iii) the Investor's Currency-equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of any Periodic Distribution Amount or Dissolution Amounts on a Certificate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts.

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

Credit ratings may not reflect all risks

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

In general, European regulated investors are restricted under the 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. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Certificates changes for the purposes of the 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 Certificates may have a different regulatory treatment, which may impact the value of the Certificates 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 Offering Circular.

A change of law may materially adversely affect the Certificates

The Transaction Documents (excluding the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement and any Sale Agreement entered into under the Purchase Undertaking or under the Sale and Substitution Undertaking (each of which are governed by Kuwaiti law)) and the Conditions are based on English law and administrative practices in effect as at the date of this Base Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Offering Circular nor whether any such change could adversely affect the ability of the Trustee to comply with its obligations and make payments under the Certificates or of KFH to comply with its obligations and make payments under the Transaction Documents to which it is a party.

Investments in emerging markets are subject to greater risk than investments in more developed markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, but not limited to, in some cases significant legal, economic and political

risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

The Certificates may be subject to early dissolution

In certain circumstances, the Certificates may be subject to early dissolution by the Trustee. Pursuant to Condition 8.2 (*Early Dissolution for Taxation Reasons*), if the Trustee has or will become liable to pay additional amounts in respect of the Certificates and/or KFH is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in the Relevant Jurisdictions or any political subdivision or any authority thereof or therein having power to tax, the Trustee may redeem all but not some only of the Certificates upon giving notice in accordance with the Conditions.

Certificates may also be subject to early dissolution by KFH: (i) if the Optional Dissolution Right is specified in the applicable Pricing Supplement, pursuant to Condition 8.3 (*Dissolution at the Option of KFH (Optional Dissolution Right)*); and (ii) pursuant to Condition 8.5 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), in the event the Clean Up (Call) Right is exercised by KFH. In such cases, KFH may exercise its option under the Sale Undertaking to procure the Trustee to redeem the relevant Certificates on the relevant Optional Dissolution Date at the relevant Optional Dissolution Amount as specified in the applicable Pricing Supplement.

In each case, dissolution will take place in accordance with the Conditions. An early dissolution feature of any Certificate is likely to limit its market value. During any period when KFH may require the Trustee to redeem any Certificates, the market value of those Certificates generally may not rise substantially above the dissolution amount payable.

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

Risks relating to the Wakala Portfolio Assets

Ownership of the Wakala Portfolio Assets

The *Shari'a* analysis is as follows: an interest in the Wakala Portfolio Assets should pass to the Trustee under the relevant Master Purchase Agreement, as supplemented by the relevant Supplemental Purchase Agreement. The Trustee will declare a trust in respect of such Wakala Portfolio Assets and the other relevant Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the Master Declaration of Trust, as supplemented by the relevant Supplemental Declaration of Trust. Accordingly, from a *Shari'a* perspective, Certificateholders should, through the ownership interest of the Trustee, have an undivided *pro rata* beneficial ownership interest in the relevant Wakala Portfolio Assets (see "– *Transfer of the Wakala Portfolio Assets*" below).

Limited investigation or enquiry will be made and limited due diligence will be conducted in respect of any Wakala Portfolio Assets. The Wakala Portfolio Assets will be selected by KFH in its absolute discretion (subject to the provisions contained in the Transaction Documents) and the Arrangers, Dealers, Certificateholders, the Trustee and the Delegate will have no ability to influence such decision. Only limited representations will be obtained from KFH in respect of the Wakala Portfolio Assets of any Series (such representations shall not form part of the relevant Trust Assets). In particular, the precise terms of such Wakala Portfolio Assets or the nature of the assets sold or held will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by KFH to give effect to the transfer of the ownership interest in the Wakala Portfolio Assets). No steps will be taken to perfect the transfer of the ownership interest (including registration) in the Wakala Portfolio Assets with any relevant regulatory authority in Kuwait or the Cayman Islands, or otherwise to give notice to any lessee or obligor in respect thereof. The obligors in respect of such Wakala Portfolio Assets may have rights of set-off or counterclaim against KFH in respect of such Wakala Portfolio Assets. Therefore, Certificateholders shall

not have any interest in any Wakala Portfolio Assets which require perfection in order to legally transfer any ownership interest therein.

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

Transfer of the Wakala Portfolio Assets

No investigation has been or will be made as to whether any Wakala Portfolio Assets may be transferred as a matter of the law governing the contracts (if any) underlying such Wakala Portfolio Assets, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made by the Trustee, the Arrangers or the Dealers to determine if any Supplemental Purchase Agreement will have the effect of transferring the Wakala Portfolio Assets of the relevant Series of Certificates.

Risks relating to Certificates denominated in Renminbi

Certificates denominated in Renminbi ("**RMB Certificates**") may be issued under the Programme. RMB Certificates contain particular risks for potential investors, including:

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of RMB Certificates

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar. However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC Government.

Although Renminbi was added to the Special Drawing Rights basket created by the IMF in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China ("**PBoC**") in 2018, there is no assurance that the PRC Government will continue to gradually liberalise control over cross border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programmes and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. If funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Trustee to source Renminbi to finance its obligations under RMB Certificates.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Certificates and the Trustee's ability to source Renminbi outside the PRC to service such RMB Certificates

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited.

While PBoC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement, and is further in the process of establishing

Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business-participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although the PBoC has gradually allowed participating banks to access the PRC's onshore interbank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC.

The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Certificates. To the extent the Trustee is required to source Renminbi in the offshore market to service its Renminbi Certificates, there is no assurance that the Trustee will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Certificates is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBoC implemented changes to the way it calculates the Renminbi's daily midpoint against the U.S. dollar to take into account market-maker quotes before announcing such daily midpoint. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. In addition, although the primary obligation of the Trustee is to make all payments/repayments of profit and principal with respect to RMB Certificates in Renminbi, in the event access to Renminbi deliverable in the Renminbi Settlement Centre becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Conditions) the Trustee is not able to satisfy payments/repayments of principal or profit (in whole or in part) in respect of the RMB Certificates when due in Renminbi, the terms of the RMB Certificates allow the Trustee to make payment in U.S. dollars at the prevailing rate of exchange, all as provided in more detail in the Conditions. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of the investment made by a holder of the RMB Certificates in U.S. dollars or other applicable foreign currency will decline.

Investment in the Renminbi Certificates is subject to currency risk

If the Trustee is not able, or it is impracticable for it, to satisfy its obligation to pay any profit and principal on the Renminbi Certificates as a result of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Conditions), the Trustee shall be entitled, on giving not less than five or more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in U.S. dollars on the due date at the U.S. dollar Equivalent (as defined in the Conditions) of any such profit or principal, as the case may be.

Investment in RMB Certificates is subject to interest/profit rate risk

The PRC Government has gradually liberalised its regulation of interest/profit rates in recent years. Further liberalisation may increase interest/profit rate volatility. In addition, the interest/profit rates for Renminbi in markets outside the PRC may significantly deviate from the interest/profit rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

The RMB Certificates may carry a fixed profit rate or a floating profit rate. Consequently, the trading price of such RMB Certificates will vary with fluctuations in interest/profit rates. If a holder of RMB Certificates proposes to sell their RMB Certificates before their maturity, they may receive an offer lower than the amount they have invested.

Payments in respect of RMB Certificates will only be made to investors in the manner specified in the terms and conditions of the relevant Certificates

All payments to investors in respect of the RMB Certificates will be made solely: (i) for so long as the RMB Certificates are represented by a Global Certificate held with a common depositary for Euroclear and Clearstream, Luxembourg, or with such other clearing system (or a depository, custodian or nominee thereof) specified in the applicable Pricing Supplement, by transfer to a Renminbi bank account maintained in the Renminbi Settlement Centre(s) specified in the applicable Pricing Supplement in accordance with prevailing rules and procedures of the relevant clearing system; or (ii) when the RMB Certificates are in definitive form, by transfer to a Renminbi bank account maintained in the Renminbi Settlement Centre(s) specified in the applicable Pricing Supplement in accordance with prevailing rules and regulations. The Trustee cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Gains on the transfer of the RMB Certificates may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of RMB Certificates by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of RMB Certificates but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual holder from the transfer of RMB Certificates.

However, uncertainty remains as to whether the gain realised from the transfer of RMB Certificates by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and thus become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, holders who are residents of Hong Kong, including enterprise holders and individual holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Certificates.

Therefore, if enterprise or individual resident holders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of RMB Certificates, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual holders of RMB Certificates reside that reduces or exempts the relevant EIT or IIT, the value of their investment in RMB Certificates may be materially and adversely affected.

Risks Relating to Enforcement

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

Notwithstanding that the Transaction Documents (other than the Master Purchase Agreement and any Supplemental Purchase Agreement in respect of a Series (which are governed by Kuwaiti law)) are expressed to be governed by English law, in the event of KFH's insolvency, Law No. 71 of 2020 (the "**Insolvency Law**") shall apply. The Insolvency Law came into full force and effect on 25 July 2021. The Kuwait insolvency regime under the Insolvency Law may, in the event of KFH's insolvency, adversely affect KFH's ability to perform its obligations under the Transaction Documents and, consequently, the Trustee's ability to perform its obligations in respect of any Certificates. Further, obtaining a final bankruptcy judgment in Kuwait may take several years. There is little precedent to predict how any claims on behalf of holders of the Certificates, the Trustee and/or the Delegate against KFH would be resolved in the event of KFH's insolvency and therefore there can be no assurance that holders of the Certificates will receive payment of their claims in full in these circumstances. However, the features of the new insolvency

regime have been influenced by multiple established and sophisticated insolvency law regimes of other jurisdictions with the aim of establishing a more investor-friendly climate.

There is a risk that the Kuwaiti Courts will assume jurisdiction

The Transaction Documents each contain a provision to the effect that disputes arising thereunder will be referred to arbitration under the Arbitration Rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**").

Nevertheless, if a claim is brought before the courts of Kuwait (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. These situations include: (a) where the defendant in the proceedings expressly or impliedly accepted the jurisdiction of the Kuwaiti Courts; (b) where the defendant is a Kuwaiti national or is resident, domiciled or has a place of business or a chosen domicile in Kuwait; or (c) if such legal proceedings relate to property (movable or immovable) located in Kuwait, an obligation is created, executed or required to be performed in Kuwait or a bankruptcy is declared in Kuwait.

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

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

The payments under the Certificates are dependent upon receipt by the Trustee of all amounts due from KFH under the Transaction Documents and payment by the Trustee of all amounts due to investors in the manner contemplated under the Certificates and the Transaction Documents. If the Trustee or, where applicable, KFH, fails to fulfil its obligations under the Certificates and/or the Transaction Documents, it may be necessary for the Delegate (or, in the limited circumstances described in Condition 12 (*Dissolution Events*), the Certificateholders) to bring an action against the Trustee and/or KFH to enforce their respective obligations and/or to claim damages, as appropriate, which may be costly and time consuming. Disputes arising under the Certificates and/or the Transaction Documents will be referred to arbitration under the Rules. Certificateholders will therefore only have recourse to LCIA arbitration in order to enforce their contractual rights under the Certificates and will not have the right to bring proceedings relating to the Certificates before the English courts.

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

Article 199 of the Code requires that: (a) the courts of the jurisdiction by which the judgment was rendered must afford reciprocal treatment to judgments rendered in Kuwait; (b) the judgment must be rendered by a competent authority according to the law of the jurisdiction in which it was rendered; (c) the parties must have been duly summoned to appear and were duly represented at the proceedings; (d) the judgment must be final and non-appealable (res judicata) according to the law of the jurisdiction in which it was rendered;

(e) the judgment must not contradict any prior judgment rendered by a Kuwaiti Court; and, finally (f) the judgment must not contain anything in conflict with the general morals or public order of Kuwait.

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

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

Risks Relating to Tax

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have previously been published or are published simultaneously with this Base Offering Circular and have been filed with the FCA:

(a) the consolidated financial statements of KFH as at and for the year ended 31 December 2022 together with the audit report thereon and the notes thereto (available at: https://www.kfh.com/en/dam/jcr:68450f9f-59e9-4fe3-b257-7b7662ab4ad5/3-%20KFH%20Disclosure%20February%2006%202023_en.pdf);

(b) the consolidated financial statements of KFH as at and for the year ended 31 December 2021 together with the audit report thereon and the notes thereto (available at: https://www.kfh.com/en/reports/kuwait/Financial-Reports/Year-end-financial-statements-2021/document_en/English%20-%20KFH%20FS%2031%20December%202021.pdf.pdf);

(c) the unaudited interim condensed consolidated financial statements of AUB as at and for the nine months ended 30 September 2022, including the review report thereon and the notes thereto (available at: https://www.ahliunited.com/bh/wp-content/uploads/2022/11/AUBFSSeptember2022_English_Web.pdf); and

(d) the consolidated financial statements of AUB as at and for the year ended 31 December 2021 together with the audit report thereon and the notes thereto (available at: https://www.ahliunited.com/bh/wp-content/uploads/2022/02/AUB-Financial-Statements-2021-EN.pdf).

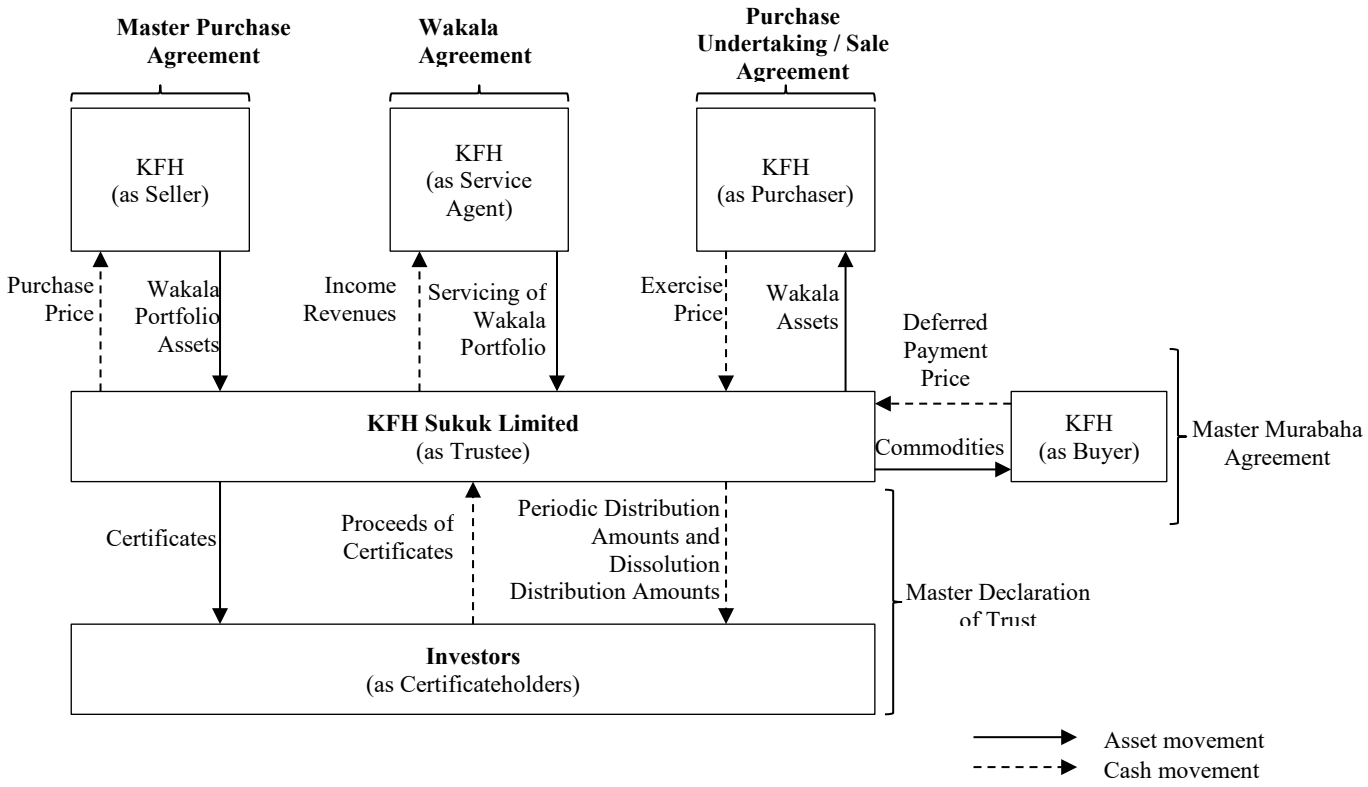
(together, the "**Documents Incorporated by Reference**").

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

Copies of the Documents Incorporated by Reference in this Base Offering Circular may be obtained from the registered office of the Trustee and from the specified office of the Principal Paying Agent during usual business hours.

STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Base Offering Circular. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out in the "Summary of the Principal Transaction Documents" for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Base Offering Circular carefully, especially the risks of investing in Certificates issued under the Programme discussed under "Risk Factors".



Payments by the Certificateholders and the Trustee

On the issue date of a Tranche (the "**Issue Date**"), the Certificateholders will pay the issue price in respect of the Certificates (the "**Issue Price**") to the Trustee.

The Trustee will use the Issue Price of each Series as follows:

(a) an amount (if any) as specified in the applicable Pricing Supplement (the "**Murabaha Investment Amount**"), will be used to purchase certain *Shari'a*-compliant commodities (the "**Commodities**") through the commodity agent (the "**Commodity Agent**") and the Trustee will sell such Commodities to KFH (in its capacity as buyer, the "**Buyer**") on a deferred payment basis for a sale price specified in a letter of offer and acceptance (the "**Deferred Sale Price**") pursuant to a murabaha contract (the "**Murabaha Contract**") (such sale of *Shari'a*-compliant commodities by the Trustee to KFH and all of the Trustee's rights and entitlements against KFH (in its capacity as buyer) in connection therewith being the "**Commodity Murabaha Investment**") **provided that** no more than 45 per cent. of the Issue Price shall be used to acquire Commodities; and

(b) the remaining portion of the Issue Price, as specified in the applicable Pricing Supplement (the "**Purchase Price**"), will be used to purchase and accept the transfer and conveyance from KFH (in its capacity as seller, the "**Seller**") of the Seller's interests, rights, title, benefits and entitlements, present and future, in, to and under certain Eligible Wakala Assets specified in the relevant Supplemental Purchase Agreement (the "**Initial Wakala Assets**") **provided that**, (i) in respect of the first Tranche of a Series, the purchase price (excluding the portion of the purchase price attributable to the Intangible Portion of any Tradable Sukuk comprised in the relevant Initial Wakala Assets) shall be no less than 55 per cent. of the aggregate face amount of the Certificates issued pursuant to such Tranche and (ii) in respect of any additional Tranche issued in relation to a Series (an "**Additional Tranche**"), the purchase price shall be such that after entering into the relevant Supplemental Purchase Agreement, the Tangibility Ratio will be more than 50 per cent.

The following assets:

(a) Initial Wakala Assets (as may be substituted from time to time) and any additional Eligible Wakala Assets (including Additional Wakala Assets (as defined in the Summary of Principal Transaction Documents section below)) acquired from time to time in accordance with the Transaction Documents, all revenues from which comprise amounts in the nature of sale proceeds, capital, investments or principal payments (including, without limitation, any total loss and expropriation related insurance (including Islamic insurance) proceeds and any indemnity payments) (the "**Principal Revenues**") and any investment deposit made with any *Shari'a*-compliant financial institution (the "***Shari'a*-Compliant Investments**") in accordance with the Wakala Agreement (together, the "**Wakala Portfolio Assets**"); and

(b) (if applicable to the relevant Series) the Commodity Murabaha Investment,

shall together constitute the assets of the Certificates in respect of the relevant Series (the "**Sukuk Assets**").

The Trustee has, pursuant to the terms of the Wakala Agreement, appointed KFH as its agent (in such capacity the "**Wakeel**") to perform certain services set out in the Wakala Agreement (the "**Wakala Services**") in respect of the Wakala Portfolio Assets of each Series.

Periodic Distribution Payments

The Wakeel will record: (i) all Principal Revenues from the Wakala Portfolio Assets of each Series in a book-entry ledger account (the "**Principal Collection Account**"); and (ii) all Income Revenues from the Wakala Portfolio Assets of each Series in a book-entry ledger account (the "**Income Collection Account**"). On the business day prior to each Periodic Distribution Date, the Wakeel shall use amounts standing to the credit of the Income Collection Account to pay to the Transaction Account (having first: (i) repaid or paid any amounts advanced to the Trustee by way of Liquidity Facility (as defined below); and (ii) paid any claims, losses, costs and expenses properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee in providing the Wakala Services (the "**Wakeel Liabilities Amount**") for the relevant Return Accumulation Period) an amount which is intended to be sufficient to fund the Periodic Distribution Amount payable by the Trustee under the Certificates of the relevant Series on the

Periodic Distribution Date falling one business day after such date (the "**Required Amount**") and any such amount paid into the Transaction Account shall be applied by the Trustee for that purpose.

If on the business day prior to a Periodic Distribution Date the amounts standing to the credit of the Income Collection Account (having first: (i) repaid or paid any Liquidity Facility (as defined below); and (ii) paid any Wakeel Liabilities Amount for the relevant Return Accumulation Period) are greater than the relevant Required Amount, such excess returns shall be credited by the Wakeel to a separate book-entry ledger account (such account, the "**Reserve Account**").

If on the business day prior to a Periodic Distribution Date the amounts standing to the credit of the Income Collection Account are less than the relevant Required Amount, the Wakeel shall deduct amounts standing to the credit of the Reserve Account towards funding such shortfall and, if such amounts standing to the credit of the Reserve Account are insufficient for such purpose, the Wakeel may provide to the Trustee (on a *qard hasan* basis), or procure from a third party, *Shari'a*-compliant funding (on commercially acceptable terms) in an amount equal to the remaining shortfall (a "**Liquidity Facility**").

Distribution Payments

On the business day prior to the relevant Scheduled Dissolution Date in relation to each Series:

(a) if applicable to the relevant Series, the outstanding Deferred Sale Price shall be due and payable; and/or

(b) the Trustee will have the right under the Purchase Undertaking to require KFH to purchase all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Portfolio Assets in consideration for payment by KFH of the Exercise Price (as defined in the Purchase Undertaking).

The outstanding Deferred Sale Price payable by KFH under the Master Murabaha Agreement (if applicable to the relevant Series) and/or the Exercise Price payable by KFH under the Purchase Undertaking, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

The Certificates in relation to any Series may be redeemed in whole prior to the relevant Scheduled Dissolution Date for the following reasons:

(a) redemption following a Dissolution Event; and

(b) an early redemption for taxation reasons.

In each case, the amounts payable by the Trustee on the due date for dissolution will be funded in the same manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date.

The Certificates in relation to any Series may also be redeemed in whole or in part prior to the relevant Scheduled Dissolution Date for the following reasons:

(a) if so specified in the applicable Pricing Supplement, at the option of the Certificateholders;

(b) at the option of the Certificateholders following a Tangibility Event;

(c) at the option of KFH following the exercise of a Clean Up (Call) Right; and

(d) if so specified in the applicable Pricing Supplement, at the option of KFH.

Upon the exercise of such right, the Trustee shall redeem the relevant Certificates for an amount equal to the sum of the face amounts of such Certificates and the Periodic Distribution Amounts on such Certificates (if any) accrued and unpaid to the date of redemption, together with any amounts specified in the applicable Pricing Supplement. Such redemption of the Certificates will be funded in a similar manner to that described above for the payment of Periodic Distribution Amounts and the Dissolution Distribution Amount through: (i) if applicable to the relevant Series, a proportionate amount of the outstanding Deferred Sale Price becoming immediately due and payable; and/or (ii) the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportionate amount of the Wakala Portfolio Assets being sold by the Trustee to KFH pursuant to the Purchase Undertaking or the Sale Undertaking at a

purchase price such that the aggregate amounts received by the Trustee are sufficient to pay the amount payable in respect of the Certificates being redeemed.

Following the redemption of the Certificates in full, the Wakeel shall be entitled to retain any amounts standing to the credit of the Reserve Account for its own account as an incentive payment for acting as Wakeel.

FORM OF THE CERTIFICATES

The Certificates of each Tranche will be in registered form. Certificates will be offered and sold outside the United States to persons who are not U.S. persons (as defined in Regulation S of the Securities Act ("**Regulation S**")) in reliance on Regulation S.

Each Tranche will initially be represented by a global certificate in registered form (a "**Global Certificate**"). Each Global Certificate will represent undivided *pro rata* beneficial ownership interests in the relevant Trust Assets. Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depositary. Persons holding ownership interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Individual Certificates (as defined in the Conditions) in fully registered form.

Payments of any amount in respect of each Global Certificate will, in the absence of provision to the contrary, be made to the person shown on the relevant Register (as defined in the Conditions) as the registered holder of the relevant Global Certificate at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business. None of the Trustee, KFH, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payment of any amounts in respect of Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the relevant Register on the relevant Record Date (as defined in the Conditions) in the manner provided in the Conditions.

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for duly authenticated and completed Individual Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 16 (*Meetings of Certificateholders, Modification and Waiver*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (i) a Dissolution Event (as defined in the Conditions) has occurred and is continuing; or (ii) the Trustee has been notified that Euroclear or Clearstream, Luxembourg has 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.

In such circumstances, the relevant Global Certificate shall be exchanged in full for Individual Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar within 15 days following the request for exchange for completion and dispatch to the relevant Certificateholders. A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Trustee and the Registrar may require to complete, execute and deliver such Individual Certificates.

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

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Certificates*"), the Principal Paying Agent shall arrange that, where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Certificates of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

Any reference herein to 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 Pricing Supplement.

The Trustee and KFH may agree with any Dealer and the Delegate that Certificates may be issued in a form not contemplated by the Conditions herein, in which event a supplemental Base Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche issued under the Programme.

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

[**UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, 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; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. [A distributor]/[Any person subsequently offering, selling or recommending the Certificates (a "**distributor**")] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**SINGAPORE 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 2001 (2020 Revised Edition) of Singapore, as amended or modified from time to time (the "**SFA**"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Certificates 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).]

Pricing Supplement dated [•]

KFH SUKUK COMPANY
LEI Code: 5493008FLJYWGCMZDN21

Issue of
[*Aggregate face amount of Series*] [*Title of Certificates*]
under the
U.S.$4,000,000,000 Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the base offering circular dated 19 April 2023 [and the supplement[s] to it dated [•]] which [together] constitute[s] a Base Offering Circular (the "**Base Offering Circular**"). This document constitutes the Pricing Supplement of the Certificates described herein and must be read in conjunction with the Base Offering Circular in order to obtain all the relevant information.

Full information on the Trustee, KFH (as defined below) and the offer of the Certificates described herein is only available on the basis of the combination of this Pricing Supplement and the Base Offering Circular. [The Base Offering Circular and this Pricing Supplement have been published on the website of the Regulatory News Service operated by the London Stock Exchange at [http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html]].

1.	Issuer, Trustee and Purchaser:		KFH Sukuk Company
2.	Seller, Obligor, Buyer and Wakeel:		Kuwait Finance House K.S.C.P. ("**KFH**")
3.	(a)	Series Number:	[•]
	(b)	Tranche Number:	[•]/[Not Applicable]
	(c)	Date on which the Certificates will be consolidated and form a single Series:	[The Certificates will be consolidated and form a single Series with [•] on [the Issue Date]/[the date that is 40 days after the Issue Date]]/[Not Applicable]
4.	Specified Currency or Currencies:		[•]
5.	Aggregate Face Amount of:		
	(a)	Series:	[•]
	(b)	Tranche:	[•]/[Not Applicable]
6.	Issue Price:		[100] per cent. of the Aggregate Face Amount
7.	(a)	Specified Denominations:	[•]
	(b)	Calculation Amount:	[•]
8.	(a)	Issue Date:	[•]
	(b)	Profit Commencement Date:	[•]/[Issue Date][*specify other*]
9.	Scheduled Dissolution Date:		[•] [*Specify date or (for Floating Rate Certificates) Periodic Distribution Date falling in or nearest to the relevant month and year*]
10.	Periodic Distribution Amount Basis:		[[•] per cent. Periodic Distribution Amount in accordance with applicable Condition 7.1 (*Fixed Rate Certificate Provisions*)] [[•] +/- [•] per cent. Periodic Distribution Amount in accordance with applicable Condition 7.2 (*Floating Rate Certificate Provisions*)] (*further particulars specified below in paragraph [14]/[15]*)
11.	Dissolution Basis:		Subject to any purchase and cancellation or early redemption, the Certificates will be redeemed at [100]/[•] per cent. of their aggregate face amount
12.	Put/Call Options:		[Not Applicable] [Certificateholder Put Right] [Optional Dissolution Right]

			[(*further particulars specified below in paragraph [16]/[17]*)]
13.	(a)	Status:	The Certificates are direct, unconditional, unsubordinated, unsecured and limited recourse obligations of the Trustee The payment obligations of KFH (in any capacity) under the Transaction Documents are direct, unconditional, unsubordinated, unsecured and limited recourse obligations in the manner described in Condition 4 (*Status and Limited Recourse*)
	(b)	[Date of Trustee board approval for issuance of Certificates and entry into the related Transaction Documents obtained:]	[•] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Certificates or related Transaction Documents*)
	(c)	[Date of KFH board approval for entry into the related Transaction Documents to which it is a party obtained:]	[•] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Certificates or related Transaction Documents*)

PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

14.	Fixed Rate Certificate Provisions:		[Applicable]/[Not Applicable]
	(a)	Profit Rate[(s)]:	[•] per cent. per annum payable [annually]/[semi-annually]/[quarterly]/[monthly]/[in arrear]
	(b)	Periodic Distribution Date(s):	[[•] [and [•]] in each year up to and including the Scheduled Dissolution Date]/[adjusted in accordance with the Modified Following Business Day Convention] (*Insert modification wording for Renminbi denominated fixed rate Certificates, which are subject to the Modified Following Business Day Convention*)
	(c)	Fixed Amount(s):	[[•] per Calculation Amount] (*Insert the following alternative wording if Certificates are issued in Renminbi*) [Each Fixed Amount is calculated by multiplying the product of the Profit Rate and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY 0.01, with CNY 0.005 being rounded upwards.]
	(d)	Broken Amount(s):	[[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in]/[on] [•]]/[Not Applicable]
	(e)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)] [Actual/365 (Fixed)]

			[Actual/360] [30/360] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] *(Insert [Actual/365 (Fixed)] for Renminbi denominated fixed rate Certificates)*
	(f)	Profit Rate Determination Date(s):	[[•] in each year]/[Not Applicable]
15.	Floating Rate Certificate Provisions:		[Applicable]/[Not Applicable]
	(a)	Specified Period(s)/Specified Periodic Distribution Dates:	[[•] [, [•] and [•]] in each year up to and including the Scheduled Dissolution Date]/[,[in each case] subject to adjustment in accordance with the Business Day Convention set out in (c) below/, not subject to adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable]
	(b)	Business Day Convention:	[Following Business Day Convention]/[Modified Following Business Day Convention]/[Modified Business Day Convention]/[Preceding Business Day Convention]/[FRN Convention]/[Floating Rate Convention]/[Eurodollar Convention]/[Not Applicable]
	(c)	Additional Business Centre(s):	[Not Applicable]/[•]
	(d)	Manner in which the Profit Rate(s) is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Profit Rate(s) and/or Periodic Distribution amount(s) (if not the Principal Paying Agent):	[•] shall be the Calculation Agent
	(f)	Screen Rate Determination:	[Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
		• Reference Rate:	[•]/[•]/[EURIBOR/LIBID/LIMEAN/HIBOR/SIBOR/ CNH HIBOR/TIBOR/SAIBOR/EIBOR/SONIA/ SONIA Compounded Index/SOFR/SOFR Compounded Index or €STR]
		• Observation Method:	[Lag/Observation Shift]
		• Lag Period:	[5]/[•] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days/Not Applicable]

- Observation Shift Period: [5]/[•] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days /Not Applicable]

  (NB: A minimum of 5 should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent)

- D: [360/365/[•]]/[Not Applicable]

- Index Determination: [Applicable/Not Applicable]

- SONIA Compounded Index: [Applicable/Not Applicable]

- SOFR Compounded Index: [Applicable/Not Applicable]

- Relevant Decimal Place: [5]/[•] *(unless otherwise specified in the Pricing Supplement, it should be the fifth decimal place)*

- Relevant Number of Index Days: [5]/[•] *(unless otherwise specified in the Pricing Supplement, the Relevant Number shall be 5)*

- Profit Rate Determination Date(s): [The first Business Day in the relevant Return Accumulation Period]/[•] [London Banking Days/U.S. Government Securities Business Days/TARGET Settlement Days] prior to each Periodic Distribution Date]

- Relevant Screen Page: [•]

- Relevant Time: [•]

- Relevant Financial Centre: [•]

(g) ISDA Determination: [Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)

- ISDA Definitions: [2006 ISDA Definitions/2021 ISDA Definitions]

- Floating Rate Option: [•]

  (The Floating Rate Option should be selected from one of: CHF-SARON/EUR-EURIBOR-Reuters (if 2006 ISDA Definitions apply) EUR-EURIBOR (if 2021 ISDA Definitions apply)/EUR-EuroSTR/EUR-EuroSTR Compounded Index/GBP SONIA/GBP SONIA Compounded Index/HKD-HONIA/JPY-TONA/USD-SOFR/USD-SOFR Compounded Index (each as defined in the ISDA Definitions). These are the options envisaged by the terms and conditions)

- Designated Maturity: [•]

(Designated Maturity will not be relevant where the Floating Rate Option is a risk-free rate)

- Reset Date: [•]/[as specified in the ISDA Definitions]/[the first day of the relevant Return Accumulation Period, subject to adjustment in accordance with the Business Day Convention set out in [•] above and as specified in the ISDA Definitions]

- Compounding: [Applicable/Not Applicable] *(If not applicable delete the remaining sub-paragraphs of this paragraph)*

  - Compounding Method: [Compounding with Lookback
    - Lookback: [•] Applicable Business Days]

    [Compounding with Observation Period Shift
    - Observation Period Shift: [•] Observation Period Shift Business Days
    - Observation Period Shift Additional Business Days: [[•]/Not Applicable]]

    [Compounding with Lockout
    - Lockout: [•] Lockout Period Business Days
    - Lockout Period Business Days: [[•]/Applicable Business Days]]

- Averaging [Applicable/Not Applicable]] *(If not applicable delete the remaining sub-paragraphs of this paragraph)*

  - Averaging Method: [Averaging with Lookback
    - Lookback: [•] Applicable Business Days]

    [Averaging with Observation Period Shift
    - Observation Period Shift: [•] Observation Period Shift Business Days
    - Observation Period Shift Additional Business Days: [[•]/Not Applicable]]

    [Averaging with Lockout
    - Lockout: [•] Lockout Period Business Days
    - Lockout Period Business Days: [[•]/Applicable Business Days]]

- Index Provisions: [Applicable/Not Applicable] *(If not applicable delete the remaining sub-paragraphs of this paragraph)*

  - Index Method: Compounded Index Method with Observation Period Shift
    - Observation Period Shift: [•] Observation Period Shift Business Days

		• Observation Period Shift Additional Business Days: [[•]/Not Applicable]]
(h)	[Linear interpolation	Not Applicable/Applicable – the Profit Rate for the [long/short] [first/last] Return Accumulation Period shall be calculated using Linear Interpolation *(specify for each short or long Return Accumulation Period)*]
(i)	Margin(s):	[+/-][•] per cent. per annum
(j)	Minimum Profit Rate:	[The Minimum Profit Rate shall not be less than zero]/The Minimum Profit Rate shall not be less than [•] per cent. per annum]
(k)	Maximum Profit Rate:	[•] per cent. per annum
(l)	Day Count Fraction:	[•]

PROVISIONS RELATING TO DISSOLUTION

16.	Optional Dissolution Right:		[Applicable]/[Not Applicable]
	(a)	Dissolution Distribution Amount(s) of each Certificate:	[Dissolution Distribution Amount][[•] per Calculation Amount]
	(b)	Optional Dissolution Amount Percentage:	[•] per cent.
	(c)	Optional Dissolution Date(s):	[Any Periodic Distribution Date]/[•]
	(d)	If redeemable in part:	
		(i) Minimum Optional Dissolution Amount:	[•]/[Not Applicable]
		(ii) Maximum Optional Dissolution Amount:	[•]/[Not Applicable]
17.	Certificateholder Put Right:		[Applicable]/[Not Applicable]
	(a)	Certificateholder Put Right Date(s):	[Any Periodic Distribution Date]/[•]
	(b)	Dissolution Distribution Amount(s) of each Certificate:	[Dissolution Distribution Amount][[•] per Calculation Amount]
18.	Dissolution following a Tax Event:		
	(a)	Dissolution Distribution Amount(s) of each Certificate:	[Dissolution Distribution Amount][[•] per Calculation Amount]
19.	Dissolution Distribution Amount on Scheduled Dissolution Date or		[Dissolution Distribution Amount][[•] per Calculation Amount]

following the occurrence of a Dissolution Event:

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

20.	Form of Certificates:	Registered Form Certificates: Global Certificate registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg and exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate Reg S Compliance Category 2
21.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable]/[•]

PROVISIONS IN RESPECT OF THE TRUST ASSETS

22.	Murabaha Investment Amount:	[•]/Not Applicable
23.	Murabaha Profit:	[•]/Not Applicable
24.	Murabaha Profit Instalment:	[•]/Not Applicable
25.	[Initial]/[Additional] Wakala Assets on the Issue Date:	The [Initial]/[Additional] Wakala Assets as scheduled to the Supplemental Purchase Agreement specified below. Purchase Price in respect of Initial Wakala Assets: [•]
26.	Trust Assets:	Condition 5.1 applies
27.	Details of Transaction Account:	Transaction Account No: [•] with [*bank*] for Series No.: [1]/[2]/[3]
28.	Other Transaction Document Information:	
	(a) Supplemental Declaration of Trust:	Supplemental Declaration of Trust dated [•] between the Trustee, KFH and the Delegate
	(b) Supplemental Purchase Agreement:	Supplemental Purchase Agreement dated [•] between the Purchaser and KFH
	(c) [Notice of Request to Purchase and Offer Acceptance:	Notice of Request to Purchase dated [•] from KFH (as "**Buyer**") to the Trustee (as "**Seller**"), Offer Notice dated [•] from the Seller to the Buyer and countersigned Offer Notice from the Buyer to the Seller]
	(d) [Declaration of Commingling of Assets:	Supplemental Declaration of Trust dated [•] execute by the Trustee]

SIGNED on behalf of
KFH SUKUK COMPANY

By:..... (*director/authorised signatory*)

By:..... (*director/authorised signatory*)

SIGNED on behalf of

KUWAIT FINANCE HOUSE K.S.C.P.

By: ..... By: .....

Duly authorised *Duly authorised*

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(a)	Listing and admission to trading:	[Application has been made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the ISM with effect from [•].] [Application is expected to be made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the ISM with effect from [•].] *(where documenting a fungible issue indicate that original Certificates are already admitted to trading)*
(b)	Estimate of total expenses related to admission to trading:	[•] /[Not Applicable]

2. **RATINGS**

[[The Certificates to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Certificates of this type issued under the Programme generally]/[are unrated]]:

[Fitch: [•]]

[Moody's: [•]]

[Each of [•] is established in the UK and registered under Regulation (EU) No. 1060/2009 on credit rating agencies as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018.]

[The Certificates to be issued are unrated.]

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

[Save for any fees payable to the [Manager[s]]/[Dealer[s]], so far as the Trustee and KFH are aware, no person involved in the issue of the Certificates has an interest material to the offer. The [Manager[s]]/[Dealer[s]] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Trustee, KFH or their affiliates in the ordinary course of business for which they may receive fees.]

4. **[PROFIT OR RETURN** *(only Certificates to which provisions of Condition 7.1 (Fixed Rate Certificate Provisions) apply)***]**

Indication of profit or return:	[[•] per cent. per annum The profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]/[Not Applicable]]

5. **HISTORIC RATES**

Details of historic [EURIBOR/SONIA/SOFR/€STR/SONIA Compounded Index/SOFR Compounded Index] rates can be obtained from [Reuters.]/[Not Applicable]

6. **OPERATIONAL INFORMATION**

(a)	ISIN:	[•]
(b)	Common Code:	[•]
(c)	[FISN:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Applicable]/[Not Available]
(d)	[CFI Code:	See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Applicable]/[Not Available]
(e)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable]/[•]
(f)	Delivery:	Delivery [against]/[free of] payment
(g)	Names and addresses of additional Paying Agent(s) (if any):	[•]/[Not Applicable]
(h)	Relevant Benchmark[s]:	[[*specify benchmark*] is provided by [*administrator legal name*]][*repeat as necessary*]. As at the date hereof, [[*administrator legal name*][appears]/[does not appear]][*repeat as necessary*] in the register of administrators and benchmarks established and maintained by the FCA pursuant to [Article 36] (*Register of administrators and benchmarks*) of the UK Benchmarks Regulation]/[As far as the Trustee is aware, as at the date hereof, [*specify benchmark*] does not fall within the scope of the UK Benchmarks Regulation]/ [As far as the Trustee is aware, the transitional provisions in Article 51 of UK Benchmarks Regulation apply, such that [*name of administrator*] is not currently required to obtain authorisation/registration (or, if located outside the UK, recognition, endorsement or equivalence)]/ [Not Applicable]

7. **DISTRIBUTION**

Method of distribution:	[Syndicated/Non-syndicated]
If syndicated, names of Managers:	[Not Applicable/give names]
Stabilisation Manager(s) (if any):	[Not Applicable/give names]
If non-syndicated, name of relevant Dealer:	[Not Applicable/give names]
Estimated net proceeds:	[•]

Reasons for the offer:	[•]/[See "*Use of Proceeds*" in Base Offering Circular]

8. **THIRD PARTY INFORMATION**

[[•] has been extracted from [•]. The Trustee and KFH each confirm 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 CERTIFICATES

The following is the text of the terms and conditions that, subject to completion and as modified in accordance with the provisions of the applicable Pricing Supplement, will apply to each Global Certificate and shall be applicable to the Certificates in definitive form (if any) issued in exchange for the Global Certificate(s) representing each Series. The applicable Pricing Supplement will be endorsed upon, or attached to, each Global Certificate and each Certificate in definitive form (if any).

1. Introduction

1.1 ***Programme***: KFH Sukuk Company (in its capacities as issuer and as trustee, the "**Trustee**"), has established a trust certificate issuance programme (the "**Programme**") for the issuance of trust certificates (the "**Certificates**"), from time to time representing obligations of Kuwait Finance House K.S.C.P. ("**KFH**"), in a maximum aggregate face amount of U.S.$4,000,000,000 (or the equivalent in other currencies calculated as described in the programme agreement between the Trustee, KFH and the Dealers (as defined and named therein) dated 19 April 2023 (the "**Programme Agreement**")), or such other maximum aggregate face amount as may be increased in accordance with the terms of the Programme Agreement.

As used herein, "**Tranche**" means Certificates which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Certificates together with any further Tranche or Tranches of Certificates which: (a) are expressed to be consolidated and form a single series; and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts (as defined below) thereon and the date from which Periodic Distribution Amounts start to accrue.

In these Conditions, references to "**Certificates**" shall be references to the Certificates (whether in global form (a "**Global Certificate**"), or in definitive form as definitive Certificates (each an "**Individual Certificate**")) which are the subject of the applicable Pricing Supplement.

1.2 ***Pricing Supplement***: Certificates issued under the Programme are issued in Series. Each Series is the subject of a Pricing Supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). Each Series may comprise one or more Tranches issued on different Issue Dates (as defined below). The terms and conditions applicable to any particular Series of Certificates are these Conditions as supplemented by the applicable Pricing Supplement.

1.3 ***Declaration of Trust***: The Certificates are constituted by a master declaration of trust dated 19 April 2023 between the Trustee, KFH and Citibank, N.A., London Branch in its capacity as donee of certain powers and as the Trustee's delegate (the "**Delegate**", which expression shall include all persons for the time being the delegate or delegates under such master declaration of trust) (the "**Master Declaration of Trust**") as supplemented by a supplemental declaration of trust entered into on the date of issue of the relevant Certificates (the "**Issue Date**") in respect of the relevant Series (the "**Supplemental Declaration of Trust**" and, together with the Master Declaration of Trust, the "**Declaration of Trust**").

1.4 ***Agency Agreement***: An agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 19 April 2023 has been entered into in relation to the Programme between the Trustee, KFH, the Delegate, Citibank, N.A., London Branch as initial principal paying agent, paying agent, transfer agent and calculation agent, Citibank Europe Plc as registrar and the other agents named in it.

1.5 ***Other Transaction Documents***: These Conditions are subject to the detailed provisions of the Declaration of Trust, the Agency Agreement and the other Transaction Documents (as defined below). The Certificateholders (as defined below) are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. Copies of the Transaction Documents are available for inspection, on prior notice, during normal business hours at the specified office of the Principal Paying Agent.

1.6 ***Authorisation***: Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (i) to apply the proceeds of the issue of the Certificates towards the purchase of Sukuk Assets (as

defined below) in accordance with the provisions of the Transaction Documents; and (ii) to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions.

2. **Definitions and Interpretation**

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

"**2006 ISDA Definitions**" means, in relation to a Series of Certificates, the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Certificates of such Series) as published by ISDA (copies of which may be obtained from ISDA at www.isda.org);

"**2021 ISDA Definitions**" means, in relation to a Series of Certificates, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (including each Matrix (and any successor Matrix thereto), as defined in such 2021 ISDA Interest Rate Derivatives Definitions) as at the date of issue of the first Tranche of Certificates of such Series, as published by ISDA on its website (www.isda.org);

"**Accounts**" means, in the case of KFH, its then latest audited consolidated financial statements prepared in accordance with the Accounting Principles and, in the case of the relevant Subsidiary, its then latest audited consolidated (if available) or non-consolidated financial statements, provided that if audited financial statements for any Subsidiary have not been prepared in respect of any relevant period, Accounts shall, in relation to that Subsidiary, mean its management accounts for the relevant period;

"**Accounting Principles**" means IFRS, as adopted by, and in accordance with, the CBK Regulations;

"**Additional Business Centre(s)**" means the city or cities specified as such in the applicable Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the applicable Pricing Supplement;

"**Agents**" means the Principal Paying Agent, the Calculation Agents, the Registrar and the Transfer Agents or any of them and shall include such Agent or Agents as may be appointed from time to time under the Agency Agreement;

"**Authorised Signatory**" has the meaning given to it in the Master Declaration of Trust;

"**Broken Amount**" has the meaning given in the applicable Pricing Supplement;

"**Business Day**" means:

(a) in relation to any sum payable in Renminbi, any day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments generally in the relevant Renminbi Settlement Centre and are not authorised or obligated by law or executive order to be closed;

(b) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(c) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for business (including dealing in foreign exchange and foreign currency deposits) in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**" has the meaning given to it in Condition 7.7 (*Business Day Convention*);

"**Calculation Agent**" means, in relation to any Series of Certificates, the institution appointed as calculation agent for the purposes of such Certificates and named as such in the applicable Pricing Supplement, in the case of the Principal Paying Agent pursuant to the Agency Agreement, in the case of a Dealer, pursuant to the Programme Agreement;

"**Calculation Amount**" has the meaning given to in the applicable Pricing Supplement;

"**Cancellation Notice**" means a cancellation notice given pursuant to the terms of the Sale and Substitution Undertaking;

"**CBK**" means the Central Bank of Kuwait;

"**CBK Regulations**" means the regulations of the government of the State of Kuwait for financial services institutions regulated by the CBK requiring adoption of all IFRS requirements except the IAS 39 "*Financial Instruments: Recognition and Measurement*" requirement for a collective provision, which has been replaced by the CBK's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets;

"**Certificateholder**" has the meaning given in Condition 3.2 (*Title to Certificates*);

"**Certificateholder Put Exercise Notice**" means a notice given by the relevant Certificateholder to the Principal Paying Agent of the exercise by such Certificateholder of the option in Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*) or Condition 8.5 (*Dissolution at the Option of Certificateholders (Tangibility Event Put Right)*);

"**Certificateholder Put Right**" means the right specified in Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*);

"**Certificateholder Put Right Date**" means, in relation to any exercise of the Certificateholder Put Right: (i) in the case of Fixed Rate Certificates, any date, or the date(s) specified as such in the applicable Pricing Supplement; and (ii) in the case of Floating Rate Certificates, any Periodic Distribution Date, or the Periodic Distribution Dates specified as such in the applicable Pricing Supplement;

"**Clean Up Call Dissolution Date**" has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

"**Clearstream, Luxembourg**" means Clearstream Banking S.A.;

"**Commodities**" means any of the commodities traded over the counter, which comprise any *Shari'a* compliant London Metal Exchange approved non-ferrous base metals, platinum group metals, or other *Shari'a* compliant commodities acceptable to KFH and the Trustee, which, in each case, must be kept in London Metal Exchange approved, non-UK bonded warehouses or secure vaults;

"**Commodity Agency Agreement**" means the commodity agency agreement dated 19 April 2023 between the Trustee and Citi Islamic Investment Bank E.C., Bahrain;

"**Commodity Murabaha Investment**" means, in relation to a Series, the sale of certain Commodities by the Trustee to KFH (in its capacity as the Buyer (as defined in the Master Murabaha Agreement)), which Commodities were initially purchased by the Trustee using a proportion of the proceeds of the issue of the Certificates, pursuant to the Master Murabaha Agreement and having the term set out in the relevant Murabaha Contract (as defined in the Master Murabaha Agreement);

"**Commodity Purchase Agreement**" means the commodity purchase agreement dated 19 April 2023 between Citi Islamic Investment Bank E.C. and DD&CO Limited;

"**Commodity Sale Agreement**" means the commodity sale agreement dated 19 April 2023 between KFH and Condor Trade Limited;

"**Corporate Services Agreement**" means the corporate services agreement dated 21 March 2023 between the Trustee and the Trustee Administrator;

"**Day Count Fraction**" means, in respect of the calculation of an amount of profit on any Certificates for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Return Accumulation Period, the "**Calculation Period**"), such day count fraction as specified in the applicable Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**"is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of: (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year; and

(ii) where the Calculation Period is longer than one Determination Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of: (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of: (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Periodic Distribution Date(s);

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

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

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

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

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

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless: (A) that day is the last day of February; or (B) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless: (A) that day is the last day of February but not the Scheduled Dissolution Date; or (B) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Deferred Sale Price**" means the deferred sale price payable by KFH to the Trustee in respect of the Commodity Murabaha Investment, if applicable to a Series, as further described in the Master Murabaha Agreement;

"**Delegation**" has the meaning given to it in Condition 17.1 (*Delegation of powers*);

"**Designated Maturity**" means the period of time specified as such in the applicable Pricing Supplement;

"**Dissolution Date**" means, in relation to a particular Series, as the case may be:

(a) the Scheduled Dissolution Date;

(b) any Clean Up Call Dissolution Date;

(c) any Early Tax Dissolution Date;

(d) any Optional Dissolution Date;

(e) any Certificateholder Put Right Date;

(f) any Dissolution Event Redemption Date;

(g) any Tangibility Event Put Right Date (if applicable); or

(h) such other date as specified in the applicable Pricing Supplement for the redemption of Certificates and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

"**Dissolution Distribution Amount**" means, in relation to each Certificate to be redeemed on the relevant Dissolution Date:

(a) the sum of:

(i) the outstanding face amount of such Certificate; and

(ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or

(b) such other amount specified in the applicable Pricing Supplement as being payable upon any Dissolution Date;

"**Dissolution Event**" means a Trustee Event or a KFH Event;

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 12.1 (*Dissolution Event*);

"**Dissolution Notice**" has the meaning given to it in Condition 12.1 (*Dissolution Event*);

"**Early Tax Dissolution Date**" has the meaning given to it in Condition 8.2 (*Early Dissolution for Taxation Reasons*);

"**Eligible Wakala Assets**" has the meaning given to it in the Master Purchase Agreement;

"**Euroclear**" means Euroclear Bank SA/NV;

"**Exercise Notice**" means an exercise notice given pursuant to the terms of the Purchase Undertaking or the Sale and Substitution Undertaking (as the case may be);

"**Extraordinary Resolution**" has the meaning given to it in the Master Declaration of Trust;

"**Financial Year**" means the annual accounting period of the Group ending on 31 December in each year;

"**Fixed Amount**" means the amount specified as such in the applicable Pricing Supplement;

"**Fixed Rate Certificates**" means a Series in respect of which "Fixed Rate Certificate Provisions" are specified as applicable in the applicable Pricing Supplement;

"**Floating Rate Certificates**" means a Series in respect of which "Floating Rate Certificate Provisions" are specified as applicable in the applicable Pricing Supplement;

"**Global Certificate**" means a certificate in global form representing Certificates of the same Series that are registered in the name of a nominee for a common depository for Euroclear and/or Clearstream, Luxembourg;

"**Group**" means KFH and its consolidated subsidiaries (taken as a whole);

"**Holder**" has the meaning given in Condition 3.2 (*Title to Certificates*);

"**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**ISDA**" means International Swaps and Derivatives Association;

"**Income Revenues"** means, in relation to a series, all revenues in respect of the relevant Wakala Portfolio Assets other than Principal Revenues.

"**Indebtedness**" shall be construed so as to include any obligation for the payment or repayment of money (including any financing arrangements issued (or intended to be issued) in compliance with the principles of *Shari'a*), whether present or future, actual or contingent, other than any such obligations, guarantees or indemnities owing or given by one member of the Group to another member of the Group;

"**Independent Adviser**" has the meaning given to it in Condition 7.2(j)(J).

"**Individual Certificate**" means a certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Master Declaration of Trust in exchange for a Global Certificate;

"**ISDA Definitions**" has the meaning given in the relevant Pricing Supplement;

"**KFH Event**" means, with respect to any Series, any of the following events:

(a) *Non-Payment*: KFH fails to pay any amount in the nature of principal (corresponding to the Dissolution Distribution Amount payable by the Trustee under the Certificates) or profit (corresponding to the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party on the due date for payment thereof and such failure has continued for a period of seven business days in the case of principal or 14 business days in the case of payments in the nature of profit; or

(b) *Breach of Other Obligations*: KFH (acting in any capacity) fails to perform or observe any one or more of its other obligations under the Transaction Documents (other than its

obligations as set out in clause 4.1.4 of the Wakala Agreement (save for the delivery of the Tangibility Event Trustee Notice)), which failure is incapable of remedy or, if in the sole opinion of the Delegate capable of remedy, is not, remedied within the period of 30 days following the service by the Delegate on KFH of notice requiring the same to be remedied; or

(c) *Cross-default*:

(i) any Indebtedness of KFH or any Principal Subsidiary 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; or

(ii) any such Indebtedness becomes due and payable prior to its stated maturity by reason of default (however described),

provided that the events mentioned in this paragraph (c) shall not constitute a KFH Event 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: (x) in the case of any Principal Subsidiary, U.S.$75,000,000; or (y) in the case of KFH and its Principal Subsidiaries taken together on a consolidated basis, U.S.$125,000,000 (in each case 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 Similar Events:*

(i) any order is made by any competent court or resolution passed for the winding up or dissolution of KFH or any Principal Subsidiary, save in connection with a Permitted Reorganisation; or

(ii) KFH or any Principal Subsidiary 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 KFH or any Principal Subsidiary 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 KFH or any Principal Subsidiary 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 KFH or any Principal Subsidiary, as applicable) or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to KFH or any Principal Subsidiary or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of KFH or any Principal Subsidiary, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of KFH or any Principal Subsidiary, 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 KFH or any Principal Subsidiary; and in any case (other than the appointment of an administrator) is not discharged within 30 days; or

(iv) KFH or any Principal Subsidiary 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 Cayman Islands, the State of Kuwait or any other jurisdiction in which KFH or any Principal Subsidiary operates, has an analogous effect to any of the events referred to in paragraphs (i) to (iv) above; or

(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 KFH to lawfully enter into, exercise its rights and perform and comply with its obligations under the Transaction Documents to which it is a party; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Certificates admissible in evidence in the courts of the State of Kuwait (the "**Kuwaiti Courts**"), is not taken, fulfilled or done; or

(f) *Illegality*: at any time it is or becomes unlawful for KFH to perform or comply with any one or more of its obligations under any of the Certificates or the Transaction Documents, or any of the material obligations of KFH thereunder are not, or cease to be, legal, valid, binding or enforceable; or

(g) *Repudiation*: KFH or any Principal Subsidiary repudiates or does or causes to be done any act or thing evidencing an intention to repudiate these Conditions or any (or any part of any) Transaction Document to which it is a party;

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to "**Liabilities**" shall mean all of these;

"**Linear Interpolation Designated Maturity**" means the period of time designated in the relevant Reference Rate;

"**Margin**" has the meaning given in the applicable Pricing Supplement;

"**Master Murabaha Agreement**" means the master murabaha agreement dated 19 April 2023 and made between the Trustee and KFH (as buyer);

"**Master Purchase Agreement**" means the master purchase agreement dated 19 April 2023 between the Trustee (as purchaser) and KFH (as seller);

"**Maximum Optional Dissolution Amount**" means the amount specified as such in the applicable Pricing Supplement;

"**Minimum Optional Dissolution Amount**" means the amount specified as such in the applicable Pricing Supplement;

"**Non-recourse Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that:

(a) any Security Interest given by the Trustee or KFH in connection therewith is limited solely to the assets of the project;

(b) the persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the sole source of payment for the moneys advanced; and

(c) there is no other recourse to the Trustee or KFH in respect of any default by any person under the financing;

"**Optional Dissolution Date**" means, in relation to any exercise of the Optional Dissolution Right: (i) in the case of Fixed Rate Certificates, any date, or the date(s) specified as such in the applicable Pricing Supplement; and (ii) in the case of Floating Rate Certificates, any Periodic Distribution Date, or the Periodic Distribution Dates specified as such in the applicable Pricing Supplement;

"**Optional Dissolution Right**" means the right specified in Condition 8.3 (*Dissolution at the Option of KFH (Optional Dissolution Right)*);

"**outstanding**" shall have the meaning given to it in the Master Declaration of Trust;

"**Paying Agents**" means the Principal Paying Agent and such further or other paying agent or agents as may be appointed from time to time under the Agency Agreement;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is: (i) a TARGET Settlement Day; and (ii) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies (including, in the case of Certificates denominated in Renminbi, settlement of Renminbi payments) may be carried on in London, in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Periodic Distribution Amount**" has the applicable meanings given to it in Condition 7 (*Periodic Distribution Amounts*);

"**Periodic Distribution Date**" means the date or dates specified as such in the applicable Pricing Supplement;

"**Permitted Reorganisation**" means:

(a) any disposal by KFH or any Subsidiary of KFH of the whole or a substantial part of its business, undertaking or assets to KFH or any other Subsidiary of KFH;

(b) any amalgamation, consolidation or merger of a Subsidiary of KFH with any other Subsidiary of KFH; or

(c) any amalgamation, consolidation, restructuring, merger or reorganization on terms previously approved by an Extraordinary Resolution;

"**Permitted Security Interest**" means:

(a) any Security Interest created or outstanding with the approval of an Extraordinary Resolution of the Certificateholders;

(b) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Certificates;

(c) any Security Interest arising by operation of law;

(d) any Security Interest securing Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with, or acquired by the Trustee or KFH, provided that such Security Interest was not created in contemplation of such merger, consolidation or acquisition;

(e) any Security Interest existing on any property or assets prior to the acquisition thereof by the Trustee or KFH and not created in contemplation of such acquisition;

(f) any Security Interest granted to secure a Non-recourse Project Financing or to secure any indebtedness incurred in connection with a Securitisation; and

(g) any renewal of or substitution for any Security Interest permitted by any of sub-paragraphs (i) to (vii) above (inclusive) so long as the Relevant Indebtedness secured by such Security Interest is for an amount not materially greater than the principal (and any capitalised interest and fees) of such Relevant Indebtedness and the Security Interest does not extend to any additional property or assets (other than the proceeds of such assets);

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

"**Principal Subsidiary**" means a Subsidiary of KFH:

(a) whose total assets represent not less than 10 per cent. of the consolidated total assets of KFH and its Subsidiaries taken as a whole; or

(b) whose net operating income is more than 10 per cent. of the consolidated net operating income of KFH and its Subsidiaries taken as a whole,

all as calculated by reference to the then latest audited consolidated accounts of KFH; 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 KFH that in their opinion a Subsidiary of KFH 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 (and, all such entities together, the "**Principal Subsidiaries**");

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(c) in relation to Renminbi, it means the relevant Renminbi Settlement Centre;

"**Principal Paying Agent**" means Citibank, N.A., London Branch or any successor appointed as principal paying agent under the Programme pursuant to the Agency Agreement in respect of each Series of Certificates in its capacities: as (i) principal paying agent for such Series; and (ii) as the account bank with which the Transaction Account for each such Series is established;

"**Principal Revenues**" means means, in relation to a Series, all revenues in respect of the Wakala Portfolio Assets of that Series which comprise amounts in the nature of sale, capital, investments or principal payments (including, without limitation, any total loss and expropriation related insurance (including Islamic insurance) proceeds and any indemnity payments);

"**Profit Commencement Date**" means the Issue Date or such other date as may be specified in the applicable Pricing Supplement;

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

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

"**Profit Rate Determination Date**" means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified: (i) the first day of such Return Accumulation Period if the Specified Currency is Sterling or Renminbi; or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Return Accumulation Period if the Specified Currency is neither Sterling nor euro; or (iii) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period if the Specified Currency is euro;

"**Purchase Undertaking**" means the purchase undertaking dated 19 April 2023 and granted by KFH for the benefit of the Trustee and the Delegate;

"**Record Date**" has the meaning given to it in Condition 9.4 (*Record Date*);

"**Reference Banks**" has the meaning given in the applicable Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the applicable Pricing Supplement;

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

(a) EURIBOR;

(b) London interbank bid rate ("**LIBID**");

(c) London interbank mean rate ("**LIMEAN**");

(d) Hong Kong interbank offered rate ("**HIBOR**");

(e) Singapore interbank offered rate ("**SIBOR**");

(f) CNH HIBOR;

(g) Tokyo interbank offered rate ("**TIBOR**");

(h) Saudi Arabia interbank offered rate ("**SAIBOR**");

(i) Emirates interbank offered rate ("**EIBOR**");

(j) SONIA (as defined in Condition 7.2(f) (*Floating Rate Certificates referencing SONIA (Screen Rate Determination)*));

(k) SONIA Compounded Index (as defined in Condition 7.2(i) (*SONIA Compounded Index and SOFR Compounded Index (Screen Rate Determination)*));

(l) SOFR (as defined in Condition 7.2(g) (*Floating Rate Certificates referencing SOFR (Screen Rate Determination)*));

(m) SOFR Compounded Index (as defined in Condition 7.2(i) (*SONIA Compounded Index and SOFR Compounded Index (Screen Rate Determination)*)); and

(n) €STR (as defined in Condition 7.2(h) (*Floating Rate Certificates referencing €STR (Screen Rate Determination)*)),

in each case as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement. Other than in the case of U.S. dollar-denominated floating rate Certificates for which the "Reference Rate" is specified in the relevant Pricing

Supplement as being SOFR, the term Reference Rate shall, following the occurrence of a Benchmark Event under Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*), include any Successor Rate or Alternative Rate and shall, if a Benchmark Event should occur subsequently in respect of any such Successor Rate or Alternative Rate, also include any further Successor Rate or further Alternative Rate;

"**Register**" has the meaning given to it in Condition 3.3 (*Ownership*);

"**Registered Office Terms**" means the Trustee Administrator's standard terms for the provision of registered office services;

"**Registrar**" means Citibank Europe Plc or any successors thereto in each case as registrar under the Agency Agreement (or such other registrar as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series);

"**Relevant Date**" means, in relation to any payment, whichever is the later of: (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Certificateholders;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (including trust certificates) which for the time being are, or are intended to be, or are capable of being quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Relevant Jurisdiction**" means: (i) in the case of the Trustee, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax; or (ii) in the case of each of KFH, the State of Kuwait or any political subdivision or any authority thereof or therein having the power to tax;

"**Relevant Powers**" has the meaning given to it in Condition 17.1 (*Delegation of powers*);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the applicable Pricing Supplement;

"**Renminbi**" means the lawful currency of the People's Republic of China (excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan);

"**Renminbi Settlement Centre**" means, in relation to any sum payable in Renminbi, Hong Kong, Singapore and/or any other relevant financial centre, as specified in the applicable Pricing Supplement;

"**Reserved Matter**" has the meaning given to it in Condition 16.1 (*Meetings of Certificateholders*);

"**Return Accumulation Period**" means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

"**Sale and Substitution Undertaking**" means the sale and substitution undertaking dated 19 April 2023 and granted by the Trustee for the benefit of KFH;

"**Scheduled Dissolution Date**" means the date specified as such in the applicable Pricing Supplement;

"**Securitisation**" means any securitisation of existing or future assets and/or revenues, provided that:

(a) any Security Interest given by the Trustee or KFH in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;

(b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the sole source of payment for the money advanced or payment of any other liability; and

(c) there is no other recourse to the Trustee or KFH in respect of any default by any person under the securitisation;

"**Security Interest**" has the meaning given to it in Condition 6.2 (*Negative Pledge*);

"**Settlement Deed**" means the settlement deed dated 19 April 2023 between, amongst others, the Trustee, KFH, DD & Co Limited and Condor Trade Limited;

"**Specified Currency**" means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Certificates are denominated;

"**Specified Denominations**" means the amount(s) specified as such in the applicable Pricing Supplement;

"**specified office**" has the meaning given in the Agency Agreement;

"**Subsidiary**" means any entity:

(a) which is then directly or indirectly controlled by the Trustee or KFH; or

(b) more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the Trustee or KFH; or

(c) whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Trustee or KFH,

for an entity to be "**controlled**" by the Trustee or KFH means that the Trustee or KFH (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that entity or otherwise controls, or has the power to control, the affairs and policies of that entity;

"**Sukuk Assets**" means the Wakala Portfolio Assets and (if applicable) the Commodity Murabaha Investment of the relevant Series;

"**Supplemental Purchase Agreement**" means the supplemental purchase agreement, substantially in the form set out in Schedule 1 of the Master Purchase Agreement, to be dated the Issue Date of the relevant Series between the Trustee and KFH for the purchase of certain Eligible Wakala Assets;

"**Tangibility Event**" means, if, at any time following the Issue Date of the first Tranche of a Series, the Tangibility Ratio falls below 33 per cent.;

"**Tangibility Event Put Right Date**" shall be: (i) the first Business Day falling 75 days following the expiry of the Tangibility Event Put Right Period; and (ii) in the case of Floating Rate Certificates, a Periodic Distribution Date;

"**Tangibility Event Put Right Period**" shall be the period of 30 days commencing on the date that a Tangibility Event Trustee Notice is given;

"**Tangibility Event Trustee Notice**" has the meaning given to it in the Wakala Agreement;

"**Tangibility Ratio**" has the meaning given to it in the Wakala Agreement;

"**TARGET**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system;

"**TARGET Business Day**" means a day on which TARGET2 is operating;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto;

"**Tax Event**" has the meaning given to it in Condition 8.2

"**Transaction Account**" means, in relation to a particular Series, the non-interest-bearing transaction account established by the Trustee and held with Citibank, N.A., London Branch denominated in the Specified Currency, details of which are set out in the applicable Pricing Supplement into which, among other things, KFH will deposit all amounts due to the Trustee under the Transaction Documents;

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

(a) the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust;

(b) the Agency Agreement;

(c) the Master Purchase Agreement as supplemented by the relevant Supplemental Purchase Agreement;

(d) the Sale and Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Sale and Substitution Undertaking);

(e) the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking);

(f) the Wakala Agreement;

(g) if applicable to a Series, the Master Murabaha Agreement;

"**Transfer Agent**" means, in respect of each Series of Certificates, Citibank, N.A., London Branch or any successors thereto in each case as transfer agent under the Agency Agreement (and such further or other transfer agents as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series);

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

"**Trustee Administrator**" means MaplesFS Limited;

"**Trust Assets**" has the meaning given to it in Condition 5.1 (*Trust Assets*);

"**Trustee Event**" means any of the following events:

(a) *Non-payment*: the Trustee fails to pay any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or profit or otherwise) in respect of the Certificates on the due date for payment thereof and such failure has continued for a period of seven business days in the case of any Dissolution Distribution Amount or 14 business days in the case of any Periodic Distribution Amount; or

(b) *Breach of other obligations*: the Trustee does not perform, comply with or observe any one or more of its other duties, obligations or undertakings in respect of the Transaction Documents which default is, in the opinion of the Delegate, incapable of remedy, or, if in

the opinion of the Delegate is capable of remedy is not remedied within the period of 30 days after written notice of such default shall have been given by the Delegate to the Trustee requiring the same to be remedied; or

(c) *Liquidation and Similar Events:*

(i) any order is made by any competent court or resolution passed for the winding up or dissolution of the Trustee, or

(ii) the Trustee 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 Trustee 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 Trustee 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 Trustee), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Trustee or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of it, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Trustee, 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 Trustee; and in any case (other than the appointment of an administrator) is not discharged within 60 days; or

(iv) the Trustee 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 Cayman Islands or any other jurisdiction in which the Trustee operates, has an analogous effect to any of the events referred to in paragraphs (i) to (iv) above; or

(d) *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 the Trustee to lawfully enter into, exercise its rights and perform and comply with its obligations under the Certificates; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Certificates admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or

(e) *Illegality*: at any time it is or will become unlawful for the Trustee to perform or comply with any one or more of its respective obligations under any of the Certificates or the Transaction Documents, or any of the material obligations of the Trustee thereunder are not, or cease to be, legal, valid, binding or enforceable; or

(f) *Repudiation*: the Trustee repudiates or does or causes to be done any act or thing evidencing an intention to repudiate these Conditions or any (or any part of any) Transaction Document to which it is a party;

"**Wakala Agreement**" means the wakala agreement dated 19 April 2023 between the Trustee and the Wakeel;

"**Wakala Asset Obligor**" has the meaning given to it in the Wakala Agreement;

"**Wakala Portfolio Assets**" has the meaning given to it in the Master Purchase Agreement; and

"**Wakeel**" means KFH acting in its capacity as wakeel under the Wakala Agreement.

2.2 ***Interpretation***: In these Conditions:

(a) all references to "**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 Part B of the applicable Pricing Supplement;

(b) all references to the "**face amount**" of a Certificate shall be deemed to include the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of face amounts payable pursuant to these Conditions;

(c) all references to "**Periodic Distribution Amounts**" shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;

(d) all references to "**ISDA**" and related terms are only included for the purposes of benchmarking;

(e) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the applicable Pricing Supplement, but the applicable Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Certificates; and

(f) any reference to any "**Transaction Document**" shall be construed as a reference to such Transaction Document as amended and/or supplemented up to and including the Issue Date of the Certificates.

3. Form, Denomination, Title and Transfer

3.1 ***Certificates***: The Certificates are issued in registered form in the Specified Denomination(s), which may include a minimum denomination specified in the applicable Pricing Supplement and higher integral multiples of a smaller amount specified in the applicable Pricing Supplement, and, in the case of Certificates in definitive form, are serially numbered.

These Conditions are modified by certain provisions contained in the Global Certificate. Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive certificates representing their holdings of Certificates. In the case of Certificates in definitive form, an Individual Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates.

3.2 ***Title to Certificates***: Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg. For so long as any of the Certificates are represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and/or Clearstream, Luxembourg and their respective participants. Each person (other than the relevant clearing system) who is for the time being shown in such records as the holder of a particular face amount of Certificates (in which regard any certificate or other document issued by the relevant clearing system as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such face amount of such certificates for all purposes other than with respect to payment in respect of such Certificates, for which purpose the registered

holder of the Global Certificate shall be treated as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions "**Holder**" and "**Certificateholder**" in relation to any Certificates and related expressions shall be construed accordingly.

3.3 ***Ownership***: The Registrar will maintain a register of Certificateholders outside the UKin accordance with the provisions of the Agency Agreement (the "**Register**"). The Trustee, KFH, the Delegate and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Certificates are for the time being registered (as set out in the Register) as the Holder of such certificates or of a particular face amount of the Certificates for all purposes (whether or not such Certificates or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, KFH, the Delegate and the Agents shall not be affected by any notice to the contrary. All payments made to such registered Holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Certificates or face amount.

No person shall have any right to enforce any term or condition of any Certificates under the Contracts (Rights of Third Parties) Act 1999. The Holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

3.4 ***Transfers of Certificates***:

Subject to Condition 3.7 (*Closed Periods*) and 3.8 (*Regulations Concerning Transfers and Registration*) below:

(a) *Transfers of beneficial interests in the Global Certificate*: Transfers of beneficial interests in the Global Certificate will be effected by Euroclear and/or Clearstream, Luxembourg and in turn by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear and/or Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Declaration of Trust and the Agency Agreement.

(b) *Transfers of Certificates in definitive form*: Upon the terms and subject to the conditions set forth in the Declaration of Trust and the Agency Agreement, a Certificate in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer the Holder or Holders must: (i) surrender the Individual Certificate for registration of the transfer thereof (or the relevant part thereof) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the Holder or Holders thereof or his or their attorney or attorneys duly authorised in writing; and (ii) complete and deposit such other evidence to prove the title of the transferor and the authority of the individuals who have executed the form of transfer as may be reasonably required by the Registrar or (as the case may be) the relevant Transfer Agent. Any such transfer will be subject to such reasonable regulations as the Trustee, KFH, the Delegate and the Registrar may from time to time prescribe.

Subject as provided above, the Registrar or (as the case may be) the relevant Transfer Agent will, as soon as reasonably practicable, and in any event within three business days (being for this purpose a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and following receipt of a signed new Individual Certificate from the Trustee, deliver at its specified office to the transferee or (at the risk of the transferee) send by regular uninsured first class mail (airmail if overseas) to such address as the transferee may request a new Individual Certificate of a like aggregate face amount to the Certificates (or the relevant part of the Certificates) transferred. In the case of the transfer of part

only of an Individual Certificate, a new Individual Certificate in respect of the balance of the Certificates not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

3.5 ***Exercise of Options or Partial Redemption in Respect of Certificates***: In the case of an exercise of the Trustee's, KFH's or a Certificateholder's option in respect of, or a partial redemption of, a holding of Certificates, the Registrar will update the entries on the Register accordingly and, in the case of Individual Certificates, new Individual Certificates shall be issued to the Holders to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Individual Certificates shall only be issued against surrender of the existing Individual Certificates to the Registrar or any Transfer Agent.

3.6 ***No Charge***: The transfer of a Certificate and the exercise of an option or partial redemption will be effected without charge by or on behalf of the Trustee, KFH or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer. Certificateholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured first class mail (airmail if overseas).

3.7 ***Closed Periods***: Certificateholders may not require transfers to be registered:

(a) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of the relevant Certificates falls due;

(b) during the period of 15 days ending on (and including) any date on which the relevant Certificates may be called for redemption by the Trustee or KFH at its option pursuant to Condition 8 (*Redemption and Dissolution of the Trust*); or

(c) after a Certificateholder Put Exercise Notice has been delivered in respect of the relevant Certificate(s).

3.8 ***Regulations Concerning Transfers and Registration***: All transfers of Certificates and entries on the Register are subject to the detailed regulations concerning the transfer of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, provided that any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be mailed (free of charge to the Certificateholder by uninsured first class mail (airmail if overseas)) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

4. Status and Limited Recourse

4.1 *Status*

The Certificates represent an undivided ownership interest in the relevant Trust Assets and are direct, unconditional, unsubordinated, unsecured and limited recourse obligations of the Trustee. Each Certificate shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application, at all times rank *pari passu* and without any preference or priority with all other Certificates of the relevant Series.

The payment obligations of KFH (in any capacity) under the Transaction Documents to which it is a party are direct, unconditional, unsubordinated and (subject to the negative pledge provisions in Condition 6.2 (*Negative Pledge*)) unsecured obligations of KFH and shall, save for such exceptions as may be provided for by applicable legislation and subject to the negative pledge provisions in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated obligations of KFH present and future.

4.2 ***Limited Recourse***: Save as provided in this Condition 4.2, the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, KFH (acting in any capacity), any of the Agents or any of their respective affiliates. The proceeds of the relevant Trust Assets are the sole

source of payments on the Certificates of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the relevant Series of Certificates. Subject to Condition 12 (*Dissolution Events*), Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(a) no payment of any amount whatsoever shall be made by the Trustee, KFH (acting in any capacity) or the Delegate or any directors, officers, employees or agents on their behalf except: (i) in the case of the Trustee, to the extent funds are available therefor from the relevant Trust Assets; or (ii) in the case of KFH (acting in any capacity), to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party. The Certificateholders further acknowledge and agree that no recourse shall be had for the payment of any amount due and payable hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee or the Delegate to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee and KFH shall be extinguished;

(b) the Trustee may not sell, transfer, assign or otherwise dispose of the Trust Assets or any part thereof (save as permitted pursuant to the Sale and Substitution Undertaking and the Purchase Undertaking) to a third party, and may only realise its interests, rights, title, benefits and entitlements, present and future, in, to and under the Trust Assets in the manner expressly provided in the Transaction Documents;

(c) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the relevant Trust Assets), KFH (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise and any unsatisfied claims of the Certificateholders shall be extinguished;

(d) no Certificateholders will be able to petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, KFH (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;

(e) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee, KFH (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate arising under or in connection with the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, director or corporate services provider of the Trustee, KFH (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate in their capacity as such for any breaches by the Trustee, KFH (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate and any and all personal liability of every such shareholder, officer, employee, agent, director or corporate services provider in their capacity as such for any breaches by the Trustee, KFH (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law. The obligations of the Trustee, KFH (acting in any capacity) and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee, KFH (acting in any capacity) and the Delegate (respectively) and no personal liability shall attach to or be incurred by the shareholders, members, officers, employees, agents (excluding those appointed or employed pursuant to the Agency Agreement), directors or corporate

services provider of the Trustee or KFH (acting in any capacity) save in the case of their wilful default or actual fraud (and in the case of the shareholders, members or officers of the Delegate or Agents appointed or employed pursuant to the Agency Agreement in any circumstance). Reference in this Condition 4.2 to wilful default, fraud or actual fraud (as applicable) means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(f) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificates. No collateral is or will be given for the payment obligations of the Trustee under the Certificates (without prejudice to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)).

5. **The Trust**

5.1 ***Trust Assets***: Pursuant to the Master Declaration of Trust, the Trustee holds the Trust Assets for each Series upon trust absolutely for, and on behalf of, the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each holder. The term "**Trust Assets**" in respect of each Series means the following:

(a) the cash proceeds of the issue of the Certificates, pending the application thereof in accordance with the terms of the Transaction Documents;

(b) any and all of the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Sukuk Assets from time to time (excluding any representations given by KFH to the Trustee and/or the Delegate under any documents constituting the Sukuk Assets from time to time);

(c) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by KFH to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to clause 3 of the Master Declaration of Trust);

(d) all moneys standing to the credit of the Transaction Account from time to time; and

(e) all proceeds of the foregoing.

5.2 ***Application of Proceeds from Trust Assets***: On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

(a) *first*, (to the extent not previously paid) to the Delegate in respect of all amounts payable to it under the Transaction Documents in its capacity as Delegate (including any amounts payable to the Delegate in respect of its Appointees (as defined in the Master Declaration of Trust)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Master Declaration of Trust;

(b) *second*, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all properly incurred and documented amounts payable to it under the Transaction Documents in its capacity as Trustee; (ii) each Agent in respect of all amounts payable to such Agent on account of its fees, costs, indemnities, charges and expenses and the payment or satisfaction of any Liability incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent; and (iii) the Trustee Administrator in respect of all amounts payable to it on account of its fees, costs, charges and expenses and the payment or satisfaction of any Liability incurred by the Trustee Administrator pursuant to the Corporate Services Agreement and the Registered Office Terms;

(c) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;

(d) *fourth*, only if such payment is due on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and

(e) *fifth*, only on the Scheduled Dissolution Date (or any earlier date on which the Certificates are redeemed in full) and provided that all amounts required to be paid on the Certificates hereunder have been discharged in full, in payment of any residual amount to KFH in its capacity as Wakeel as an incentive fee for its performance under the Wakala Agreement.

5.3 ***Transaction Account***: The Trustee will establish a Transaction Account in respect of each Series prior to the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee and shall be the account into which KFH will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents to which it is a party.

6. **Covenants**

6.1 ***Trustee Covenants***: In addition to the Trustee's covenants contained in clause 11 (*Trustee Covenants*) of the Master Declaration of Trust, the Trustee covenants that for so long as any Certificates are outstanding, it shall not (without the prior written consent of the Delegate):

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

(b) secure any of its present or future Indebtedness by any lien, pledge, charge or other Security Interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;

(d) except as provided in Condition 16 (*Meetings of Certificateholders, Modification and Waiver*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(e) except as provided in the Master Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(f) have any subsidiaries or employees;

(g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;

(h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:

(i) as contemplated, provided for or permitted in the Transaction Documents;

(ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(iii) such other matters which are incidental thereto.

6.2 ***Negative Pledge***

So long as any Certificate remains outstanding, KFH and the Trustee will not (and KFH will ensure that none of its Principal Subsidiaries will), create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Certificates the same Security Interest as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other Security Interest as shall be approved by an Extraordinary Resolution of the Certificateholders.

7. **Periodic Distribution Amounts**

7.1 ***Fixed Rate Certificate Provisions***

(a) *Application*: This Condition 7.1 is applicable to the Certificates only if the Fixed Rate Certificate Provisions are specified in the applicable Pricing Supplement as being applicable.

(b) *Periodic Distribution Dates*: Each Fixed Rate Certificate bears profit on its outstanding face amount from and including the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be a Fixed Amount, a Broken Amount or an amount determined in accordance with Condition 7.4 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Conditions as a "**Periodic Distribution Amount**". Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).

7.2 ***Floating Rate Certificate Provisions***

(a) *Application*: This Condition 7.2 is applicable to the Certificates only if the Floating Rate Certificate Provisions are specified in the applicable Pricing Supplement as being applicable.

(b) *Periodic Distribution Dates*: Each Floating Rate Certificate bears profit on its outstanding face amount from and including the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable per Calculation Amount shall be an amount determined in accordance with Condition 7.4 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Conditions as a "**Periodic Distribution Amount**". Such Periodic Distribution Date(s) is/are either shown in the applicable Pricing Supplement as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Pricing Supplement, Periodic Distribution Date shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Specified Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).

(c) *Profit Rate for Floating Rate Certificates*: The Profit Rate in respect of Floating Rate Certificates for each Return Accumulation Period shall be determined by "Screen Rate

Determination" in accordance with paragraph (d) or ISDA Determination in accordance with paragraph (e) (as specified in the applicable Pricing Supplement, as the case may be).

(d) *Screen Rate Determination*: If Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, the Profit Rate applicable to the Certificates for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Profit Rate Determination Date;

(ii) if "Linear Interpolation" is specified as applicable in respect of a Return Accumulation Period in the applicable Pricing Supplement, the Profit Rate for such Return Accumulation Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Profit Rate Determination Date, where:

(A) one rate shall be determined as if the relevant Return Accumulation Period were the period of time for which rates are available next shorter than the length of the relevant Return Accumulation Period; and

(B) the other rate shall be determined as if the relevant Return Accumulation Period were the period of time for which rates are available next longer than the length of the relevant Return Accumulation Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Return Accumulation Period, then the Calculation Agent shall calculate the Profit Rate at such time and by reference to such sources as the Trustee and/or KFH, in consultation with an Independent Adviser appointed by the Trustee and/or KFH, and such Independent Adviser acting in good faith and in a commercially reasonable manner;

(iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Profit Rate Determination Date; and

(iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Profit Rate applicable to the Certificates during such Return Accumulation Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Certificates in respect of a preceding Return Accumulation Period.

(e) *ISDA Determination*: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, the Profit Rate applicable to the Certificates for each Return Accumulation Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Return Accumulation Period means a rate equal to the floating rate that would be determined by the Calculation Agent under a rate swap transaction if the Calculation Agent were acting as Calculation Agent for that rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(A) if the Pricing Supplement specify either "2006 ISDA Definitions" or "2021 ISDA Definitions" as the applicable ISDA Definitions:

(1) the Floating Rate Option is as specified in the relevant Pricing Supplement;

(2) the Designated Maturity, if applicable, is a period specified in the relevant Pricing Supplement;

(3) the relevant Reset Date, unless otherwise specified in the relevant Pricing Supplement, has the meaning given to it in the ISDA Definitions;

(4) if Linear Interpolation is specified as applicable in respect of a Return Accumulation Period in the applicable Pricing Supplement, the rate for such Return Accumulation Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(i) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Return Accumulation Period; and

(ii) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Return Accumulation Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Return Accumulation Period or, as the case may be, next longer than the length of the relevant Return Accumulation Period, then the Calculation Agent shall calculate the Profit Rate at such time and by reference to such sources as the Trustee and/or KFH, in consultation with an Independent Adviser appointed by the Trustee and/or KFH, and such Independent Adviser acting in good faith and in a commercially reasonable manner, determines appropriate;

(5) if the specified Floating Rate Option is an Overnight Floating Rate Option, Compounding is specified to be applicable in the relevant Pricing Supplement and:

(i) if Compounding with Lookback is specified as the Compounding Method in the relevant Pricing Supplement then: (a) Compounding with Lookback is the Overnight Rate Compounding Method; and (b) Lookback is the number of Applicable Business Days specified in the relevant Pricing Supplement;

(ii) if Compounding with Observation Period Shift is specified as the Compounding Method in the relevant Pricing Supplement then: (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method; (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Pricing Supplement; and (c) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Pricing Supplement; or

(iii) if Compounding with Lockout is specified as the Compounding Method in the relevant Pricing Supplement then: (a) Compounding with Lockout is the Overnight Rate Compounding Method; (b) Lockout is the number of Lockout Period Business Days specified in the relevant Pricing Supplement; and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Pricing Supplement;

(B) if the specified Floating Rate Option is an Overnight Floating Rate Option, Averaging is specified to be applicable in the relevant Pricing Supplement and:

(1) if Averaging with Lookback is specified as the Averaging Method in the relevant Pricing Supplement then: (a) Averaging with Lookback is the Overnight Rate Averaging Method; and (b) Lookback is the number of Applicable Business Days specified in the relevant Pricing Supplement;

(2) if Averaging with Observation Period Shift is specified as the Averaging Method in the relevant Pricing Supplement then: (a) Averaging with Observation Period Shift is the Overnight Rate Averaging Method; (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Pricing Supplement; and (c) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Pricing Supplement; or

(3) if Averaging with Lockout is specified as the Averaging Method in the relevant Pricing Supplement then: (a) Averaging with Lockout is the Overnight Rate Averaging Method; (b) Lockout is the number of Lockout Period Business Days specified in the relevant Pricing Supplement; and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Pricing Supplement; and

(C) if the specified Floating Rate Option is an Index Floating Rate Option and Index Provisions are specified to be applicable in the relevant Pricing Supplement, the Compounded Index Method with Observation Period Shift shall be applicable and: (a) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Pricing Supplement; and (b) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Pricing Supplement;

(D) references in the ISDA Definitions to:

(1) "**Confirmation**" shall be references to the relevant Pricing Supplement;

(2) "**Calculation Period**" shall be references to the relevant Return Accumulation Period;

(3) "**Termination Date**" shall be references to the Maturity Date;

(4) "**Effective Date**" shall be references to the Profit Commencement Date; and

(E) if the Pricing Supplement specify "2021 ISDA Definitions" as being applicable:

(1) "Administrator/Benchmark Event" shall be disapplied; and

(2) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback – Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback – Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate".

(F) Unless otherwise defined capitalised terms used in this Condition 7.2(e) shall have the meaning ascribed to them in the ISDA Definitions.

(f) *Floating Rate Certificates referencing SONIA (Screen Rate Determination)*

(A) This Condition 7.2(f) is applicable to the Certificates only if the Floating Rate Certificate Provisions are specified in the relevant Pricing Supplement as being

applicable, Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, and the "Reference Rate" is specified in the relevant Pricing Supplement as being "SONIA".

(B) Where "SONIA" is specified as the Reference Rate in the Pricing Supplement, the Profit Rate for each Return Accumulation Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent.

(C) For the purposes of this Condition 7.2(f):

"**Compounded Daily SONIA**", with respect to a Return Accumulation Period, will be calculated by the Calculation Agent on each Profit Rate Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards:

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

"**d**" means the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Return Accumulation Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

"**D**" is the number specified in the relevant Pricing Supplement (or, if no such number is specified, 365);

"**d_o**" means the number of London Banking Days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Return Accumulation Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

"**i**" means a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Return Accumulation Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

to, and including, the last London Banking Day in such period;

"**Profit Rate Determination Date**" means, in respect of any Return Accumulation Period, the date falling "p" London Banking Days prior to the Periodic Distribution Date for such Return Accumulation Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Certificates are due and payable).

"**London Banking Day**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"$\mathbf{n_i}$" for any London Banking Day "i", in the relevant Return Accumulation Period or Observation Period (as applicable) is the number of calendar days from, and including, such London Banking Day "i" up to, but excluding, the following London Banking Day;

"**Observation Period**" means, in respect of a Return Accumulation Period, the period from, and including, the date falling "p" London Banking Days prior to the first day of such Return Accumulation Period (and the first Return Accumulation Period shall begin on and include the Profit Commencement Date) and ending on, but excluding, the date which is "p" London Banking Days prior to the Periodic Distribution Date for such Return Accumulation Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Certificates become due and payable);

"**p**" for any Return Accumulation Period or Observation Period (as applicable), means the number of London Banking Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Pricing Supplement or if no such period is specified, five London Banking Days;

"**SONIA Reference Rate**" means, in respect of any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Banking 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 is published by such authorised distributors) on the London Banking Day immediately following such London Banking Day; and

"$\mathbf{SONIA_i}$" means the SONIA Reference Rate for:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the London Banking Day falling "p" London Banking Days prior to the relevant London Banking Day "i"; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant London Banking Day "i";

For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA Reference Rate in respect of any London Banking Day. The SONIA Reference Rate applied to a day that is a non-London Banking Day will be taken by applying the SONIA Reference Rate for the previous London Banking Day but without compounding.

(D) If, in respect of any London Banking Day in the relevant Return Accumulation Period or Observation Period (as applicable), the Calculation Agent determines that the SONIA Reference Rate is not available on the Relevant Screen Page and has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall, subject to Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*), be:

(i) the sum of: (a) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; and (b) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate 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

(i) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day: (a) the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors); or (b) if this is more recent, the latest determined rate under (i).

(E) Subject to Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*), if the Profit Rate cannot be determined in accordance with the foregoing provisions of this Condition 7.2(f), the Profit Rate shall be: (A) that determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin relating to the relevant Return Accumulation Period, in place of the Margin relating to that last preceding Return Accumulation Period); or (B) if there is no such preceding Profit Rate Determination Date, the initial Profit Rate which would have been applicable to the Certificates for the first Return Accumulation Period had the Certificates been in issue for a period equal in duration to the scheduled first Return Accumulation Period but ending on (and excluding) the Profit Commencement Date (but applying the Margin applicable to the first Return Accumulation Period).

(g) *Floating Rate Certificates referencing SOFR (Screen Rate Determination)*

(A) This Condition 7.2(g) is applicable to the Certificates only if the Floating Rate Certificate Provisions are specified in the relevant Pricing Supplement as being applicable, Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, and the "Reference Rate" is specified in the relevant Pricing Supplement as being "SOFR".

(B) Where "SOFR" is specified as the Reference Rate in the Pricing Supplement, the Profit Rate for each Return Accumulation Period will, subject as provided below, be the Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent on each Profit Rate Determination Date.

(C) For the purposes of this Condition 7.2(g):

"**Benchmark**" means Compounded SOFR, which is a compounded average of daily SOFR, as determined for each Return Accumulation Period in accordance with the specific formula and other provisions set out in this Condition 7.2(g).

Daily SOFR rates will not be published in respect of any day that is not a U.S. Government Securities Business Day, such as a Saturday, Sunday or holiday. For this reason, in determining Compounded SOFR in accordance with the specific formula and other provisions set forth herein, the daily SOFR rate for any U.S. Government Securities Business Day that immediately precedes one or more days that are not U.S. Government Securities Business Days will be multiplied by the number of calendar days from and including such U.S. Government Securities Business Day to, but excluding, the following U.S. Government Securities Business Day.

If the Trustee and/or KFH determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of Compounded SOFR (or the daily SOFR used in the calculation hereof) prior to the relevant

SOFR Determination Time (as defined below), then the provisions under Condition 7.2(g)(D) below will apply.

"**Compounded SOFR**" with respect to any Return Accumulation Period, means the rate of return of a daily compound investment computed in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \; x \; n_i}{D}\right)-1\right] x \; \frac{D}{d}$$

"**d**" is the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Return Accumulation Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"**D**" is the number specified in the relevant Pricing Supplement (or, if no such number is specified, 360);

"$\mathbf{d_o}$" is the number of U.S. Government Securities Business Days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Return Accumulation Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"**i**" is a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Return Accumulation Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period,

to and including the last U.S. Government Securities Business Day in such period;

"**Profit Rate Determination Date**" means, in respect of any Return Accumulation Period, the date falling "p" U.S. Government Securities Business Days prior to the Periodic Distribution Date for such Return Accumulation Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Certificates are due and payable);

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i" in the relevant Return Accumulation Period or Observation Period (as applicable), is the number of calendar days from, and including, such U.S. Government Securities Business Day "i" to, but excluding, the following U.S. Government Securities Business Day ("**i+1**");

"**Observation Period**" in respect of an Return Accumulation Period means the period from, and including, the date falling "p" U.S. Government Securities Business Days preceding the first day in such Return Accumulation Period (and the first Return Accumulation Period shall begin on and include the Profit Commencement Date) to, but excluding, the date falling "p" U.S. Government Securities Business Days preceding the Periodic Distribution Date for such Return

Accumulation Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Certificates become due and payable);

"**p**" for any Return Accumulation Period or Observation Period (as applicable) means the number of U.S. Government Securities Business Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Pricing Supplement or if no such period is specified, five U.S. Government Securities Business Days;

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

(i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the "**SOFR Determination Time**"); or

(ii) Subject to Condition 7.2(g)(D) below, if the rate specified in (i) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

"**$SOFR_i$**" means the SOFR for:

(i) where "Lag" is specified as the Observation Method in the applicable Pricing Supplement, the U.S. Government Securities Business Day falling "p" U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "i"; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant U.S. Government Securities Business Day "i"; and

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

(D) If the Trustee and/or KFH 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 Certificates 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 Trustee and/or KFH will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Delegate or the Certificateholders.

Any determination, decision or election that may be made by the Trustee and/or KFH pursuant to this section, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(i) will be conclusive and binding absent manifest error;

(ii) will be made in the sole discretion of the Trustee and/or KFH; and

(iii) notwithstanding anything to the contrary in the documentation relating to the Certificates, shall become effective without consent from the holders of the Certificates or any other party.

"**Benchmark**" means, initially, Compounded SOFR, as such term is defined above; provided that if the Trustee and/or KFH determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then "Benchmark" shall mean the applicable Benchmark Replacement.

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Trustee and/or KFH as of the Benchmark Replacement Date:

(i) the sum of: (A) the alternate Profit Rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark; and (B) the Benchmark Replacement Adjustment;

(ii) the sum of: (A) the ISDA Fallback Rate; and (B) the Benchmark Replacement Adjustment; or

(iii) the sum of: (A) the alternate Profit Rate that has been selected by the Trustee and/or KFH as the replacement for the then-current Benchmark giving due consideration to any industry-accepted Profit Rate as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time; and (B) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Trustee and/or KFH or its designee as of the Benchmark Replacement Date:

(i) 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;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Trustee and/or KFH 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 profit, rounding of amounts or tenors, and other administrative matters) that the Trustee and/or KFH decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Trustee and/or KFH decides that adoption of any

portion of such market practice is not administratively feasible or if the Trustee and/or KFH determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Trustee and/or KFH determines is reasonably necessary);

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

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

(ii) in the case of clause (iii) 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 (including the daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

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

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**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 2006 ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the 2006 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: (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time; and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Trustee and/or KFH 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.

(E) Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under Condition 7.2(g)(D) above will be notified promptly by the Trustee and/or KFH to the Delegate, the Calculation Agent, the Paying Agents and, in accordance with Condition 18 (*Notices*), the Certificateholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Delegate of the same, the Trustee and/or KFH shall deliver to the Delegate a certificate signed by two authorised signatories of the Trustee and/or KFH:

(i) confirming: (x) that a Benchmark Transition Event has occurred; (y) the relevant Benchmark Replacement; and (z) 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 7.2(g); and

(ii) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

(F) If the Profit Rate cannot be determined in accordance with the foregoing provisions of this Condition 7.2(g), the Profit Rate shall be: (A) that determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin relating to the relevant Return Accumulation Period, in place of the Margin relating to that last preceding Return Accumulation Period); or (B) if there is no such preceding Profit Rate Determination Date, the initial Profit Rate which would have been applicable to the Certificates for the first Return Accumulation Period had the Certificates been in issue for a period equal in duration to the scheduled first Return Accumulation Period but ending on (and excluding) the Profit Commencement Date (but applying the Margin applicable to the first Return Accumulation Period).

(h) *Floating Rate Certificates referencing €STR (Screen Rate Determination)*

(A) This Condition 7.2(h) is applicable to the Certificates only if the Floating Rate Certificate Provisions are specified in the relevant Pricing Supplement as being applicable, Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, and

the "Reference Rate" is specified in the relevant Pricing Supplement as being "€STR".

(B) Where "€STR" is specified as the Reference Rate in the Pricing Supplement, the Profit Rate for each Return Accumulation Period will, subject as provided below, be Compounded Daily €STR plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent on each Profit Rate Determination Date.

(C) For the purposes of this Condition 7.2(h):

"**Compounded Daily €STR**" means, with respect to any Return Accumulation Period, the rate of return of a daily compound investment (with the daily euro short-term rate as reference rate for the calculation of profit) as calculated by the Calculation Agent as at the relevant Profit Rate Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\text{€STR}_i \times n_i}{\text{D}}\right)-1\right]\times\frac{\text{D}}{d}$$

where:

"**d**" means the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Return Accumulation Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

"**D**" means the number specified as such in the relevant Pricing Supplement (or, if no such number is specified, 360);

"**d_o**" means the number of TARGET Settlement Days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Return Accumulation Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

the "**€STR reference rate**", in respect of any TARGET Settlement Day, is a reference rate equal to the daily euro short-term rate ("**€STR**") for such TARGET Settlement Day as provided by the European Central Bank as the administrator of €STR (or any successor administrator of such rate) on the website of the European Central Bank (or, if no longer published on its website, as otherwise published by it or provided by it 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) on the TARGET Settlement Day immediately following such TARGET Settlement Day (in each case, at the time specified by, or determined in accordance with, the applicable methodology, policies or guidelines, of the European Central Bank or the successor administrator of such rate);

"**€STR$_i$**" means the €STR reference rate for:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the TARGET Settlement Day falling "p" TARGET Settlement Days prior to the relevant TARGET Settlement Day "i"; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant TARGET Settlement Day "i".

"**i**" is a series of whole numbers from one to "d_o", each representing the relevant TARGET Settlement Day in chronological order from, and including, the first TARGET Settlement Day in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Return Accumulation Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period;

to, and including, the last TARGET Settlement Day in such period;

"**Profit Rate Determination Date**" means, in respect of any Return Accumulation Period, the date falling "p" TARGET Settlement Days prior to the Periodic Distribution Determination Date for such Return Accumulation Period (or the date falling "p" TARGET Settlement Days prior to such earlier date, if any, on which the Certificates are due and payable);

"$\mathbf{n_i}$" for any TARGET Settlement Day "i" in the relevant Return Accumulation Period or Observation Period (as applicable), means the number of calendar days from (and including) such TARGET Settlement Day "i" up to (but excluding) the following TARGET Settlement Day;

"**Observation Period**" means, in respect of any Return Accumulation Period, the period from (and including) the date falling "p" TARGET Settlement Days prior to the first day of the relevant Return Accumulation Period (and the first Return Accumulation Period shall begin on and include the Profit Commencement Date) to (but excluding) the date falling "p" TARGET Settlement Days prior to: (A) (in the case of an Return Accumulation Period) the Periodic Distribution Determination Date for such Return Accumulation Period; or (B) such earlier date, if any, on which the Certificates become due and payable; and

"**p**" for any latest Return Accumulation Period or Observation Period (as applicable), means the number of TARGET Settlement Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Pricing Supplement or, if no such period is specified, five TARGET Settlement Days.

(D) Subject to Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*), if, where any Profit Rate is to be calculated pursuant to Condition 7(h)(B) above, in respect of any TARGET Settlement Day in respect of which an applicable €STR reference rate is required to be determined, such €STR reference rate is not made available on the Relevant Screen Page and has not otherwise been published by the relevant authorised distributors, then the €STR reference rate in respect of such TARGET Settlement Day shall be the €STR reference rate for the first preceding TARGET Settlement Day in respect of which €STR reference rate was published by the European Central Bank on its website, as determined by the Calculation Agent.

(E) Subject to Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*), if the Profit Rate cannot be determined in accordance with the foregoing provisions of this Condition 7.2(h), the Profit Rate shall be: (A) that determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin relating to the relevant Return Accumulation Period, in place of the Margin relating to that last preceding Return Accumulation Period); or (B) if there is no

such preceding Profit Rate Determination Date, the initial Profit Rate which would have been applicable to the Certificates for the first Return Accumulation Period had the Certificates been in issue for a period equal in duration to the scheduled first Return Accumulation Period but ending on (and excluding) the Profit Commencement Date (but applying the Margin applicable to the first Return Accumulation Period).

(i) *SONIA Compounded Index and SOFR Compounded Index (Screen Rate Determination)*

(A) This Condition 7.2(i) is applicable to the Certificates only if the Floating Rate Certificate Provisions are specified in the relevant Pricing Supplement as being applicable, Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, and "Index Determination" is specified in the relevant Pricing Supplement as being applicable.

(B) Where "Index Determination" is specified in the relevant Pricing Supplement as being applicable, the Profit Rate for each Return Accumulation Period will be the compounded daily reference rate for the relevant Return Accumulation Period, calculated in accordance with the following formula:

$$\left(\frac{Compounded\ Index\ End}{Compounded\ Index\ Start} - 1\right) \text{X} \frac{Numerator}{d}$$

and rounded to the Relevant Decimal Place, plus or minus the Margin (if any), all as determined and calculated by the Calculation Agent, where:

"**Compounded Index**" means either the SONIA Compounded Index or the SOFR Compounded Index, as specified in the relevant Pricing Supplement;

"**Compounded Index End**" means the relevant Compounded Index value on the End date;

"**Compounded Index Start**" means the relevant Compounded Index value on the Start date;

"**d**" is the number of calendar days from (and including) the day on which the relevant Compounded Index Start is determined to (but excluding) the day on which the relevant Compounded Index End is determined;

"**End**" means the day falling the Relevant Number of Index Days prior to the Periodic Distribution Determination Date for such Return Accumulation Period, or such other date on which the relevant payment of profit falls due (but which by its definition or the operation of the relevant provisions is excluded from such Return Accumulation Period);

"**Index Days**" means, in the case of the SONIA Compounded Index, London Banking Days, and, in the case of the SOFR Compounded Index, U.S. Government Securities Business Days;

"**Numerator**" means, in the case of the SONIA Compounded Index, 365 and, in the case of the SOFR Compounded Index, 360;

"**Relevant Decimal Place**" shall, unless otherwise specified in the Pricing Supplement, be the fifth decimal place, rounded up or down, if necessary (with 0.000005 being rounded upwards);

"**Relevant Number**" is as specified in the applicable Pricing Supplement, but, unless otherwise specified shall be five;

"**SONIA Compounded Index**" means the Compounded Daily SONIA rate as published at 10:00 (London time) by the Bank of England (or a successor

administrator of SONIA) on the Bank of England's Interactive Statistical Database, or any successor source;

"**SOFR Compounded Index**" means the Compounded SOFR rate as published at 15:00 (New York time) by Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source; and

"**Start**" means the day falling the Relevant Number of Index Days prior to the first day of the relevant Return Accumulation Period.

If, with respect to any Return Accumulation Period, the relevant rate is not published for the relevant Compounded Index either on the relevant Start or End date, then the Calculation Agent shall calculate the Profit Rate for that Return Accumulation Period as if Index Determination was not specified in the applicable Pricing Supplement and as if Compounded Daily SONIA or Compounded SOFR (as defined in Condition 7.2(f) (*Floating Rate Certificates referencing SONIA (Screen rate Determination*)) or Condition 7.2(i), (*SONIA Compounded Index and SOFR Compounded Index (Screen Rate Determination*) as applicable) had been specified instead in the Pricing Supplement, and in each case "Observation Shift" had been specified as the Observation Method in the relevant Pricing Supplement, and where the Observation Period for the purposes of that definition in Condition 7.2(f) (*Floating Rate Certificates referencing SONIA (Screen rate Determination*) or Condition 7.2(g) *Floating Rate Certificates referencing SOFR (Screen Rate Determination)* (as applicable)) shall be deemed to be the same as the Relevant Number specified in the Pricing Supplement and where, in the case of Compounded Daily SONIA, the Relevant Screen Page will be determined by the Trustee and/or KFH. For the avoidance of doubt, if: (i) (in the case of SONIA Compounded Index) a Benchmark Event has occurred in respect of SONIA, the provisions of Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*) shall apply; and (ii) (in the case of SOFR Compounded Index) a Benchmark Transition Event and its related Benchmark Replacement Date has occurred in respect of SOFR, the provisions of Condition 7.2(g)(D) shall apply.

(j) *Benchmark Replacement (Independent Adviser)*

(A) Other than in the case of a U.S. dollar-denominated floating rate Certificate for which the Reference Rate is specified in the relevant Pricing Supplement as being "SOFR" or "SOFR Compounded Index", if a Benchmark Event occurs in relation to the Reference Rate when the Profit Rate (or any component part thereof) for any Return Accumulation Period remains to be determined by reference to such Reference Rate, then the Trustee and/or KFH shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7.2(j)(C)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7.2(j)(D)) and any Benchmark Amendments (in accordance with Condition 7.2(j)(E)).

(B) In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Trustee and/or KFH, the Delegate, Agents or the Certificateholders for any determination made by it pursuant to this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*) and the Delegate will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof.

(C) If the Independent Adviser determines in its discretion that:

(1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7.2(j)(C)) subsequently be used in place of the Reference Rate to determine the Profit Rate (or the relevant

component part(s) thereof) for the relevant Return Accumulation Period and all following Return Accumulation Periods, subject to the subsequent operation of this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*) in the event of a further Benchmark Event affecting the Successor Rate; or

(2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7.2(j)(C)) subsequently be used in place of the Reference Rate to determine the Profit Rate (or the relevant component part(s) thereof) for the relevant Return Accumulation Period and all following Return Accumulation Periods, subject to the subsequent operation of this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*) in the event of a further Benchmark Event affecting the Alternative Rate.

(D) If the Independent Adviser determines in its discretion: (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be); and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).

(E) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*) and the Independent Adviser determines in its discretion: (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**"); and (ii) the terms of the Benchmark Amendments, then the Trustee and/or KFH shall, following consultation with the Calculation Agent (or the person specified in the relevant Pricing Supplement as the party responsible for calculating the Profit Rate and the Periodic Distribution Amount(s)), subject to giving notice thereof in accordance with Condition 7.2(j)(F), without any requirement for the consent or approval of relevant Certificateholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Delegate shall, at the direction and expense of the Trustee and/or KFH, consent to and effect such consequential amendments to the Declaration of Trust and these Conditions as the Delegate may be required in order to give effect to this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser*)).

(F) If: (A) the Trustee and/or KFH is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*) prior to the relevant Profit Rate Determination Date, the Reference Rate applicable to the relevant Return Accumulation Period shall be the Reference Rate applicable as at the last preceding Profit Rate Determination Date. If there has not been a first Periodic Distribution Date, the Reference Rate shall be the Reference Rate that would have been applicable to the Certificates for the first Return Accumulation Period had the Certificates been in issue for a period equal in duration to the scheduled first Return Accumulation Period but ending on (and excluding) the Profit Commencement Date. For the avoidance of doubt, any adjustment pursuant to this Condition 7.2(j) (F) shall apply to the relevant Return Accumulation Period only. Any subsequent Return Accumulation Period may be subject to the subsequent operation of this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*) and the Delegate shall not be liable to any party for any consequences thereof, provided that the Delegate shall not be obliged so to concur if in the sole opinion of the Delegate doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to

the Delegate in these Conditions or the Master Declaration of Trust (including, for the avoidance of doubt, any supplemental trust deed) in any way.

(G) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*)will be notified promptly by the Trustee and/or KFH to the Delegate, the Calculation Agent, the Paying Agents and, in accordance with Condition 18 (*Notices*), the Certificateholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(H) No later than notifying the Delegate of the same, the Trustee and/or KFH shall deliver to the Delegate a certificate signed by two authorised signatories of the Trustee and/or KFH:

(1) Confirming: (x) that a Benchmark Event has occurred; (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate; and (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*); and

(2) certifying that: (1) the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread; and (2) the intent of the drafting of such changes is solely to implement the relevant Benchmark Amendments.

The Delegate and the Agents shall be entitled to rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence thereof.

(I) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Trustee and/or KFH, the Delegate and Principal Paying Agent, the Calculation Agent, the other Paying Agents and the Certificateholders.

(J) As used in these Conditions:

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(1) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(2) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or

(3) (if no such determination has been made) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the

Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(4) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Certificateholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 7.2(j) (*Benchmark Replacement (Independent Adviser)*) is customary in market usage in the international debt capital markets for the purposes of determining floating profit rates (or the relevant component part thereof) for a commensurate period and in the Specified Currency;

"**Benchmark Amendments**" has the meaning given to it in Condition 7.2(j)(E);

"**Benchmark Event**" means:

(1) 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

(2) 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

(3) 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 (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or

(4) 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 (the "**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 Certificates; or

(5) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor: (i) such Reference Rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market or (ii) the methodology to calculate such Reference Rate has materially changed; or

(6) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Certificateholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (2), (3), (4), or (5) above and the 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.

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

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(2) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates; (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); (c) a group of the aforementioned central banks or other supervisory authorities; or (d) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

7.3 ***Maximum or Minimum Profit Rate****:* If any Maximum Profit Rate or Minimum Profit Rate is specified in the relevant Pricing Supplement, then the Profit Rate shall in no event be greater than the maximum or be less than the minimum so specified.

7.4 ***Calculation of Periodic Distribution Amount***: The Periodic Distribution Amount payable per Calculation Amount will be calculated by the Calculation Agent by applying the Profit Rate for such Return Accumulation Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). Where the Specified Denomination of an Individual Certificate is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Certificate 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. For this purpose a "**sub-unit**" means, in the case of any currency other than euro and Renminbi, the lowest amount of such currency that is available as legal tender in the country of such currency and in the case of euro, means one cent. and, in the case of Renminbi, means CNY 0.01.

7.5 ***Determination and Publication of Profit Rates, Periodic Distribution Amounts and Dissolution Distribution Amounts***: The Calculation Agent shall, as soon as practicable on or after each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Periodic Distribution Amounts for the relevant Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Periodic Distribution Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount to be notified to the Delegate, the Trustee, KFH, each of the Paying Agents, the Certificateholders, any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information and, if the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than: (i) the commencement of the relevant Return Accumulation Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Periodic Distribution Amount; or (ii) in all other cases, the fourth Business Day after such determination. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 7.7 (*Business Day Convention*), the Periodic Distribution Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of

adjustment) without notice in the event of an extension or shortening of the Return Accumulation Period. If the Certificates become due and payable under Condition 12 (*Dissolution Events*), the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Profit Rate or the Periodic Distribution Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

7.6 ***Cessation of Entitlement to Profit***: No further amounts will be payable on any Certificate from and including: (a) the Dissolution Date, unless default is made in the payment of the Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 7 to the earlier of: (i) the Relevant Date; or (ii) the date on which a sale agreement is executed pursuant to the Sale and Substitution Undertaking or the Purchase Undertaking, as the case may be.

7.7 ***Business Day Convention***: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified in the applicable Pricing Supplement is:

(a) the "**Following Business Day Convention**", the relevant date shall be postponed to the first following day that is a Business Day;

(b) the "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**", the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;

(c) the "**Preceding Business Day Convention**", the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) the "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**", each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Pricing Supplement as the Return Accumulation Period after the calendar month in which the preceding such date occurred provided, however, that:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**", the relevant date shall not be adjusted in accordance with any Business Day Convention.

7.8 ***Calculation Agent***: The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Certificates are outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Periodic Distribution Amount or any

Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

8. **Redemption and Dissolution of the Trust**

8.1 ***Dissolution on the Scheduled Dissolution Date***: Unless previously redeemed, or purchased and cancelled, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount on the Scheduled Dissolution Date specified in the applicable Pricing Supplement and, following the payment of all such amounts in full and the execution of a sale agreement pursuant to the Purchase Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.2 ***Early Dissolution for Taxation Reasons***: The Certificates shall be redeemed by the Trustee in whole, but not in part, on any Periodic Distribution Date (if the Certificates are Floating Rate Certificates) or at any time (if the Certificates are Fixed Rate Certificates) (such dissolution date being an "**Early Tax Dissolution Date**"), on giving not less than 45 nor more than 75 days' notice to the Certificateholders (which notice shall be irrevocable) at their Dissolution Distribution Amount if the Trustee satisfies the Delegate immediately before the giving of such notice that:

(a) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(b) KFH has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and such obligation cannot be avoided by KFH taking reasonable measures available to it,

(the occurrence of an event described in Condition 8.2(a) or (b) above being a "**Tax Event**"), provided, however, that no such notice of dissolution shall be given to Certificateholders:

(A) unless a duly completed Exercise Notice has been received by the Trustee from KFH pursuant to the Sale and Substitution Undertaking; and

(B) where the Certificates may be redeemed at any time, earlier than 90 days prior to the earliest date on which the Trustee or KFH, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or pursuant to any Transaction Document (in the case of KFH) then due; or

(C) where the Certificates may be redeemed only on a Periodic Distribution Date, earlier than 60 days prior to the earliest date on which the Trustee or KFH, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or pursuant to any Transaction Document (in the case of KFH) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8.2, the Trustee shall deliver or procure that there is delivered to the Delegate:

(1) a certificate signed by two directors of the Trustee (in the case of Condition 8.2(a)) or two authorised signatories of KFH (in the case of Condition 8.2(b)) stating that the Trustee is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Trustee so to redeem (as set out in Condition 8.2(a) and Condition 8.2(b), as the case may be) have occurred; and

(2) an opinion of independent legal advisors or other professional advisors, in each case of recognised standing, to the effect that the Trustee or KFH, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 8.2(a) or, as the case may be, Condition 8.2(b) above, in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 8.2, payment in full of the Dissolution Distribution Amount to Certificateholders and execution of a sale agreement pursuant to the Sale and Substitution Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.3 ***Dissolution at the Option of KFH (Optional Dissolution Right)***: If the Optional Dissolution Right is specified in the applicable Pricing Supplement, the Trustee shall, upon receipt of a duly completed Exercise Notice from KFH in accordance with the Sale and Substitution Undertaking and on giving not less than 15 nor more than 30 days' irrevocable notice to the Certificateholders redeem all or, if so specified in the relevant Exercise Notice, some of the Certificates on any Optional Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed and no greater than the Maximum Optional Dissolution Amount to be redeemed.

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8.3. If all (and not some only) of the Certificates are to be redeemed on any Optional Dissolution Date in accordance with this Condition 8.3, upon payment in full of the Dissolution Distribution Amount to all Certificateholders and execution of a sale agreement pursuant to the Sale and Substitution Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

In the case of a partial redemption, the notice to Certificateholders shall also specify the face amount of Certificates drawn and the holder(s) of such Certificates to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

If the Certificates are to be redeemed in part only on any date in accordance with this Condition 8.3, each Certificate shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Certificates to be redeemed on the relevant Optional Dissolution Date bears to the aggregate principal amount of outstanding Certificates on such date.

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

8.4 ***Dissolution at the Option of Certificateholders (Certificateholder Put Right)***: If the Certificateholder Put Right is specified in the applicable Pricing Supplement, the Trustee shall, at the option of the Holder of any Certificates, upon the Holder of such Certificates giving not less than 15 nor more than 30 days' notice to the Trustee, redeem such Certificates on the Certificateholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall

deliver to KFH a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be redeemed on any Certificateholder Put Right Date in accordance with this Condition 8.4, upon payment in full of the Dissolution Distribution Amount to the Certificateholders and execution of a sale agreement pursuant to the Purchase Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

To exercise the option in this Condition 8.4, the relevant Holder must, within the relevant notice period, give a Certificateholder Put Exercise Notice in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Certificateholder Put Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent).

Any Certificateholder Put Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg by a Holder of any Certificates pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date for redemption in accordance with this Condition 8.4, a Dissolution Event has occurred and the Delegate has declared the Certificates due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Certificateholder Put Exercise Notice shall be deemed void.

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

8.5 ***Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)***: If a Tangibility Event occurs, upon receipt of a Tangibility Event Trustee Notice from KFH in accordance with the Wakala Agreement, the Trustee shall promptly give notice to the Certificateholders and the Delegate (a "**Tangibility Event Notice**") in accordance with Condition 18 (*Notices*) specifying:

(a) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;

(b) that, as determined in consultation with KFH's Fatwa and *Shari'a* Supervisory Board, the Certificates should only be tradeable in accordance with the *Shari'a* principles of debt trading;

(c) that, on the date falling 15 days following the Tangibility Event Put Right Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to listing or if such date is not a business day, the next following business day ("**business day**" being, for this purpose, a day on which the stock exchange on which the Certificates are admitted to listing is open for business); and

(d) the Tangibility Event Put Right Period, during which period the holder of any Certificates shall have the option to require the redemption of all or any of its Certificates.

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

If any Certificateholder exercises its option to redeem its Certificates in accordance with this Condition 8.5, the Trustee shall deliver to KFH a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking and redeem such Certificates on the Tangibility Event Put Right Date at their Dissolution Distribution Amount. If all (and not some only) of the Certificates are to be redeemed on any Tangibility Event Put Right Date in accordance with this Condition 8.5, upon payment in full of the Dissolution Distribution Amount to all Certificateholders and execution of a sale agreement pursuant to the Purchase Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

To exercise the option in this Condition 8.5, the relevant Certificateholder must, within the Tangibility Event Put Right Period, give a Certificateholder Put Exercise Notice to the Principal

Paying Agent of such exercise in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Certificateholder Put Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent).

If 75 per cent. or more of the aggregate face amount of Certificates then outstanding have been redeemed pursuant to this Condition 8.5, the Trustee shall, upon receipt of a duly completed Exercise Notice from KFH pursuant to the Sale and Substitution Undertaking, on giving not less than 15 days' nor more than 30 days' notice to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*) (such notice to be given within 30 days of the Tangibility Event Put Right Date), redeem the Certificates in whole, but not in part, at their Dissolution Distribution Amount on the date specified in such notice (such notice shall be irrevocable and shall oblige the Trustee to redeem the Certificates on such date (the "**Clean Up Call Dissolution Date**")) (the "**Clean Up (Call) Right**").

8.6 ***Dissolution following a Dissolution Event***: Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date, subject to and as more particularly described in Condition 12 (*Dissolution Events*). For the purposes thereof, the Trustee may deliver to KFH a duly completed Exercise Notice in accordance with the Purchase Undertaking and, following the payment of all such amounts in full, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.7 ***Purchases***: KFH and any Subsidiary may at any time purchase Certificates in the open market or otherwise and at any price and such Certificates may be held, resold or, at the option of KFH, surrendered to the Registrar for cancellation.

8.8 ***Cancellation***: Subject to and in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg, all Certificates which are redeemed pursuant to these Conditions will forthwith be cancelled. All Certificates purchased and surrendered for cancellation by or on behalf of KFH or any Subsidiary of KFH shall be cancelled by surrendering the Global Certificate or Individual Certificates representing such Certificates to the Registrar and by KFH delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Sale and Substitution Undertaking. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 8.8, and upon execution of a sale agreement pursuant to the Sale and Substitution Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof. All Certificates cancelled pursuant to this Condition 8.8 shall be forwarded to the Registrar and cannot be reissued or resold.

8.9 ***No other Dissolution***: The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 and Condition 12 (*Dissolution Events*). Upon payment in full of all amounts due in respect of the Certificates of any Series and the subsequent dissolution of the Trust as provided in this Condition 8 and/or Condition 12 (*Dissolution Events*) (as the case may be), the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

9. **Payments**

9.1 ***Method of Payment***: Payments of any Dissolution Distribution Amount will only be made against surrender of the relevant Certificates at the specified office of any of the Paying Agents. Each Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the Holder shown on the Register at the close of business on the relevant Record Date:

(a) in the case of Certificates denominated in a currency other than Renminbi, upon application by the Holder of such Certificates to the specified office of the Registrar, the other Transfer Agents or any Paying Agent before the Record Date, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be

credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency; and

(b) in the case of Certificates denominated in Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

9.2 ***Payments on Business Days***: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated:

(a) (in the case of payments of any Dissolution Distribution Amount and Periodic Distribution Amounts payable on a Dissolution Date) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, presented and endorsed) at the specified office of a Paying Agent; and

(b) (in the case of payments of Periodic Distribution Amounts payable other than on a Dissolution Date) on the due date for payment.

A Holder of Certificates shall not be entitled to any additional distributions or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

9.3 ***Partial Payments***: If the amount of any Dissolution Distribution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

9.4 ***Record Date***: Each payment in respect of Certificates will be made:

(a) where the Certificate is represented by a Global Certificate, to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business; or

(b) where the Certificate is in definitive form, to the person shown as the Holder in the Register at the close of business in the place of the Registrar's specified office (in the case of Certificates denominated in a Specified Currency other than Renminbi) on the fifteenth day before the due date for such payment or (in the case of Certificates denominated in Renminbi) on the fifth day before the due date for such payment (such day described in, as the case may be, Condition 9.4(a) above and in this Condition 9.4(b), the "**Record Date**").

9.5 ***Payments Subject to Laws***: All payments are subject in all cases to: (a) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*); and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 10 (*Taxation*)), any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

9.6 ***Payment of U.S. Dollar Equivalent***: Notwithstanding anything in these Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Trustee is not able to satisfy payments of any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) in respect of the Certificates when due in Renminbi in the relevant Renminbi Settlement Centre, the Trustee may, on giving not less than five nor more than 30 calendar days' irrevocable notice to the Certificateholders prior to the due date for payment, settle any such payment in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi-denominated amount.

In such event, payments of the U.S. Dollar Equivalent of the relevant Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal

or otherwise) in respect of the Certificates shall be made upon application by the holder of the Certificates to the specified office of the Registrar or any Transfer Agent before the Record Date, by transfer to a U.S. dollar denominated account maintained by the payee with a bank in New York City.

In this Condition 9.6:

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the relevant Renminbi Settlement Centre, London and in New York City;

"**Determination Date**" means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

"**Governmental Authority**" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the relevant Renminbi Settlement Centre;

"**Illiquidity**" means where the general Renminbi exchange market in the relevant Renminbi Settlement Centre becomes illiquid and, as a result of which the Trustee cannot obtain sufficient Renminbi in order to satisfy its obligation to pay any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) (in whole or in part) in respect of the Certificates as determined by the Trustee in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the Trustee to convert any amount due in respect of the Certificates in the general Renminbi exchange market in the relevant Renminbi Settlement Centre, other than where such impossibility is due solely to the failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the pricing date of the relevant Series of Certificates and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation);

"**Non-transferability**" means the occurrence of any event that makes it impossible for the Trustee to transfer Renminbi between accounts inside the relevant Renminbi Settlement Centre or from an account inside the relevant Renminbi Settlement Centre to an account outside the relevant Renminbi Settlement Centre or from an account outside the relevant Renminbi Settlement Centre to an account inside the relevant Renminbi Settlement Centre, other than where such impossibility is due solely to the failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the pricing date for the relevant Series of Certificates and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation);

"**Renminbi Dealer**" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in the relevant Renminbi Settlement Centre;

"**Spot Rate**" means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in the relevant Renminbi Settlement Centre for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11.00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the

provisions of this Condition 9.6 by the Calculation Agent, will (in the absence of wilful default, gross negligence or fraud) be binding on the Trustee, KFH, the Paying Agents and all Certificateholders; and

"**U.S. Dollar Equivalent**" means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date.

10. **Taxation**

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

(a) presented for payment in a Relevant Jurisdiction;

(b) held by or on behalf of a Holder or beneficial owner which is liable to such taxes, duties, assessments or governmental charges in respect of such Certificates by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Certificates; or

(c) where the relevant Certificates is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Certificates would have been entitled to such additional amounts on presenting or surrendering such Certificates for payment on the last day of such period of 30 days.

If the Trustee becomes subject at any time to any taxing jurisdiction other than or in addition to the Cayman Islands, references in these Conditions to the Cayman Islands shall be construed as references to the Cayman Islands and/or such other jurisdiction.

The Transaction Documents provide that payments thereunder by KFH shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdictions or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law and, in such case, provide for the payment by KFH of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Further, KFH has undertaken in the Master Declaration of Trust to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 10.

11. **Prescription**

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

12. **Dissolution Events**

12.1 ***Dissolution Event***: Upon the occurrence of a Dissolution Event:

(a) the Delegate, upon receiving written notice thereof under the Master Declaration of Trust, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with Condition 18 (*Notices*) with a request to Certificateholders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed (in whole but not in part) and the Trust to be dissolved; and

(b) the Delegate in its sole discretion may, and shall: (i) if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Series of Certificates outstanding; or (ii) if so directed by an Extraordinary Resolution, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction, give notice (a "**Dissolution Notice**") to the Trustee, KFH and the Certificateholders in accordance with Condition 18 (*Notices*) that the Certificates are immediately due and payable at the Dissolution Distribution Amount. A Dissolution Notice may be given pursuant to this Condition 12.1(b) whether or not notice has been given to Certificateholders as provided in Condition 12.1(a).

Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall: (x) deliver an Exercise Notice to KFH under the Purchase Undertaking; and, if applicable to a Series, (y) notify KFH that the outstanding Deferred Sale Price is immediately due and payable under the terms of the Master Murabaha Agreement. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice, which may be the date of such notice (the relevant "**Dissolution Event Redemption Date**") and the Trust shall be dissolved by the Trustee on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof, and the Trustee shall have no further obligations in respect thereof.

12.2 ***Enforcement and Exercise of Rights***: Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Certificates of the relevant Series has not been paid in full on the Dissolution Event Redemption Date, the Delegate may (acting for the benefit of the Certificateholders), and shall if so requested in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Certificates or if so directed by an Extraordinary Resolution, take one or more of the following steps:

(a) enforce the provisions of the Purchase Undertaking and, if applicable to a Series, the Master Murabaha Agreement against KFH; and/or

(b) take such other actions or steps or institute such proceedings as the Delegate, or as the case may be, the Certificateholders, may consider necessary to recover amounts due to the Certificateholders.

13. **Realisation of Trust Assets**

13.1 Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action or step or institute any proceedings to enforce or to realise the relevant Trust Assets or take any action or step or institute any proceedings against (as applicable) the Trustee and/or KFH under any Transaction Document to which either of the Trustee and/or KFH is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Certificates and, in either case, only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may, in its opinion, thereby render itself liable or which it may, in its opinion, incur by so doing.

13.2 No Certificateholder shall be entitled to proceed directly against the Trustee or KFH unless the Delegate, having become bound so to proceed: (i) fails to do so within a reasonable period; or (ii) is

unable for any reason (including by reason of an order of a court having competent jurisdiction) to do so, and in each case such failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and KFH shall be to enforce the Trustee's and KFH's respective obligations under the Certificates and the Transaction Documents to which they are a party.

13.3 Conditions 12.2 (*Enforcement and Exercise of Rights*), 13.1 and 13.2 are subject to this Condition 13.3. After enforcing or realising the Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds of the Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*) and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, no Certificateholder may take any further steps against the Trustee (to the extent that the Trust Assets have been exhausted) (or any steps against the Delegate) or any other person (including KFH (to the extent that it fulfils all of its obligations under the Transaction Documents)) to recover any further sums in respect of the Certificates of the relevant Series and the right to receive from the Trustee or the Delegate any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

14. Replacement of Certificates

If any Global Certificate or Individual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar (and, if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Principal Paying Agent or Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Trustee may reasonably require. A mutilated or defaced Global Certificate or Individual Certificate must be surrendered before replacements will be issued.

15. Agents

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee (and solely to the extent set out in the Agency Agreement, the Delegate) and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders.

The Agents and their specified offices are set out in the Agency Agreement. In respect of each Series of Certificates, the relevant Agents are specified in the applicable Pricing Supplement. The Trustee reserves the right at any time with the prior written approval of the Delegate to terminate the appointment of any Agent and to appoint additional or successor Agents; provided, however, that:

(a) the Trustee shall at all times maintain a principal agent, a registrar and a transfer agent;

(b) if a Calculation Agent is specified in the applicable Pricing Supplement, the Trustee shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Certificates are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Trustee shall maintain a Paying Agent and/or a Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the Certificateholders.

16. **Meetings of Certificateholders, Modification and Waiver**

16.1 ***Meetings of Certificateholders***: The Master Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Master Declaration of Trust. Such a meeting may be convened by the Trustee, KFH or the Delegate, and shall be convened by the Trustee, or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from Certificateholders holding not less than 10 per cent. in aggregate face amount of the Certificates of any Series for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution (except in the case of a Reserved Matter) shall be one or more persons holding or representing more than a clear majority in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more persons being or representing Certificateholders whatever the aggregate face amount of the Certificates held or represented. If the business of such meeting includes consideration of proposals to (each a "**Reserved Matter**"):

(a) amend any Dissolution Date in respect of the Certificates or any date for payment of Periodic Distribution Amounts on the Certificates;

(b) reduce or cancel the face amount of, or any premium payable on redemption of, the Certificates;

(c) to reduce the rate or rates of profit in respect of the Certificates or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Certificates *(*other than as provided in the Conditions);

(d) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Pricing Supplement, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate;

(e) vary any method of, or basis for, calculating the Dissolution Distribution Amount;

(f) vary the currency of payment or denomination of the Certificates;

(g) modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;

(h) modify or cancel the payment obligations of KFH (in any capacity) and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be);

(i) amend any of KFH's covenants included in the Conditions or in any of the Transaction Documents;

(j) amend the order of application of monies set out in Condition 5.2 (*Application of Proceeds from Trust Assets*); or

(k) amend this definition,

then: (i) the necessary quorum shall be one or more persons holding or representing not less than three quarters, or at any adjourned meeting not less than one quarter, in aggregate face amount of the Certificates for the time being outstanding; and (ii) such meeting may only be convened if following written consent from KFH to convene such meeting. For the avoidance of doubt, in the event of any inconsistency between these provisions and Schedule 3 (*Provisions for Meetings of Certificateholders*) of the Master Declaration of Trust, Schedule 3 (*Provisions for Meetings of Certificateholders*) of the Master Declaration of Trust shall prevail. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they voted on the resolution).

The Master Declaration of Trust provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate face amount of the Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one

document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

16.2 ***Modification***: The Delegate may (but shall not be obliged to), without the consent of the Certificateholders: (i) agree to any modification of any of the provisions of the Master Declaration of Trust or the Transaction Documents that is, in the sole opinion of the Delegate: (A) of a formal, minor or technical nature; or (B) is made to correct a manifest error; or (C) is not materially prejudicial to the interests of the outstanding Certificateholders provided that such modification is, in the case of (C), other than in respect of a Reserved Matter; or (ii): (A) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Master Declaration of Trust or the Transaction Documents; or (B) determine that any Dissolution Event shall not be treated as such, provided that such waiver, authorisation or determination is in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of that Series. Any such modification, authorisation, determination or waiver shall be binding on all Certificateholders and, unless the Delegate agrees otherwise, such modification, waiver, authorisation or determination shall be notified by the Trustee (or KFH on its behalf) to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable.

16.3 ***Entitlement of the Delegate***: In connection with the exercise of its powers, authorities and discretions (including but not limited to those referred to in this Condition 16.3) the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, KFH or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

17. **Delegate**

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

In addition to the Delegation of the Relevant Powers under the Master Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Master Declaration of Trust.

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

17.2 ***Indemnification***: The Master Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Master Declaration of Trust or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 12 (*Dissolution Events*) or Condition 13 (*Realisation of Trust Assets*), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.

17.3 ***No liability***: The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Trustee or KFH under the Transaction Documents to which each of the Trustee or KFH is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Trustee or KFH but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Master Declaration of Trust.

17.4 ***Reliance on certificates and/or reports***: The Delegate may rely, without liability to any Certificateholder or any other person, on any certificate or report of the auditors or insolvency officials (as applicable) of the Trustee, KFH or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Master Declaration of Trust or the other Transaction Documents and such certificate or report may be relied upon by the Delegate as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors of the Trustee, KFH or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

17.5 ***Proper performance of duties***: Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee or delegate, in the case of the Trustee (having regard to the provisions of the Master Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Master Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Master Declaration of Trust.

17.6 ***Notice of events***: The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event has occurred or exists and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to Certificateholders or any other person for so doing).

18. **Notices**

18.1 ***Notices to the Holders***: Notices to the Holders of Certificates shall be sent to them by uninsured first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given to the Holders of Certificates on the fourth day (being a day other than a Saturday or a Sunday) after the date of mailing.

18.2 ***Listing authorities and clearing systems***: The Trustee shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Certificates are for the time being listed. Any such notice shall be deemed to have been given to the Holders of Certificates on the date of first publication.

So long as the Certificates are held by Euroclear and/or Clearstream, Luxembourg, notices to the Holders of Certificates of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing or publication as required by the Conditions. Any such notice shall be deemed to have been given to the Holders of Certificates on the on the day on which it is delivered to Euroclear and/or Clearstream, Luxembourg.

19. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable Pricing Supplement): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. **Further Issues**

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

21. **Contracts (Rights of Third Parties) Act 1999**

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

22. **Governing Law and Dispute Resolution**

22.1 ***Governing law***: The Master Declaration of Trust, the Agency Agreement and the Certificates (including these Conditions) 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.

22.2 ***Arbitration***: Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Master Declaration of Trust, the Agency Agreement and the Certificates (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity 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 under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 22.2. For these purposes:

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

(b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall 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. In the event that 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. In the event that 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.

22.3 ***Waiver of interest***:

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

(b) Each of the Trustee and KFH irrevocably agree that payment of interest in whatever form (inclusive of late payments) is repugnant to and not in compliance with the rules and principles of *Shari'a* and, accordingly, to the extent that any legal system would (but for the provisions of this Condition 22.3) impose (whether by contract, statute, regulation, or by any means whatsoever) any obligation to pay interest, each of the Trustee and KFH agrees to irrevocably and unconditionally expressly waive and reject any entitlement to recover interest from each other.

(c) For the avoidance of doubt, nothing in this Condition 22.3 shall be construed as a waiver of rights in respect of Periodic Distribution Amounts or Dissolution Distribution Amounts payable under the Certificates, Wakala Portfolio Revenues payable under the Wakala Agreement, any Deferred Sale Price payable under the Master Murabaha Agreement, any Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, in each case, payable under, and as defined in, the Purchase Undertaking, any Exercise Price, Optional Dissolution Exercise Price or Cancellation Amount, in each case, payable under, and as defined in, the Sale and Substitution Undertaking or profit or principal of any kind howsoever described payable by the Trustee (in any capacity) or KFH (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

22.4 ***Shari'a* compliance**

Each Transaction Document provides that each of Kuwait Finance House K.S.C.P. (to the extent it is a party to the relevant Transaction Document) and KFH Sukuk Company (to the extent it is a party to the relevant Transaction Document), as the case may be, agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and further agrees that:

(a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is ultra vires or not compliant with the principles of *Shari'a*;

(b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and

(c) to the extent permitted by law, none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

USE OF PROCEEDS

The net proceeds of each Tranche issued will be paid: (i) by the Trustee to KFH for the purchase from KFH of all of its interests, rights, title, benefits and entitlements present and future in, to and under the relevant Initial Wakala Assets (in the case of the first Tranche of Certificates issued under a Series) or the relevant Additional Wakala Assets (as defined in the Summary of the Principal Transaction Documents section below) (in the case of each subsequent Tranche of Certificates under a Series); and (ii) if applicable, by the Trustee, acting on behalf of the Certificateholders, towards the purchase of the Commodities in connection with the relevant Commodity Murabaha Investment.

The proceeds of each Series of Certificates subsequently received by KFH in consideration for the transactions entered into with the Trustee as set out above, including, if applicable, with respect to any proceeds received from the on-sale of the Commodities by KFH, will be applied by KFH for its *Shari'a*-compliant: (i) working capital; (ii) general corporate purposes; (iii) general financing and refinancing requirements; and/or (iv) other purpose specified in the applicable Pricing Supplement.

DESCRIPTION OF THE TRUSTEE

The Trustee

The Trustee, an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 5 July 2022 under the Companies Act (As Revised) of the Cayman Islands with company registration number 391913. The registered office of the Trustee is at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands with telephone number +1 345 945 7099.

Share Capital

The authorised share capital of the Trustee is U.S.$50,000 divided into 50,000 ordinary shares of U.S.$1.00 par value each, 250 of which have been issued. All of the issued shares (the "**Shares**") are fully paid and are held by MaplesFS Limited as share trustee (in such capacity, the "**Share Trustee**") under the terms of a share declaration of trust (the "**Share Declaration of Trust**") under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

The Business of the Trustee

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 5 July 2022. The business of the Trustee has been limited to issuing Certificates under the Programme and performing its obligations under the Transaction Documents.

The Trustee has no prior operating history or prior business and will not have any substantial assets or liabilities other than in connection with the Certificates.

The Certificates are the obligations of the Trustee alone and not the Share Trustee. Furthermore, they are not the obligations of, or guaranteed in any way by, MaplesFS Limited or any other party.

Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

Directors of the Trustee

The directors of the Trustee are as follows:

Name	Principal Occupation
Norbert Neijzen	Head of Fiduciary, Middle East at Maples Fund Services (Middle East) Limited
Phillip Hinds	Senior Vice President at MaplesFS Limited

The business address of Norbert Neijzen is Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Phillip Hinds is MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The Trustee's Articles of Association provide that the board of directors of the Trustee will consist of at least one director.

The Trustee has no subsidiaries, no employees or non-executive directors.

Conflicts

There are no potential conflicts of interest between the duties of the directors of the Trustee to the Trustee and their private interests or other duties.

Secretary

The Trustee's secretary is Maples Secretaries (Cayman) Limited of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Trustee Administrator

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement dated 21 March 2023 entered into between the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**"), the Trustee Administrator has agreed to perform in the Cayman Islands, the UAE and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and to provide certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the "**Registered Office Terms**"). In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, *plus* expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such appointments upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party.

The Trustee Administrator will be subject to the overview of the Trustee's board of directors.

The Trustee Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, should be read in conjunction with and is qualified in its entirety by reference to the Financial Statements (including the related notes thereto) and the other information contained in this Base Offering Circular.

The Financial Statements have been prepared in accordance with IFRS, as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK, and have been jointly audited by EY and Deloitte, in accordance with ISAs as stated in their audit reports included elsewhere in this Base Offering Circular.

Consolidated Statement of Income

	Year ended 31 December		
	2022	**2021**	**2020**
		(KD thousands)	
Financing income	1,322,323	871,483	892,883
Financing cost and distribution to depositors	(521,819)	(285,782)	(278,661)
Net finance income	**800,504**	**585,701**	**614,222**
Investment (loss)/income	44,207	16,359	(6,410)
Fees and commission income	90,279	72,191	73,138
Net gain from foreign currencies	93,389	88,571	69,994
Other income	43,904	48,189	44,652
Total operating income	**1,072,283**	**811,011**	**795,596**
Staff costs	(209,079)	(183,976)	(172,286)
General and administrative expenses	(94,588)	(82,181)	(81,155)
Depreciation and amortisation	(45,322)	(41,783)	(42,596)
Total operating expenses	**(348,989)**	**(307,940)**	**(296,037)**
Net operating income before provisions and impairment and net monetary loss	**723,294**	**503,071**	**499,559**
Provisions and impairment	(62,088)	(135,369)	(284,067)
Net monetary loss	(127,632)	-	-
Operating profit before taxation and proposed directors' fees	**533,574**	**367,702**	**215,492**
Taxation	**(97,875)**	(56,469)	(30,662)
Proposed directors' fees	(1,096)	(1,096)	(608)
Profit for the year	**434,603**	**310,137**	**184,222**
Attributable to:			
Shareholders of KFH	357,716	243,414	148,399
Non-controlling interests	76,887	66,723	35,823

Consolidated Statement of Financial Position

	As at 31 December		
	2022	**2021**	**2020**
		(KD thousands)	
Cash and balances with banks and financial institutions	3,155,813	2,325,092	2,490,801
Due from banks	3,869,894	3,349,685	3,364,577
Financing receivables	18,839,684	11,355,363	10,747,536
Investment in debt securities	6,085,453	2,734,922	2,742,100
Trading properties	95,110	96,304	102,395
Investments	246,641	218,754	192,347
Investment in associates and joint ventures	519,656	491,703	520,784
Investment properties	384,142	325,128	350,838
Other assets	975,824	654,468	728,059
Goodwill and intangible assets	2,462,625	32,351	32,390
Property and equipment	334,603	204,442	230,487
Total assets	**36,969,445**	**21,788,212**	**21,502,314**
Due to banks and financial institutions	6,180,795	2,594,754	2,954,115
Sukuk payables and term financing	784,191	216,717	315,105
Depositors' accounts	22,482,916	15,866,901	15,317,335
Other liabilities	1,235,442	802,658	814,361
Total liabilities	**30,683,344**	**19,481,030**	**19,400,916**
Share capital	1,342,223	844,155	767,414
Share premium	3,611,765	720,333	720,333
Proposed issue of bonus shares	134,222	84,416	76,741
Treasury shares	(41,763)	(27,739)	(27,739)

	As at 31 December		
	2022	2021	2020
		(KD thousands)	
Reserves	111,451	209,996	323,199
	5,157,898	**1,831,161**	**1,859,948**
Proposed cash dividends	199,907	100,442	76,093
Total equity attributable to the shareholders of KFH	**5,357,805**	**1,931,603**	**1,936,041**
Perpetual Tier 1 Capital Securities and Sukuk	501,666	226,875	-
Non-controlling interests	426,630	148,704	165,357
Total equity	**6,286,101**	**2,307,182**	**2,101,398**
Total liabilities and equity	**36,969,445**	**21,788,212**	**21,502,314**

Alternative Performance Measures

	As at and for the year ended 31 December		
	2022	2021	2020
		(%)	
Performance measures:			
Return on average assets	1.7	1.4	0.9
Return on average equity	13.2	12.8	7.6
Cost to income ratio	32.5	38.0	37.2
Financial ratios:			
Net profit margin	49.5	48.4	29.7
Asset quality ratios:			
Impaired ratio	1.4	1.7	2.3
Provision coverage ratio	326.9	318.7	217.0
Liquidity coverage ratio	181.8	224.3	208.6
Financings to total deposits ratio	83.8	71.6	70.2
Other ratios:			
CET 1 capital adequacy ratio	13.6	15.2	15.8
Tier 1 capital adequacy ratio	16.0	17.2	16.0
Total capital adequacy ratio	17.7	18.7	17.5
Financial leverage ratio	8.3	9.7	8.6

See "*Presentation of Certain Financial and Other Information – Alternative Performance Measures*" for a description of the above ratios.

FINANCIAL REVIEW OF THE GROUP

The following information should be read in conjunction with and is qualified in its entirety by reference to the Financial Statements (including the related notes thereto) and the other information contained in this Base Offering Circular.

The Financial Statements have been prepared in accordance with IFRS, as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK, and have been jointly audited by EY and Deloitte, in accordance with ISAs as stated in their audit reports included elsewhere in this Base Offering Circular.

Overview

KFH was established by virtue of Kuwaiti Decree Law No. 72 of 1977 concerning the Licensing of a Kuwaiti Shareholding Company under the name of Kuwait Finance House and was incorporated on 23 March 1977 pursuant to the then applicable Law No. 15 of 1960 concerning the Commercial Companies Law (which has been replaced by Law No. 1 of 2016 (as amended) concerning the Companies Law). KFH was the first Islamic bank established in Kuwait. KFH was listed on Boursa Kuwait in 1984. KFH is registered with the Kuwait Ministry of Commerce, with commercial registration number 26066, is licensed to conduct banking activities and is regulated by the CBK. KFH's registered office is at Abdullah Al-Mubarak Street – Murqab, State of Kuwait with telephone number +965 2244 5050.

The Group is primarily engaged in the provision of banking, investment, real estate, trading and leasing activities in accordance with *Shari'a* principles. The Group principally operates through the following segments:

- *Treasury* – comprising liquidity management, murabaha investments, investments in sukuks, exchange of deposits with banks and financial institutions and international banking relationships;
- *Retail and Private Banking* – comprising of retail consumer banking providing a diversified range of products and services to individuals and additionally, private banking providing a comprehensive range of customised and innovative banking services to high net worth individuals;
- *Corporate Banking* – providing a range of banking services and investment products to corporate customers, including providing commodity and real estate murabaha finance, local leasing, wakala and istisna'a facilities to such customers; and
- *Investment* – managing direct equity and real estate investments, non-banking Group entities, associates and joint ventures.

The Group's Retail and Private Banking and Corporate Banking operations comprise its primary revenue earning activity. For the year ended 31 December 2022, the operating income generated by these segments was 57.6 per cent. of the Group's total operating income (compared to 75.4 per cent. for the year ended 31 December 2021). The operating income generated by the Investment segment was 17.9 per cent. of the Group's total operating income and Treasury segment was 24.5 per cent. of the Group's total operating income for the year ended 31 December 2022 (as compared to 15.7 per cent. and 8.9 per cent. respectively for the year ended 31 December 2021).

As at the date of this Base Offering Circular, the Group has a global network of around 641 branches (not including its head office in Kuwait). Of these, around 90 branches were in Kuwait, with the remaining branches being in Turkey, Egypt, the UK, Iraq, Libya, Malaysia, Bahrain and Germany.

As at 31 December 2022, the Group had total assets of KD 36,969.4 million (including financing receivables of KD 18,839.7 million) and depositors' accounts of KD 22,482.9 million. For the year ended 31 December 2022, the Group had a net operating income before provisions and impairment and net monetary loss of KD 723.3 million and net profit attributable to shareholders of KFH of KD 357.7 million.

Significant Factors Affecting Results of Operations

The Group's results of operations are affected by a number of factors, including the factors set out below.

Impact of the Acquisition

On 24 February 2020, AUB received an offer from KFH to acquire 100 per cent. of the issued and paid-up ordinary shares of KFH by way of a share swap subject to fulfilment of regulatory requirements and shareholder approvals. On 16 March 2020, AUB announced that it had signed an agreement with KFH on 15 March 2020 concerning the process of integrating AUB and KFH during the transitional period preceding the completion of the Acquisition.

However, on 12 April 2020, it was announced that in light of the unprecedented circumstances relating to the COVID-19 pandemic, AUB's board (in consultation with KFH and with the approval of the CBB had approved the suspension of the Acquisition until December 2020. Subsequently, in December 2020, the AUB announced that its board (again, in consultation with KFH and having received the necessary approvals of the regulatory authorities in Bahrain and Kuwait) had agreed to extend the suspension of the Acquisition pending the completion of a further feasibility assessment to be conducted by external advisers appointed by KFH.

The ordinary and extra-ordinary general assembly of KFH's shareholders held on 25 July 2022 approved the Board's recommendation to acquire 100 per cent. of the shares of AUB by way of share swap at the exchange ratio of one KFH share against 2.695 shares of AUB and authorised the Board to implement all relevant procedures, and to dispatch the acquisition offer and fulfil the related procedures. On 24 September 2022, AUB's parent company received 97.3 per cent. acceptances with respect to the Acquisition.

The Acquisition was effected on 1 October 2022 (the "**Effective Date**"). On 2 October 2022, AUB's parent company acquired control of AUB, by issuing 4,023,741,236 new shares of the parent company to the accepting AUB shareholders at purchase consideration of 799 fils per share, being the quoted price of the shares of the parent company at the date of acquisition. Further, the shares of the parent company have also been listed on Bahrain Bourse with effect from 6 October 2022. Subsequently, on 20 November 2022, the parent company exercised their squeeze-out right to acquire the remaining 2.727 per cent. shares of the dissenting shareholders and issued another 112,784,885 new shares of the parent company, thereby making AUB a fully owned subsidiary, with total purchase consideration of KD 3,305,084 thousand.

Following the Acquisition and share swap, AUB is now a subsidiary of KFH and AUB's shareholders are now shareholders in KFH. AUB's subsidiaries have now become part of the Group. From the Effective Date, AUB contributed KD 109,119 thousand of operating income and KD 62,494 thousand to the profit attributable to shareholders of KFH. The CBK and KFH's Fatwa and *Shari'a* Supervisory Board have approved to convert all conventional investments and products on acquisition of AUB to be *Shari'a* compliant on a specific time frame. All income and expenses from non-*Sharia'a* compliant activities are included in the consolidated statement of income, and surplus of conventional income over conventional expenses from 2 October 2022 until the completion of the complete conversion of AUB, if any, is transferred to a charitable account payable included in other liabilities. The charitable account is supervised by KFH's Fatwa and *Shari'a* Supervisory Board.

The 2022 Consolidated Financial Statements reflect the financial information of the Group after the Acquisition. The business combination and related accounting policies in connection with the Acquisition affected the financial information of the Group in the manner detailed in Note 3 (*Business Combination*) of the 2022 Consolidated Financial Statements.

Impact of the COVID-19 pandemic

The geographic expanse and operational nature of the Group's business has meant that the COVID-19 pandemic had a significant impact. Net profit attributable to shareholders for the year ended 31 December 2020 was KD 148.4 million, a decrease of 40.9 per cent. compared to the year ended 31 December 2019, principally reflecting the impact of the COVID-19 pandemic.

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 was similarly pressured due to long periods of curfews which negatively impacted the Group's operations. In October 2020, the World Bank estimated GDP in Kuwait to contract by around 7.9 per cent. in 2020 due to the restrictive measures implemented in Kuwait. As a result, the Group downgraded certain exposures which had a corresponding increase to the Group's expected credit losses in 2020. The Group similarly increased its impairment provisions for this period. Since the beginning of the pandemic and curfew measure implementation, the

Group worked closely with the Government and the CBK to provide support to the economy in a quick and efficient way and to support its customers in their financial needs. The CBK initiated macro-prudential measures and reduced certain regulatory requirements in an effort to increase the banking sector's resilience and enable it to play a more active role throughout the crisis. These measures included lowering the banking sector's capital and liquidity requirements and dropping the discount rate to historically low levels which ultimately reached 1.5 per cent. The Group, along with other Kuwaiti banks, implemented the consumer and other instalment financing 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 customers. The instalment deferral resulted in a loss arising from the modification of contractual cash-flows as the Group continues to fund the respective amounts for the periods concerned.

COVID-19 did not have a significant impact on the Group's operations for the year ended 31 December 2022 and the Group does not believe that there are any significant uncertainties with respect to events or conditions which may impact the Group unfavourably in the future as a result of COVID-19. As a result, the Group reduced its impairment charges from KD 284 million for the year ended 31 December 2020 to KD 135.4 million for the year ended 31 December 2021 and to KD 62.1 million for the year ended 31 December 2022.

Impairment of financing receivables

Impairment of financing receivables is a subjective area due to the level of judgment applied by the Group's management in determining, amongst other provisions:

- the method for identification of impairment events, which differs based upon the type of financing product and customer and accordingly requires judgment on whether a loss has been incurred; and

- appropriate parameters and assumptions for calculating impairment such as the credit assessment of customers that may default, the valuation of collateral for secured financing and the future cash flows of financing receivables granted.

Due to the significance of financing receivables (which represented 51.0 per cent. of the Group's total assets as at 31 December 2022) and the related estimation uncertainty, any inaccuracy in the judgment of the Group's management when determining relevant factors may have a significant impact on the Group's results of operations. For further details, please see Note 2.6 (*Summary of Significant Accounting Policies*) and Note 11 (*Financing Receivables*) to the 2022 Consolidated Financial Statements as well as Note 2.6 (*Summary of Significant Accounting Policies*) and Note 10 (*Financing Receivables*) to the 2021 Consolidated Financial Statements.

Impairment of investments in associates and joint ventures

The Group's investments in associates and joint ventures are accounted for under the equity method of accounting and considered for impairment in case of any indication of impairment. In order to make such determination, the Group's management uses its judgment and estimates to assess impairment. Due to the Group's share of results in the associates and joint ventures and the carrying value of those associates and joint ventures, any inaccuracy in the judgment of the Group's management when determining relevant factors may have a significant impact on the Group's results of operations. For further details, please see Note 2.6 (*Summary of Significant Accounting Policies*), Note 14 (*Investment in Associates*) and Note 15 (*Investment in Joint Ventures*) to the 2022 Consolidated Financial Statements as well as Note 2.6 (*Summary of Significant Accounting Policies*), Note 13 (*Investment in Associates*) and Note 14 (*Investment in Joint Ventures*) to the 2021 Consolidated Financial Statements.

Impairment of investment properties and trading properties

The Group reviews the carrying amounts of its investment and trading properties to determine whether there is an indication that those assets have suffered an impairment loss if the fair values are below than the carrying values. For further details, please see Note 2.6 (*Summary of Significant Accounting Policies*) and Note 16 (*Investment Properties*) to the 2022 Consolidated Financial Statements as well as Note 2.6 (*Summary of Significant Accounting Policies*) and Note 15 (*Investment Properties*) to the 2021 Consolidated Financial Statements.

Other significant accounting policies and judgments

Please see Note 2.6 (*Summary of Significant Accounting Policies*) to the 2022 Consolidated Financial Statements as well as Note 2.6 (*Summary of Significant Accounting Policies*) to the 2021 Consolidated Financial Statements for a discussion of other significant accounting policies, judgments and estimation uncertainty which may have a significant impact on the Group's results of operations.

Results of Operations

Financing income

The Group's financing income increased by KD 450.8 million, or 51.7 per cent., from KD 871.5 million for the year ended 31 December 2021 to KD 1,322.3 million for the year ended 31 December 2022. This increase was primarily attributable to increase in inflation-linked Sukuk yield income in 2022 from Kuveyt Türk and income from the Acquisition.

The Group's financing income decreased by KD 21.4 million, or 2.4 per cent., from KD 892.9 million for the year ended 31 December 2020 to KD 871.5 million for the year ended 31 December 2021.

Investment income/(loss)

The Group's investment income/(loss) for the years ended 31 December 2022, 2021 and 2020 is set out below.

	Year ended 31 December		
	2022	**2021**	**2020**
		(KD thousands)	
Gain on sale of real estate investments	1,304	14,022	12,619
Rental income from investment properties	7,394	8,476	8,915
Dividend income	3,611	2,621	2,459
Gain/(loss) on sale/liquidation of investments	7,451	15,388	(6,119)
Share of results of investments in associates and joint ventures	7,053	(3,357)	(7,063)
Others	17,394	(20,791)	(17,221)
	44,207	**16,359**	**(6,410)**

Other income

The Group's other income for the years ended 31 December 2022, 2021 and 2020 is set out below.

	Year ended 31 December		
	2022	**2021**	**2020**
		(KD thousands)	
Income from sale of property and equipment	2,366	6,358	2,596
Real estate trading, development and construction income	19,306	9,695	4,753
Income from maintenance, services and consultancy	21,018	16,011	10,687
Rental income from lease contracts	4,766	5,338	6,548
Other (loss) income	(3,552)	10,787	20,068
	43,904	**48,189**	**44,652**

Total operating income

The Group's total operating income increased by KD 261.3 million, or 32.2 per cent., from KD 811.0 million for the year ended 31 December 2021 to KD 1,072.3 million for the year ended 31 December 2022. This increase was primarily attributable to the Acquisition.

The Group's total operating income increased by KD 15.4 million, or 1.9 per cent., from KD 795.6 million for the year ended 31 December 2020 to KD 811.0 million for the year ended 31 December 2021.

Total operating expenses

The Group's total operating expenses increased by KD 41.1 million, or 13.3 per cent., from KD 307.9 million for the year ended 31 December 2021 to KD 349.0 million for the year ended 31 December 2022. This increase was primarily attributable to increase in staff costs by KD 25.1 million and an increase in

other operating expenses by KD 15.9 million. The increase in staff costs was due to the Acquisition and high inflation rates in Turkey.

The Group's total operating expenses increased by KD 11.9 million, or 4.0 per cent., from KD 296.0 million for the year ended 31 December 2020 to KD 307.9 million for the year ended 31 December 2021. This increase was primarily attributable to an increase in staff costs in 2021. Staff costs increased in 2021 as a result of an increase in KFH Kuwait's indemnity expense and performance bonuses.

Provisions and impairment

The Group's provisions and impairments decreased by KD 73.3 million, or 54.1 per cent., from KD 135.4 million for the year ended 31 December 2021 to KD 62.1 million for the year ended 31 December 2022. This decrease was primarily attributable to a decrease in impairment on financing receivables by KD 106 million, which was partially offset by an increase in sukuk expected credit losses by KD 35 million.

The Group's provisions and impairments decreased by KD 148.7 million, or 52.3 per cent., from KD 284.1 million for the year ended 31 December 2020 to KD 135.4 million for the year ended 31 December 2021. This decrease was primarily attributable to financing and investment provisions charged during 2020 resulting from the negative impacts of the COVID-19 pandemic in addition to the hedging provisions charged to encounter the possible impacts of the COVID-19 pandemic.

The Group's provisions and impairments for the years ended 31 December 2022, 2021 and 2020 are set out below.

	Year ended 31 December		
	2022	**2021**	**2020**
		(KD thousands)	
Charge (reversal of) expected credit losses for investment in debt securities	25,276	(10,007)	28,378
Expected credit losses for other financial assets	3,729	4,089	4,931
Impairment on financing receivables	42,048	147,699	183,667
Recovery of written-off debts	(36,247)	(22,716)	(26,010)
Impairment of investment properties[(1)]	11,894	1,566	26,512
Impairment of investment in associates	–	2,000	30,895
Impairment of property and equipment	–	337	–
Reversal of impairment of non-cash facilities	(2,973)	(455)	1,311
Impairment of trading properties	–	–	581
Other provisions and impairments	18,361	12,856	33,802
	62,088	**135,369**	**284,067**

(1) In 2020, in view of the adverse impact of the COVID-19 pandemic, the Group recorded an impairment of KD 15.0 million against its real estate portfolio. This impairment is in addition to impairment recorded against individual investments which was determined based on valuation obtained for these properties.

Taxation

The Group's taxation increased by KD 41.4 million, or 73.3 per cent., from KD 56.5 million for the year ended 31 December 2021 to KD 97.9 million for the year ended 31 December 2022. This increase was primarily attributable to an increase in taxable profit and an increase in the applicable tax rate during 2022.

The Group's taxation increased by KD 25.8 million, or 84.2 per cent., from KD 30.7 million for the year ended 31 December 2020 to KD 56.5 million for the year ended 31 December 2021. This increase was primarily attributable to an increase in taxable profit and an increase in the applicable tax rate during 2022.

The Group's taxation for the years ended 31 December 2022, 2021 and 2020 is set out below.

	Year ended 31 December		
	2022	**2021**	**2020**
		(KD thousands)	
Contribution to Kuwait Foundation for the Advancement of Sciences	3,249	1,907	1,365
National Labour Support Tax	9,748	4,514	2,577
Zakat	5,041	2,450	1,547
Taxation related to subsidiaries	79,837	47,598	25,173
	97,875	**56,469**	**30,662**

Profit for the year

For the reasons set out above, the Group's profit for the year increased by KD 124.5 million, or 40.1 per cent., from KD 310.1 million for the year ended 31 December 2021 to KD 434.6 million for the year ended 31 December 2022.

The Group's profit for the year attributable to shareholders increased by KD 114.3 million, or 47.0 per cent., from KD 243.4 million for the year ended 31 December 2021 to KD 357.7 million for the year ended 31 December 2022.

For the reasons set out above, the Group's profit for the year increased by KD 125.9 million, or 68.3 per cent., from KD 184.2 million for the year ended 31 December 2020 to KD 310.1 million for the year ended 31 December 2021.

The Group's profit for the year attributable to shareholders increased by KD 95.0 million, or 64.0 per cent., from KD 148.4 million for the year ended 31 December 2020 to KD 243.4 million for the year ended 31 December 2021.

Financial Condition

Financing receivables

The Group's financing receivables principally comprise murabaha, wakala, leased assets and istisna'a balances (stated net of impairment). The Group's financing receivables comprised 51.0 per cent., 52.1 per cent. and 50.0 per cent., respectively, of the Group's total assets as at 31 December 2022, 2021 and 2020.

The Group's financing receivables increased by KD 7,484.3 million, or 65.9 per cent., from KD 11,355.4 million for the year ended 31 December 2021 to KD 18,839.7 million for the year ended 31 December 2022. This increase was primarily attributable to the acquisition of conventional loans and advances related to AUB amounting to KD 2,311.6 million as of 31 December 2022, which represented 12.3 per cent. of net financing receivables. The Group is in the process of converting these facilities to comply with Islamic *Shari'a*.

The Group's financing receivables increased by KD 607.9 million, or 5.7 per cent., from KD 10,747.5 million as at 31 December 2020 to KD 11,355.4 million as at 31 December 2021. This increase was primarily attributable to volume growth in the corporate and individual sectors.

The Group's financing receivables as at 31 December 2022, 2021 and 2020 are set out below.

	As at 31 December		
	2022	**2021**	**2020**
		(KD thousands)	
Murabaha and wakala	16,025,887	11,087,730	10,477,176
Leased assets	2,794,602	2,210,437	2,138,729
Istisna'a and other receivables	100,926	84,566	88,407
Other financing receivables and advances	2,477,241	-	-
	21,398,656	**13,382,733**	**12,704,312**
Less: deferred and suspended profit	(1,672,211)	(1,375,988)	(1,385,793)
Net financing receivables	**19,726,445**	**12,006,745**	**11,318,519**
Less: impairment	(886,761)	(651,382)	(570,983)
	18,839,684	**11,355,363**	**10,747,536**

Total assets

The Group's total assets increased by KD 15,181.2 million, or 69.7 per cent., from KD 21,788.2 million for the year ended 31 December 2021 to KD 36,969.4 million for the year ended 31 December 2022. This increase was primarily attributable to an increase in financing receivables from the Acquisition and KFH Kuwait, an increase in debt securities (sukuk) and an increase in goodwill arising from the Acquisition. For more information related to goodwill arising from the Acquisition, see Note 18 (*Goodwill and Intangible Assets*) to the 2022 Consolidated Financial Statements.

The Group's total assets increased by KD 285.9 million, or 1.3 per cent., from KD 21,502.3 million as at 31 December 2020 to KD 21,788.2 million as at 31 December 2021.

Depositors' accounts

The Group's depositors' accounts comprise non-investment deposits in the form of current accounts and investment deposits in the form of investment savings accounts. Non-investment deposits/current accounts are not entitled to receive any profit and do not bear any risk of loss since the Group guarantees the payment of related balances on demand. Accordingly, from a *Shari'a* perspective, these deposits are considered *qard hassan* from depositors to the Group. On the other hand, investment deposits/investment savings accounts have fixed maturities specified in the contractual terms and are automatically renewable for the same term (unless the depositor notifies the Group to the contrary). Unless such termination notification is received from the depositor, such investment deposits/investment savings accounts are valid for an unlimited period. In all cases, such investment deposits/investment savings accounts receive a proportion of the Group's profit or bear a share of the Group's loss as determined by KFH's Board. The fair values of depositors' accounts do not differ from their carrying book values.

The Group's depositors' accounts increased by KD 6,616.0 million, or 41.7 per cent., from KD 15,866.9 million as at 31 December 2021 to KD 22,482.9 million as at 31 December 2022. This increase was primarily attributable to the Acquisition and integration of AUB into the Group. The overall increase was recorded under term cash deposits.

The Group's depositors' accounts increased by KD 549.6 million, or 3.6 per cent., from KD 15,317.3 million as at 31 December 2020 to KD 15,866.9 million as at 31 December 2021. This increase was primarily attributable to customers continuing to maintain or increase their deposits with the Group and positive customer engagement in the Group's digitalisation initiatives.

The Group's depositors' accounts comprised 73.3 per cent., 81.4 per cent. and 79.0 per cent., respectively, of the Group's total liabilities as at 31 December 2022, 2021 and 2020.

Total liabilities

The Group's total liabilities increased by KD 11,202.3 million, or 57.5 per cent., from KD 19,481.0 million as at 31 December 2021 to KD 30,683.3 million as at 31 December 2022. This increase was primarily attributable to an increase in depositors' accounts by KD 6,616.0 million attributable to the Acquisition and an increase in due to banks and financial institutions by KD 3,586.0 million from the Acquisition and KFH Kuwait.

The Group's total liabilities increased by KD 80.1 million, or 0.4 per cent., from KD 19,400.9 million as at 31 December 2020 to KD 19,481.0 million as at 31 December 2021.

Segmental Analysis

The Group principally operates through four business segments: Treasury, Retail and Private Banking, Corporate Banking and Investment. A segmental analysis of certain key income statement and financial position statement line items is set out below.

	As at and for the year ended 31 December 2022				
	Treasury	Retail and Private Banking	Corporate Banking	Investment	Total
			(KD thousands)		
Total assets	12,137,529	9,379,095	10,867,811	4,585,010	36,969,445
Total liabilities	7,655,097	16,522,406	5,604,062	901,779	30,683,344
Operating income	262,762	265,046	352,186	192,289	1,072,283
Provisions and impairment	(24,044)	(11,513)	7,562	(34,093)	(62,088)
Profit/(loss) for the year	217,176	48,555	280,401	(111,529)	434,603

	As at and for the year ended 31 December 2021				
	Treasury	Retail and Private Banking	Corporate Banking	Investment	Total
			(KD thousands)		
Total assets	7,539,011	7,052,339	5,574,325	1,622,537	21,788,212
Total liabilities	3,152,127	12,948,702	2,926,427	453,774	19,481,030

	As at and for the year ended 31 December 2021				
	Treasury	Retail and Private Banking	Corporate Banking	Investment	Total
			(KD thousands)		
Operating income	72,074	354,051	257,321	127,565	811,011
Provisions and impairment	11,692	(12,590)	(103,521)	(30,950)	(135,369)
Profit for the year	68,737	147,906	85,067	8,427	310,137

	As at and for the year ended 31 December 2020				
	Treasury	Retail and Private Banking	Corporate Banking	Investment	Total
			(KD thousands)		
Total assets	7,772,344	6,520,157	5,640,019	1,569,794	21,502,314
Total liabilities	3,692,572	12,270,709	2,980,421	457,214	19,400,916
Operating income	110,855	339,712	265,959	79,070	795,596
Provisions and impairment	(27,821)	(13,768)	(141,887)	(100,591)	(284,067)
Profit/(loss) for the year	68,539	151,227	57,374	(92,918)	184,222

For a geographical analysis of certain key income statement and financial position statement line items of the Group, please see Note 30 (*Segmental Analysis*) to the 2022 Consolidated Financial Statements as well as Note 29 (*Segmental Analysis*) to the 2021 Consolidated Financial Statements. The key items of segmental geographical analysis can be summarised as follows:

	As at 31 December		
	2022	2021	2020
		(KD thousands)	
Assets:			
Middle East	26,132,795	14,269,163	13,663,791
Europe	7,285,597	6,376,251	6,553,652
Other	3,551,053	1,142,798	1,284,871
	36,969,445	**21,788,212**	**21,502,314**

	Local			International			Total		
	Year ended 31 December								
	2022	2021	2020	2022	2021	2020	2022	2021	2020
					(KD thousands)				
Operating income	286,061	306,622	336,732	786,222	504,389	458,864	1,072,283	811,011	795,596
Profit for the year	82,073	67,050	69,472	352,530	243,087	114,750	434,603	310,137	184,222

Liquidity and Funding

The table below sets out the principal sources of the Group's liquidity and funding as at 31 December 2022, 2021 and 2020.

	As at 31 December		
	2022	2021	2020
		(KD thousands)	
Cash and cash equivalents	3,201,022	2,888,168	3,351,559
Due from banks	3,869,894	3,349,685	3,364,577
Due to banks and financial institutions	6,180,795	2,594,754	2,954,115
Depositors' accounts	22,482,916	15,866,901	15,317,335
Total equity attributable to the shareholders of KFH	5,357,805	1,931,603	1,936,041
	41,092,432	**26,631,111**	**26,923,627**

Cash and cash equivalents

The table below sets out the Group's cash and cash equivalents as at 31 December 2022, 2021 and 2020.

	As at 31 December		
	2022	2021	2020
		(KD thousands)	
Cash	250,511	204,187	222,389
Balances with Central Banks	1,920,026	1,566,773	1,761,063
Balances with banks and financial institutions - current accounts	985,276	554,132	507,349
Cash and balances with banks and financial institutions	**3,155,813**	**2,325,092**	**2,490,801**

	As at 31 December		
	2022	2021	2020
		(KD thousands)	
Due from bank within three months of contract date	1,493,211	1,805,566	1,681,874
Less: statutory deposits with Central Banks[(1)]	(1,448,002)	(1,242,490)	(821,116)
Cash and cash equivalents	**3,201,022**	**2,888,168**	**3,351,559**

(1) Represent balances that are not available for use in the Group's day-to-day operations.

Due from banks

The table below sets out the Group's due from banks as at 31 December 2022, 2021 and 2020.

	As at 31 December		
	2022	2021	2020
		(KD thousands)	
Due from banks	2,004,913	1,527,454	1,351,362
Due from Central Banks	1,864,981	1,822,231	2,013,215
	3,869,894	**3,349,685**	**3,364,577**

The fair values of balances due from banks do not materially differ from their respective carrying values.

Due to banks and financial institutions

The fair values of balances due to banks and financial institutions do not materially differ from their respective carrying values.

Sukuk payables

Sukuk payable comprises trust certificates issued by Kuveyt Türk. As at 31 December 2022, these trust certificates were denominated in U.S. dollars and Turkish lira. The profit rate payable by Kuveyt Türk on these trust certificates ranged from 6.06 per cent. to 9.84 per cent. (for trust certificates were denominated in U.S. dollars) and from 16.77 per cent. to 17.03 per cent. (for trust certificates denominated in Turkish lira). There is no direct recourse to KFH under these trust certificates.

Depositors' accounts

The Group's funding base principally consists of depositors' accounts. As at 31 December 2022, KFH's depositors' accounts (on an unconsolidated basis for KFH only) were 20.6 per cent. of the total deposits in local banks (in both KD and foreign currency) in Kuwait (compared to 22.1 per cent. as at 31 December 2021 and 20.9 per cent. as at 31 December 2020) (see also "Banking Industry and Regulation in Kuwait – Banking System"). A significant proportion of the Group's customer deposits are from its retail customers. Although such deposits have varying maturities, in practice these deposits have tended to be stable. As at 31 December 2022 (on an unconsolidated basis for KFH only) the 20 largest depositors of KFH accounted for 11.9 per cent. of the depositors' accounts at that date (compared to 15.6 per cent. as at 31 December 2021 and 18.2 per cent. as at 31 December 2020).

Total equity attributable to shareholders

The Group's total equity attributable to shareholders comprises the share capital, share premium, bonus shares, treasury shares, reserves and any proposed cash dividends. As at 31 December 2022, the Group's total equity attributable to shareholders amounted to KD 5,357.8 million (compared to KD 1,931.6 million at 31 December 2021 and KD 1,936.0 million as at 31 December 2020.

Kuwait legislation as well as KFH's articles of association require the transfer of 10.0 per cent. of the Group's profit for the year attributable to the shareholders before taxation into a non-distributable statutory reserve until such reserve equals 50.0 per cent. of KFH's issued share capital (see Note 22 (*Reserves*) to the 2022 Consolidated Financial Statements).

Maturity profile

The table below sets out the maturity profile of the Group's undiscounted liabilities as at 31 December 2022.

	Up to three months	Three to 12 months	After one year	Total
		(KD thousands)		
Due to banks and financial institutions	3,661,431	1,433,540	1,085,824	6,180,795
Sukuk payables and term financing	188,243	23,388	572,560	784,191
Depositors' accounts	14,330,818	3,024,787	5,127,311	22,482,916
Other liabilities	246,006	83,637	905,799	1,235,442
	18,426,498	**4,565,352**	**7,691,494**	**30,683,344**

Capital Adequacy

The Group manages its regulatory capital and capital adequacy ratios in accordance with the guidelines of 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's capital management is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value whilst maintaining credit ratings and always meeting minimum regulatory capital adequacy ratio requirements.

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[(1)]	**2022**	**2021**	**2020**
Risk-weighted assets[(2)]	22,552,464	13,402,087	13,356,763
Capital required	3,044,583	1,675,261	1,669,595

(1) Includes a Common Equity Tier 1 capital conservation buffer of 2.5 per cent. and a Common Equity Tier 1 Domestic Systemically-Important Bank buffer of 2 per cent.

(2) Reflects temporary adjustments/reductions of 2.5 per cent., applicable to and including 31 December 2020.

Effective 31 December 2016, the minimum total capital requirement for the Kuwait banking sector generally was raised to 13 per cent. from 12.5 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 Offering Circular and for the years ended 31 December 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 addition, in response to the COVID-19 crisis, the CBK temporarily relaxed the capital conservation buffer of 2.5 per cent. in the form of the Common Equity Tier 1 until 30 June 2021. Additionally, pursuant to the CBK's instalment deferral programme (see further "*Financial Review of the Group – Significant Factors Affecting Results of Operations – Impact of the COVID-19 pandemic*"), the CBK has allowed, as part of the COVID-19 support measures, the modification loss from the deferral programme 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 are to be

amortised equally against retained earnings over four years starting in 2021. The Group's modification loss on financing receivables in the year ended 31 December 2020 amounted to KD 95.6 million.

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 enterprises outside Kuwait, will be 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 sets out the Group's risk-weighted assets and capital base after considering the impact of dividends distribution as at 31 December 2022, 2021 and 2020.

	As at 31 December		
	2022	**2021**	**2020**
	(KD thousands, except percentage)		
Risk weighted assets	22,552,464	13,402,087	13,356,763
Capital required	3,044,583	1,675,261	1,669,595
Capital available:			
Tier 1 capital	3,605,225	2,300,266	2,133,231
Tier 2 capital	377,993	204,228	208,266
Total capital	**3,983,218**	**2,504,494**	**2,341,497**
Tier 1 capital adequacy ratio	15.99%	17.16%	15.97%
Total capital adequacy ratio	17.66%	18.69%	17.53%

The Group is also subject to a CBK Basel III financial leverage ratio requirement of 3 per cent. The Group's financial leverage ratio was 8.31 per cent. as at 31 December 2022, 9.72 per cent. as at 31 December 2021 and 8.61 per cent. as at 31 December 2020.

Contingencies and Capital Commitments

Credit-related commitments include standby letters of credit and guarantees which are off-balance sheet exposures and are designed to meet the requirements of the Group's customers. Letters of credit, guarantees and acceptances commit the Group to make payments on behalf of customers in the event of a specific act, such as the import of goods, or contingent upon the failure of the customer to perform under the terms of a contract. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The table below sets out the Group's contingent and commitment liabilities as at 31 December 2022, 2021 and 2020.

	As at 31 December		
	2022	**2021**	**2020**
		(KD thousands)	
Acceptances and letters of credit	515,682	195,008	159,067
Letters of guarantees	**2,030,237**	1,167,647	1,402,288
Contingencies	**2,545,919**	**1,362,655**	**1,561,355**
Capital and irrevocable undrawn financing commitments and others	**421,459**	**281,289**	**306,005**

Related Party Transactions

Certain related parties are depositors and financing facilities 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 profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties. For further details of such transactions, please see Note 29 (*Related Party*

Transactions) to the 2022 Consolidated Financial Statements and Note 28 (*Related Party Transactions*) to the 2021 Consolidated Financial Statements.

DESCRIPTION OF THE GROUP

Overview

KFH was established by virtue of Kuwaiti Decree Law No. 72 of 1977 concerning the Licensing of a Kuwaiti Shareholding Company under the name of Kuwait Finance House and was incorporated on 23 March 1977 pursuant to the then applicable Law No. 15 of 1960 concerning the Commercial Companies Law (which has been replaced by Law No. 1 of 2016 (as amended) concerning the Companies Law). KFH was the first Islamic bank established in Kuwait. KFH was listed on Boursa Kuwait in 1984. KFH is registered with the Kuwait Ministry of Commerce, with commercial registration number 26066, is licensed to conduct banking activities and is regulated by the CBK. KFH's registered office is at Abdullah Al-Mubarak Street – Murqab, State of Kuwait with telephone number +965 2244 5050.

The Group is primarily engaged in the provision of banking, investment, real estate, trading and leasing activities in accordance with *Shari'a* principles. The Group principally operates through the following segments:

- *Treasury* – comprising liquidity management, murabaha investments, investments in sukuks, exchange of deposits with banks and financial institutions and international banking relationships;
- *Retail and Private Banking* – comprising of retail consumer banking providing a diversified range of products and services to individuals and additionally, private banking providing a comprehensive range of customised and innovative banking services to high net worth individuals;
- *Corporate Banking* – providing a range of banking services and investment products to corporate customers, including providing commodity and real estate murabaha finance, local leasing, wakala and istisna'a facilities to such customers; and
- *Investment* – managing direct equity and real estate investments, non-banking Group entities, associates and joint ventures.

The Group's Retail and Private Banking and Corporate Banking operations comprise its primary revenue earning activity. For the year ended 31 December 2022, the operating income generated by these segments was 57.6 per cent. of the Group's total operating income (compared to 75.4 per cent. for the year ended 31 December 2021). The operating income generated by the Investment segment was 17.9 per cent. of the Group's total operating income and Treasury segment was 24.5 per cent. of the Group's total operating income for the year ended 31 December 2022 (as compared to 15.7 per cent. and 8.9 per cent. respectively for the year ended 31 December 2021).

As at the date of this Base Offering Circular, the Group has a global network of around 641 branches (not including its head office in Kuwait). Of these, around 90 branches were in Kuwait, with the remaining branches being in Turkey, Egypt, the UK, Iraq, Libya, Malaysia, Bahrain and Germany.

As at 31 December 2022, the Group had total assets of KD 36,969.4 million (including financing receivables of KD 18,839.7 million) and depositors' accounts of KD 22,482.9 million. For the year ended 31 December 2022, the Group had a net operating income before provisions and impairment and net monetary loss of KD 723.3 million and net profit attributable to shareholders of KFH of KD 357.7 million.

History

Key milestones in the Group's history are set out below.

Month and Year	*Milestone*
March 1977	KFH established pursuant to Amiri Law Decree No. 72 of 1977
August 1978	KFH commenced banking activities
September 1984	KFH listed on Boursa Kuwait
March 1989	KFH established Kuveyt Türk (as a subsidiary)
March 1999	KFH established KFH Capital (as a subsidiary)
January 2002	KFH established KFH Bahrain (as a subsidiary)
May 2004	KFH registered as an Islamic bank with the CBK
May 2005	KFH established KFH Malaysia (as a subsidiary)

Month and Year	*Milestone*
January 2010	KFH established Saudi Kuwait Finance House S.S.C. (as a subsidiary)
July 2015	KFH established KT Bank AG. as its first branch in Europe (in Manheim city, Germany).

The AUB Acquisition

On 24 February 2020, AUB received an offer from KFH to acquire 100 per cent. of the issued and paid-up ordinary shares of KFH by way of a share swap subject to fulfilment of regulatory requirements and shareholder approvals (the "**Acquisition**"). On 16 March 2020, AUB announced that it had signed an agreement with KFH on 15 March 2020 concerning the process of integrating AUB and KFH during the transitional period preceding the completion of the Acquisition.

However, on 12 April 2020, it was announced that in light of the unprecedented circumstances relating to the COVID-19 pandemic, AUB's board (in consultation with KFH and with the approval of the CBB) had approved the suspension of the Acquisition until December 2020. Subsequently, in December 2020, the AUB announced that its board (again, in consultation with KFH and having received the necessary approvals of the regulatory authorities in Bahrain and Kuwait) had agreed to extend the suspension of the Acquisition pending the completion of a further feasibility assessment to be conducted by external advisers appointed by KFH.

The ordinary and extra-ordinary general assembly of KFH's shareholders held on 25 July 2022, approved the Board's recommendation to acquire 100 per cent. of the shares of AUB by way of share swap at the exchange ratio of one KFH share against 2.695 shares of AUB, and authorised the Board to implement all relevant procedures, and to dispatch the acquisition offer and fulfil the related procedures. On 24 September 2022, AUB's parent company received 97.3 per cent. acceptances with respect to the Acquisition.

The Acquisition was effected on 1 October 2022 (the "**Effective Date**"). On 2 October 2022, AUB's parent company acquired control of AUB, by issuing 4,023,741,236 new shares of the parent company to the accepting AUB shareholders at purchase consideration of 799 fils per share, being the quoted price of the shares of the parent company at the date of acquisition. Further, the shares of the parent company have also been listed on Bahrain Bourse with effect from 6 October 2022. Subsequently, on 20 November 2022, the parent company exercised their squeeze-out right to acquire the remaining 2.727 per cent. shares of the dissenting shareholders and issued another 112,784,885 new shares of the parent company, thereby making AUB a fully owned subsidiary, with total purchase consideration of KD 3,305,084 thousand.

Following the Acquisition and share swap, AUB is now a subsidiary of KFH and AUB's shareholders are now shareholders in KFH. AUB's subsidiaries have now become part of the Group. From the Effective Date, AUB contributed KD 109,119 thousand of operating income and KD 62,494 thousand to the profit attributable to shareholders of KFH. The CBK and KFH's Fatwa and *Shari'a* Supervisory Board have approved to convert all conventional investments and products on acquisition of AUB to be *Shari'a* compliant on a specific time frame. All income and expenses from non-*Shari'a* compliant activities are included in the consolidated statement of income, and surplus of conventional income over conventional expenses from 2 October 2022 until the completion of the complete conversion of AUB, if any, is transferred to a charitable account payable included in other liabilities. The charitable account is supervised by KFH's Fatwa and *Shari'a* Supervisory Board. The business combination and related accounting policies in connection with the Acquisition affected the financial information of KFH in the manner detailed in Note 3 (*Business Combination*) of the 2022 Consolidated Financial Statements.

AUB was established in Bahrain on 31 May 2000 following a merger between The United Bank of Kuwait PLC ("**UBK**") and Al-Ahli Commercial Bank B.S.C. ("**ACB**") pursuant to which UBK and ACB each became wholly-owned subsidiaries of the AUB. UBK and ACB were incorporated in 1966 and 1977, respectively, and have been operating since their incorporation from their bases in the UK and Bahrain, respectively. AUB was originally incorporated in Bahrain as a closed company and was converted into a public shareholding company on 12 July 2000 by Amiri Decree Law 16/2000.

Management believes that the Acquisition represents a powerful engine for growth for KFH, providing access to many new markets such as the UK, the UAE, Oman Iraq and Egypt and strengthening KFH in its current markets. The Acquisition gives KFH an opportunity to access regional markets with a population of over 430 million people and a medium annual per capita income of approximately U.S.$42,000.

Management also believes that the Acquisition will turn KFH into a direct investment and banking destination, reducing group costs across its markets, enhancing efficiency of resources allocation and increasing liquidity and profitability. Furthermore, management believes that the Acquisition will improve the quality of the new entity's assets, high capital base, liquidity levels and capital efficiency at rates that exceed the regulatory requirements. The Acquisition generated the largest Islamic banking entity in the world in terms of assets. Studies that KFH commissioned local and international institutions to prepare confirmed that the new AUB entity would enhance the local capabilities and capacities that KFH possesses and help the Kuwaitisation efforts, while opening job opportunities for Kuwaiti youth locally, regionally and internationally. Management believes that the percentage of national manpower in the merged entity will reach approximately 76.2 per cent., which exceeds the Kuwaitisation percentage required by the regulatory authorities.

Following the Acquisition, the Group believes it now possesses a higher capital base with enlarged underwriting and balance-sheet capacity, as well an enhanced ability to support growth opportunities across existing markets such as Kuwait and Bahrain and new markets such as Egypt and the UK. The Group intends to continue to operate as usual and grow its operations and product offerings to its customers.

AUB is regulated by the CBB and operates under a retail banking licence issued under the CBB's integrated licensing framework. AUB is registered under commercial registration number 46348. The registered office of AUB is Ahli United Bank B.S.C., Building 2495, Road 2832, Al Seef District 428, P.O. Box 2424, Manama, Kingdom of Bahrain, and its telephone number is +973 17 585 858.

AUB provides retail banking, corporate banking, treasury and investments and private banking and wealth management services. AUB also offers Islamic banking services through its subsidiary in Kuwait and in certain countries under the Al-Hilal brand name. AUB's business is conducted through various companies acquired or incorporated by the AUB group in Bahrain, the UK, Kuwait, Egypt, Iraq, the UAE, Oman and Libya. Given that KFH is a *Shari'a*-compliant institution and undertakes only *Shari'a*-compliant activities, the principal change to AUB's business strategy following the Acquisition is to convert conventional business of AUB to be *Shari'a*-compliant. KFH does not expect to make any material changes to AUB's core objectives as AUB's core objectives complement KFH's.

Following the conversion of AUB's conventional businesses to *Shari'a*-compliant businesses, KFH intends to commence the process of conducting a statutory merger to merge its two wholly owned subsidiaries in Bahrain. KFH intends to change AUB's name to "Kuwait Finance House – Bahrain". The AUB brand name is not expected to be maintained.

Since the beginning of 2020, AUB has been awarded: "Best Retail Bank in Bahrain – 2020" by each of Finance Derivative, MEA Finance and Global Banking & Finance Review; "Private Bank of the Year, Bahrain – 2020" by The Banker and Professional Wealth Management; "Best Global Network GCC Bank – 2020" by Capital Financial International; "Best Private Bank of Islamic Services – 2020" and "Outstanding Private Bank Middle East – 2020" by Private Banker International; "Best Trade Finance Provider – 2021", "Best Private Bank in Bahrain – 2021", "Best FX Provider in Bahrain – 2021" by Global Finance; "Best Bank in Bahrain – 2020" by Global Finance; "Best Local Bank in Bahrain – 2020" by EMEA Finance Magazine; and "Best Digital Transformation Bank in Bahrain – 2020" by MEA Finance.

Following the Acquisition, AUB is still committed to providing a high standard of service and creating an unrivalled ability to meet customer needs, provide fulfilment and professional development opportunities for its staff and deliver shareholder value. To this end, AUB has established seven core objectives throughout its operations:

- to maximise shareholder value on a sustainable basis;
- to maintain the highest international standards of corporate governance and regulatory compliance;
- to maintain solid capital adequacy and liquidity ratios;
- to treat clients fairly and be their preferred banking partner;
- to ensure technological, digital and data competitiveness across all functions;

- to entrench a disciplined risk and cost management culture;
- to develop a cross-cultural meritocratic management structure;
- to optimise staff development through business driven training and profit related incentives; and
- to contribute to the social, economic and environmental advancement of the communities of the host countries in which AUB operates.

AUB's business is divided into Corporate Banking, Treasury and Investments, Retail Banking and Private Banking, all of which offer Islamic finance products. AUB's Corporate Banking business segment is responsible for all of the Group's capital-intensive activities in risk asset generation and funding regionally and internationally. AUB's Treasury and Investments business segment provides money market, trading and treasury services and is also responsible for the management of the Group's funding. AUB's Retail Banking business segment principally covers both conventional and *Shari'a* compliant individual customers' deposits, loans, overdrafts, credit cards and residential mortgages. AUB's Retail Banking business segment also provides current accounts, savings plans, savings certificates, internet and SMS banking. AUB's Private Banking business segment includes the less capital-intensive sectors of the Group's business, offering wealth management services to individuals and institutions based on a performance and balanced product mix, including investment products, funds, credit facilities, trusts and alternative investments. AUB's Private Banking business segment offers *Shari'a* compliant banking.

AUB's core markets have significant social, economic and cultural similarities, and are also geographically proximate to one another. Hydrocarbon production and substantial proven reserves in the AUB's core markets contribute to large development spending programmes and wealth creation opportunities. Further geographic diversification is provided by the AUB's secondary markets (in particular, the UK, Egypt and Libya), which have strong and established business links with the core markets. The average of the bank credit to GDP ratios in the AUB's core and secondary markets is estimated to be below 50 per cent., which is low by international standards.

AUB also benefits from its position in the UK as this facilitates the provision of banking services to the Group's overseas clients for investment and acquisitions of secondary residences in the UK, as well as the provision of banking services to AUB clients based in the UK. The AUB's presence in the UK also provides KFH with a platform to access markets within the OECD and to facilitate cross-border business and/or investment with the MENAT region.

AUB has been consistently profitable since its incorporation in 2000, even during the global financial crisis, the regional civil uprisings in Bahrain and in certain MENAT countries, and notwithstanding the effects of the COVID-19 pandemic. AUB's continued profitability can be attributed to, amongst other things, its geographical diversification, thereby reducing single market reliance, and its conservative approach to lending and provisioning.

Capital Structure and Shareholders

KFH has been listed on Boursa Kuwait since 29 September 1984. As at 31 December 2022, KFH had the following shareholders which had direct and indirect holdings in excess of 5.0 per cent. of its issued share capital:

Name	Ownership Form	Country	Ownership Ratio
Kuwait Investment Authority	Direct	Kuwait	16.8%
Public Authority for Minors Affairs	Direct	Kuwait	7.3%
Kuwait Public Awqaf Foundation	Direct	Kuwait	5.1%
Public Institution for Social Securities[(1)]	Direct & Indirect	Kuwait	9.2%

(1) Held through a number of entities.

KFH's total market capitalisation as at 31 December 2022 was KD 10.968 billion while, as at the same date, its authorised share capital comprised 13,485,707,127 ordinary shares of KD 0.100 (100 fils) each, giving it an authorised share capital of KD 1.349 billion.

The annual general assembly meeting of KFH's shareholders held on 22 March 2021 approved an increase of KD 76.7 million in KFH's issued and fully paid share capital by issuing 767,413,812 bonus shares. The

annual general assembly of KFH's shareholders held on 21 March 2022 approved the distribution of bonus shares of 10 per cent. of the issued and fully paid share capital and cash dividends of 12 fils per share to KFH's shareholders for the year ended 31 December 2021. The extra-ordinary general assembly of KFH's shareholders held on 21 March 2022 also approved an increase of authorised share capital of 13,485,707,127 shares of KD 0.100 each.

The extra-ordinary general assembly of KFH's shareholders held on 25 July 2022 approved an increase of the issued and paid-up capital of KFH by a maximum of 4,200,000,000 shares at the nominal value of KD 0.100 each for executing the Acquisition. The shareholders authorised the Board to take all necessary actions to implement the capital increase to implement the Acquisition.

As at 31 December 2022, the Group had a total capital adequacy ratio of 17.7 per cent. and a Tier 1 capital adequacy ratio of 16.0 per cent., in each case, calculated in accordance with Basel III methodology as adopted by CBK.

As at 31 December 2022, the Group had a financial leverage ratio of 8.3 per cent. calculated in accordance with CBK regulations.

Strategy

The Group's strategy covers both its domestic market in Kuwait as well as its global presence and its international expansion plans.

Domestically, KFH is one of the leading banks in Kuwait, including the second largest bank by total assets (see further "*–Competition and Competitive Strengths*"). In the domestic market, one of KFH's primary objectives is to maintain its leading position in the Kuwait market.

Globally, KFH is focused on developing its market presence and becoming a leading Islamic financial institution globally. In particular, KFH focuses on its strategic expansion through its banking subsidiaries in Turkey, Bahrain, Egypt, UK, Malaysia and Germany, and is looking to establish itself as a leading global bank for Islamic banking, offering a full portfolio of *Shari'a* compliant banking, financing and investment services across numerous jurisdictions.

From late 2014, KFH has embarked on a revision of its strategy which is now aimed at refocusing the Group on core banking businesses and divesting non-core equity and real estate investments. The Group has substantially delivered on this strategy and has managed to reduce its exposure to non-core investments.

Strategy plan 2020-2024

KFH defines its strategic objectives within a five-year rolling period and is currently in the implementation cycle for 2020-2024 (inclusive). This allows it to refine its long-term strategy and develop short-term specific strategic and business goals.

KFH has built its strategy for the years 2020-2024 (inclusive) on three broad strategic themes comprising of:

- *growing customer base through upselling and cross-selling* – KFH is the largest bank in Kuwait in terms of total assets, customer deposits and customer financings, according to the publicly available financial statements of KFH's main domestic competitors (see further "*–Competition and Competitive Strengths*"). Furthermore, KFH, through Kuveyt Türk, is currently the largest Islamic bank in Turkey on the basis of assets as well as deposits (according to publicly available financial information for Islamic banks in Turkey) and is the largest Islamic bank in Bahrain through AUB on the basis of assets. As at and for the financial years ended 31 December 2022 and 2021, as a result of its expanding international footprint, the Group has strong market penetration across a number of geographies in the consumer, private and corporate banking segments. Given this significant advantage of geographic diversification, KFH seeks to grow its existing customer base by leveraging its existing sectoral and geographic experience as well as through upselling (offering customers upgraded features to help them better select higher-end products and increasing their portfolio held with KFH) and cross-product integration across its customer base. One such example is the ability of KFH to support its corporate customers' international operations and transactions through its branches across the world;

- *technology-driven innovation* – KFH believes that keeping pace with technological developments is crucial for the Group's business and, through prudent investments in technological systems, KFH expects to be able to simplify, automate and expedite processes which, in turn, would result in decreased costs of operation and increased employee performance and assist in increasing the levels of security and ability to managing risks, including cyber-attacks. At the same time, technological innovation on the customer side could help augment the Group's customer experience, as retail, corporate and institutional customers are expecting more technology-driven tools and features by their banking provider. The digitisation of bank products, services and processes with a heavy investment into IT growth and partnership are a key driver for KFH growth over the next three years. The Group is aware of the growing multitude of financial technology ("fintech") companies emerging to meet such customer demands and, rather than perceiving this trend as a threat, KFH seeks to be a key partner and a platform for fintech in the region, building new products and services on top of the latest generation IT infrastructure to support its clients' needs. KFH is looking to work with local companies to offer a cutting-edge customer experience to expand its market presence. In 2020, KFH launched a digital service for opening bank accounts online, allowing customers to open bank accounts within minutes and without having to visit a branch. Through KFH's e-branch "KFH-Go", customers can also use e-signatures to open accounts. KFH is also the first bank in the world to introduce a hybrid solution for issuing banking cards digitally, i.e., the customer can request a printed credit or debit card via a self-service kiosk, a customer service representative in a KFH branch can initiate the card printing and the customer can receive the printed card almost instantaneously from the same self-service kiosk. As at the date of this Base Offering Circular, KFH offers this service through 105 kiosks which operate on a 24x7 basis.

- *operational excellence* – a positive customer experience is at the core of the Group's strategic decision-making process. In order to enhance customer satisfaction, the Group seeks to set the benchmark for banking service providers in each market of its operation. KFH recognises that its employees are the key points of interaction with KFH's customers and KFH continues to invest in its employees by providing resources to its staff to develop further their technical and commercial skills (see further "*Management and Employees – Employees*"). KFH is committed to developing its customer relationship management system being a technology to manage all of KFH's relationships and interactions with customers and potential customers helping KFH stay connected to customers, streamlining processes and improving profitability. KFH is also committed to developing its employee performance metrics in order to provide real-time understanding by the Group of customer needs while enabling and encouraging its employees to meet those needs.

In addition, KFH's sustainability strategy consist of 62 objectives across four pillars and includes the following strategic objectives related to ESG standards:

- global Islamic financial leadership;
- positive impact to all stakeholders;
- green products and operations; and
- *Shari'a* compliant governance structure.

The strategy objectives are mapped at the implementation level to address and advance the required practices through financials, customers, internal process and people and organisational capacities. KFH has also launched a number of sustainability initiatives under its "Keep it Green" campaign, which aims to support social initiatives related to sustainability and environment. For example, in February 2023, KFH participated in the three-day Climate Change Hackathon organised by Gulf University for Science and Technology to support the efforts towards sustainability and environment preservation. Under the "Keep it Green" campaign, KFH has also signed a strategic partnership with the Public Authority for Agricultural and Fishery Affairs to support the plantation and greening of Kuwait areas. KFH has also signed a strategic partnership with the Sedra initiative and the voluntary Green Dream team, which includes various environmental projects and activities in the field of plantation and mitigation of carbon emissions. The "Carbon Offset" platform, designed by Sedra, is the first platform in Kuwait through which carbon emission may be mitigated and other future environment projects may be launched. KFH has participated in supporting the initial stage of the project which comprises the plantation of 500 trees and providing three years care, which is the average care period required for the tree to be self-sufficient. KFH's voluntary team

has participated in cleaning Kubbar island in collaboration with the Public Environment Authority and the Coast Guard.

KFH's strategy is approved, monitored and reviewed by its Board and executive management (the "**Executive Management**") on the basis of:

- *the business model canvas approach* – this is a strategic management template which describes KFH's or a key business segment's value proposition, infrastructure, customers and finances. This template enables the Board and Executive Management to understand the value creation strengths and opportunities of the current business models and can, therefore, be used to develop short-term, mid-term and long-term strategic goals for KFH's business and/or key business segments. In recent years, KFH has successfully developed a customer-centric culture throughout the organisation through this approach; and

- *the balanced scorecard approach* – this is a strategy performance management tool which allows the Board and Executive Management to identify goals, manage and measure performance and track the implementation of strategic priorities across the Group at various corporate levels (including at a business segment level, department level and individual level). The Group seeks to implement quantitative performance measures wherever feasible. The Group tracks qualitative indicators of performance as well as part of this approach.

Proactive management of the 2020-2024 strategy

KFH utilises a combination of the above approaches by developing high-level strategic goals for the Group and key business segments. These high-level strategic goals are then translated into strategic plans at department level and, at times, at individual level, with implementation being monitored through continuous evaluation of the performance of the relevant department and/or individual.

Retail Banking

KFH seeks to be the leader in customer service and technology innovation for Islamic retail banking via its focus on certain key sub segments (such as the youth segment) as well as its focus on improving its general experience. The retail banking segment's strategic priorities under the 2020-2024 strategy are:

- to expand its customer base through advanced customer analytics and market segmentation and thereby delivering a fully integrated financial solution to meet changing customer needs;

- to fully digitise its front office functionality and general touch points (by unifying customer service standards and experiences through integration of all communication channels of KFH) accompanied by the automation of back-end processes for faster turnaround times;

- to re-design its physical branches and processes in order to improve customer experiences while optimising costs; and

- to continue offering market-leading payment, financing and savings products in order to grow current and new customers and financial portfolios.

Private Banking

KFH aims to leverage its strong private banking offering in Kuwait to reach and attract new markets in the GCC region and internationally. Simultaneously, KFH (together with KFH Capital) will continue to provide a value offering to its high net worth customers. The private banking segment's strategic priorities under the 2020-2024 strategy are:

- to expand the number of branches and refine service quality by leveraging KFH's existing branch network to acquire new high net worth customers and retain existing high net worth customers;

- to better utilise the Group's international operations to ease cross-border transactions and improve service level quality for customers while sharing best practices across the Group; and

- to increase cross-selling opportunities across the Group, thereby increasing the number of offerings to high net worth customers under the KFH brand.

Corporate Banking

Through better co-ordination across its international operations, the Group seeks to become a key financial partner for its leading corporate customers by offering a broad range of products and facilitating and providing banking services to support the Group's local and international growth. The corporate banking segment's strategic priorities under the 2020-2024 strategy are:

- to promote a "one-stop shop" solution for corporate customers where dedicated staff are on hand to cater to KFH's corporate customer requirements. As a result of the customer service value offering as well as through close and periodic interaction with customers, the Group seeks to be the banking choice for corporate customers;

- to continue to explore and expand cross-selling opportunities to corporate customers across the Group's different business lines across its global network; and

- to attract new corporate customers while increasing the total deposited amount via a diversified and improved product base.

Competition and Competitive Strengths

KFH is the largest bank in Kuwait in terms of total assets, customer deposits and customer financings and advances according to the publicly available financial statements of KFH's main domestic competitors as at and for the financial year ended 31 December 2022 (including the comparative financial information for the year ended 31 December 2021).

The Kuwaiti banking sector and KFH's competitors comprise:

- excluding KFH, three local banks operating according to the provisions of Islamic *Shari'a* (Boubyan Bank, Kuwait International Bank and Warba Bank);

- five local conventional banks (Al Ahli Bank of Kuwait, Burgan Bank, Commercial Bank of Kuwait, Gulf Bank and National Bank of Kuwait);

- one specialised bank (Industrial Bank of Kuwait, which was established by the Government with an emphasis on financing and enhancing industrial development in Kuwait); and

- 11 foreign bank branches (Al-Rajhi Bank, Bank of Bahrain and Kuwait, Bank Muscat, BNP Paribas, Citibank, Doha Bank, First Abu Dhabi Bank, HSBC, Industrial and Commercial Bank of China Limited, Mashreqbank and Qatar National Bank).

KFH benefits from the following competitive strengths:

- *strong brand position* – KFH is recognised regionally and globally for its close adherence to Islamic values and high-level of transparency regarding *Shari'a*-compliance of its products and services. KFH is also reputed for developing several innovative products and services. For instance, KFH is the first and, as at the date of this Base Offering Circular, the only bank in Kuwait with female-only branches. The strength of KFH's brand is demonstrated by its continuously growing deposit portfolio. Between 2018 to 2022, the Group's total deposits had a compound annual growth rate of 17.5 per cent.;

- *established track record* – as the first Islamic bank established in Kuwait, KFH has a track record of over 40 years in the Kuwaiti Islamic banking industry. As at 31 December 2022 and 2021, KFH was the largest bank in Kuwait in terms of total assets, customer deposits and customer financings and advances according to the publicly available financial statements of KFH's main domestic competitors. According to KFH's estimates, as at 31 December 2022, KFH's share of the retail and private banking customers in the market was between 28 per cent. and 32 per cent.

In recognition of this strong presence and market leading position, KFH has received a number of awards in recent years, including:

Award	Awarded by	Year
Best Treasury & Cash Management Banks - Kuwait	Global Finance	2022
World's Best Islamic Institution	Global Finance	2022
World's Best Islamic Takaful	Global Finance	2022
Middle East Best Islamic Financial Institution	Global Finance	2022
Safest Islamic Bank in the GCC (ranked second in the GCC for Safest Islamic Institution)	Global Finance	2022
Best Investment Bank In Kuwait, KFH Capital	Global Finance	2023
Best Bank in Kuwait	Euromoney	2022
Best Bank for Islamic Finance in Kuwait	Euromoney	2022
Islamic Bank of the Year - Kuwait	The Banker	2022
Best Islamic Bank – Bahrain, KFH Bahrain	EMEA Finance	2023
Best Bank – Kuwait, Kuwait Finance House	EMEA Finance	2023
Best Islamic Bank, Kuwait, Kuwait Finance House	EMEA Finance	2023
Kuveyt Turk Katilim Bankasi, Best Islamic Bank in Turkiye	IFN, Red Money	2023
Kuwait Finance House, Best Corporate Bank in Kuwait	IFN, Red Money	2023

- *large and diverse financing portfolio* – KFH's financing base comprises of a large and diverse portfolio of retail and corporate customers which illustrates its market penetration and has a number of advantages for KFH's business (including reduced credit risk and increased cross-selling opportunities). For instance, KFH's corporate customer base comprises a diversified mix of primary growth industries (such as oil and gas, power, petrochemicals, construction, food, co-operative societies and real estate). Similarly, KFH's retail banking products include financing new and existing cars, fleet services, construction works and materials financing, furniture and house appliances financing and medical care financing*;*

- *extensive accessibility options* – KFH has a very wide distribution network comprising branches (including female-only branches), automated teller machines/cash deposit machines ("**ATMs**") and extreme teller machines (which provide cash deposit facilities and video links to tellers) ("**XTMs**"), each of which is supported by comprehensive internet and mobile banking options. In addition, KFH has a strong relationship management team with extensive experience through which KFH is able to provide consistent and reliable services to its customers across the retail, private and corporate banking segments (see further *"–Branches and Other Distribution Channels"*);

- *strong credit position* – KFH has a long-term foreign currency issuer default rating of A with negative outlook from Fitch and a long-term bank deposits rating of A2 with stable outlook from Moody's. These credit ratings demonstrate KFH's robust capitalisation metrics as well as its healthy funding and liquidity profile (see further *"Selected Financial Information–Alternative Performance Measures" and "Financial Review of the Group – Liquidity and Funding"*);

- *strong risk management approach* – risk management is an integral part of the decision-making processes for KFH and, in recent years, KFH has often met and exceeded the expectations of its stakeholders, regulators and rating agencies in this regard by having strong risk management processes and procedures. This, in turn, has resulted in improved asset quality indicators and credit ratings (see further *"Selected Financial Information–Alternative Performance Measures"* and *"–Risk Management"*);

- *international reach* – with key subsidiaries and significant operations (see further "*–Subsidiaries, Associates and Joint Ventures*") across Kuwait, Turkey, Bahrain, Malaysia and Germany, KFH is able to offer international Islamic banking opportunities and financial services to its new and existing customer base. Kuveyt Türk is one example of a very successful subsidiary for KFH operating outside the domestic Kuwait market. Among its key strengths, Kuveyt Türk has a competitive advantage among all the participating banks in Turkey given its existing presence in Turkey and has available to it certain retail and private banking channels and products, including some various first to market product launches like gold bullion accounts, syndication murabaha,

sukuk or XTMs as compared to its competitors. That capacity to innovate allows Kuveyt Türk to position itself among the top 10 banks in service quality in Turkey; and

- *innovation-based culture* – one of KFH's key competitive strengths is its focus on delivering innovative and customised financial and investment products to fit the changing needs of its customer base. For instance, KFH was one of the first banks in the region to adopt digital banking allowing banking transactions to be performed online with no need to visit a physical branch. KFH has also invested significantly in establishing an advanced analytics centre which enables it to match internal offerings with its customers' needs and expectations while improving cost efficiencies in retail branches. KFH also actively seeks to partner with other companies in order to accelerate its technology adoption and innovation initiatives.

Key Business Activities

The Group's principal activities are focused around the following business segments: (i) Treasury; (ii) Retail and Private Banking; (iii) Corporate Banking; (iv) Investments.

In addition to the above business segments, KFH is involved in certain other financial and investment activities (such as Islamic money markets, sukuk issuances and real estate investments).

A description of KFH's key business activities is set out below.

Treasury

Treasury manages the Group's assets and liabilities and liquidity requirements. In particular, the responsibility to monitor and maintain a positive spread between the Group's assets and liabilities rests with Treasury. It is also responsible for ensuring sufficient liquidity in order to meet the Group's business growth needs while complying with CBK's liquidity ratios. In order to achieve this, Treasury also has some oversight over cross-selling and multichannel distributions to customers in order to diversify long-term stable funding and widen KFH's depositor base.

In addition, Treasury:

- manages the Group's money market books and money market funding positions for the Group's own account;
- manages the Group's foreign exchange business (own account as well on behalf of the Group's customer base); and
- maintains a portfolio of sukuk in order to manage the Group's liquidity position.

Retail and Private Banking

The Retail and Private Banking segment comprises the Group's primary revenue earning activity. This segment offers a full range of *Shari'a*-compliant banking services to customers through the following sub-segments.

Retail Banking

Retail banking offers a wide range of consumer banking products and related services through its integrated distribution network and various Group subsidiaries (including AUB, Kuveyt Türk, KFH Bahrain and KFH Malaysia). KFH's retail banking products include savings, current and time-deposit accounts, personal financing solutions and long-term investment products. Customers can also invest for their future education, marriage or retirement needs through a number of investment deposits and have the option to lock their savings in gold (buying and selling through KFH). For a description of retail distribution channels, see further "*–Branches and Other Distribution Channels*".

Private Banking

Private banking targets high net worth customers, catering to their specific investment and financial needs. With a strong brand presence in markets of growing investor interest (such as Malaysia and Turkey) and supported by extensive in-house expertise in a number of key sectors (in particular, real estate), KFH offers

high net worth customers a range of portfolio management services as well as finance and investment products.

KFH's private banking services include a wide range of *Shari'a* compliant investment products to suit its customers' investing requirements across various asset classes, including cash, commodities, fixed income securities and equities. Along with structures developed in-house, KFH also partners with leading investment houses to provide a range of investment choices to its private banking customers (for instance, with varied currencies and maturities, exposures to different markets and capital protection options).

Corporate Banking

KFH offers its corporate customers (including small and medium sized enterprises ("**SMEs**")) a range of banking products and services, including project financings, working capital financings and trade financings. The corporate banking segment also supports its customers' import and export activities by providing letters of credit (by sight as well as on acceptance basis and including murabaha letters of credit and export letters of credit) and letters of guarantee.

KFH's corporate banking customers comprise multinationals, local corporate entities, banks and other financial institutions, as well as governmental and quasi-governmental organisations and entities. At 31 December 2022, KFH (Group Corporate Banking, Kuwait) had 2,858 borrowing and non-borrowing corporate banking customers and such relationships were instrumental in leveraging cross-selling opportunities across other business segments.

Investment

KFH Capital manages the Group's investment portfolio comprising direct equity and real estate investments, investments in subsidiaries and associates, international leasing and dealing in securities (including sukuk) in accordance with the principles of *Shari'a*. In addition, KFH Capital also offers a range of investment banking services to customers (such as sukuk and equity capital markets, mergers and acquisitions and corporate restructuring advice). KFH Capital also offers bespoke brokerage and trading services through its brokerage division.

Branches and Other Distribution Channels

As at the date of this Base Offering Circular, KFH has a global network of around 641 branches (not including its head office in Kuwait). Of these, around 90 branches were in Kuwait, with the remaining branches being in Turkey, Egypt, the UK, Iraq, Libya, Malaysia, Bahrain and Germany. A typical KFH branch is headed by a branch manager, staffed by around eight employees and aims to service the needs of KFH's customer base at the relevant location.

Moreover, KFH offers an easy banking experience through its unique digital branch "KFH Go" which offers several banking services through ATMs and XTM that operate on a 24x7 basis. An XTM digital device that resembles an ATM with the capability of connecting to XTM call centre operators allows customers to conclude a number of transactions that would otherwise be conducted at a branch (such as opening add-on accounts, card-less cash withdrawal and deposit, transfer to own accounts or other KFH accounts or other beneficiaries, cheque deposits, instant cheque book printing). XTMs also have the ability to dispense 10 gram gold bars, allowing customers to buy these physically from XTMs without the need to visit a branch. As at the date of this Base Offering Circular, KFH has a global network of approximately 2,110 ATMs and its customers had access to a total shared network of approximately 675 ATMs in Kuwait. As at the date of this Base Offering Circular, KFH has a global network of approximately 113 XTMs (including 10 XTMs in Kuwait).

KFH also has a wide range of distribution channels apart from branches, ATMs and XTMs, including phone banking, internet banking and mobile banking. Phone banking allows customers to access certain account-linked functions (such as checking account balances and transferring funds between certain accounts) via phone and without such customer having to visit a branch. The internet banking platform allows customers to access their accounts securely and reliably, open new accounts, transfer funds between own accounts and other KFH accounts, pay utility and credit card bills, manage cheques and perform SWIFT transfers. KFH's mobile application "KFHOnline", which is available in Arabic and English for iOS and Android devices, also allows users to login and complete banking transactions such as opening accounts, making and tracking bank transfers, viewing PINs for credit and debit cards, transferring money to credit and

prepaid cards, reporting lost credit or ATM cards, requesting cheque books, depositing cheques and updating KYC information. In addition, KFHOnline allows customers to obtain a summary of their account balances and deposits, view their financing obligations and investment plans with KFH, open a gold account and trade gold through the app and apply for various KFH financing options. KFHOnline offers a PUSH notification service which displays on smartphones even if the app is not in use at the time.

KFH also operates a call centre on a 24x7 basis which can be accessed by customers to conduct a variety of transactions, including reporting lost or stolen cards, performing account transfers and bill payments and making enquiries and complaints. In 2022, this call centre handled over 1,801,771 calls.

In addition to the above, KFH has a direct sales force in Kuwait located at key locations such as car dealerships, Government ministries as well as KFH branches.

KFH also has a strong relationship management team with extensive experience through which KFH is able to provide consistent and reliable services to its customers across the retail, private and corporate banking segments.

Subsidiaries, Associates and Joint Ventures

As at 31 December 2022, KFH had 15 principal wholly-owned or majority-owned operating subsidiaries (see also Note 19 (*Subsidiaries*) to the 2022 Consolidated Financial Statements). In addition, as at 31 December 2022, KFH had three key associates and three key joint ventures (see also Note 14 (*Investment in Associates*) and Note 15 (*Investment in Joint Ventures*) to the 2022 Consolidated Financial Statements). Of these, KFH considers the following to be its most important subsidiaries, associates and/or joint ventures (as applicable) in terms of their strategic importance, revenues and future growth potential.

Ahli United Bank – Bahrain

As at the date of this Base Offering Circular, KFH owns 100 per cent. of the share capital of AUB, which is the largest subsidiary of KFH. AUB provides retail banking, corporate banking, treasury and investments and private banking and wealth management services. AUB also offers Islamic banking services in certain countries under the Al-Hilal brand name. AUB's business is conducted through various companies acquired or incorporated by the AUB group in Bahrain, the UK, Kuwait, Egypt, Iraq, the UAE, Oman and Libya. For more information regarding AUB's business operations see "*–The AUB Acquisition*".

As at 31 December 2022, AUB's total assets were U.S.$40,811 million. For the three months period ended 31 December 2022 (from the acquisition date), AUB's net profit was U.S.$209 million.

As at 31 December 2022 (after inter-Group adjustments and eliminations), AUB contributed 32.5 per cent. to the Group's total assets. For the three months period ended 31 December 2022 (from the acquisition date), AUB contributed 17.5 per cent. to the Group's profit to shareholders after taxation.

Kuveyt Türk Katilim Bankasi A.Ş.

Kuveyt Türk Katilim Bankasi Anonim Şirketi (which translates to Kuveyt Türk Participation Bank Inc.) is a full service bank operating primarily in Turkey and is a subsidiary of KFH. As at 31 December 2022, KFH held a 62.24 per cent. stake in Kuveyt Türk.

Kuveyt Türk was incorporated in Turkey in 1989 under the name Kuveyt Türk Participation Bank and was subsequently renamed Kuveyt Türk Katilim Bankasi A.Ş. in 2006. It is licensed by the Central Bank of Turkey to operate as a special finance institution. Kuveyt Türk offers a full range of *Shari'a*-compliant banking products to its customers as part of its consumer banking, corporate and investment banking and wealth management services. Kuveyt Türk's business is undertaken in compliance with the principles of interest-free banking, known as participation banking in Turkey. Kuveyt Türk's commercial registration number is 250489. Its registered address is Büyükdere Cad. No. 129, 34394 Esentepe-Sisli, Istanbul and its telephone number is +90 212 354 11 11. As at the date of this Base Offering Circular, Kuveyt Türk is regulated by the BRSA and in accordance with Turkish Banking Law No. 5411, dated 1 November 2005.

Kuveyt Türk's core business segments are:

- ***Retail Banking***: which principally focuses on handling individual customers' current, saving and investment accounts and providing consumer financings, credit cards facilities and funds transfer

facilities. Kuveyt Türk's Retail Banking Group comprises the following sub-segments: (i) the retail segment portfolio which encompasses all individual Turkish customers with deposits or sukuk and investment funds of under TRY 2 million, real estate financings that are less than TRY 1 million in the Istanbul region or TRY 500,000 in the Anatolian region, vehicle financings that are less than TRY 350,000 in all regions and all individual foreign national customers with real estate financings of less than TRY 500,000; and (ii) the private segment portfolio which consists of all individual Turkish customers with deposits or sukuk and investment funds more than TRY 2 million, real estate financings that are more than TRY 1 million in the Istanbul region or TRY 500,000 in the Anatolian region, vehicle financings that are more than TRY 350,000 in all regions and all individual foreign national customers with real estate financings of more than TRY 500,000;

- ***SME Banking***: which focuses on deposit taking (current and participation accounts), the granting of financings, credit facilities and current, saving and investment accounts for institutional customers (SMEs). Kuveyt Türk's SME Banking Group comprises the following sub-segments: (i) the small business segment portfolio which encompasses all businesses that have an annual sales turnover of between TRY 5 million and TRY 50 million and their individual owners; and (ii) the micro segment portfolio which consists of all businesses that have annual sales turnover below TRY 5 million and their individual owners; and

- ***Commercial Banking***: which focuses on granting of financings, other credit facilities and banking services to institutional customers. Kuveyt Türk's Commercial Banking Group comprises the following sub-segments: (i) the commercial segment portfolio which encompasses all businesses that have an annual sales turnover in excess of TRY 50 million and their individual owners excluding customers of corporate branches; and (ii) the corporate segment portfolio which consists of all businesses which are customers of corporate branches.

In addition, Kuveyt Türk's Treasury Group manages Kuveyt Türk's assets and liabilities and liquidity requirements.

As at 31 December 2022, Kuveyt Türk's total assets were TRY 403,981 million (compared to TRY 267,294 million as at 31 December 2021). For the year ended 31 December 2022, Kuveyt Türk's net profit was TRY 14,951 million (compared to TRY 3,374 million for the year ended 31 December 2021).

As at 31 December 2022 (after inter-Group adjustments and eliminations), Kuveyt Türk contributed 17.8 per cent. to the Group's total assets (compared to 28.6 per cent. as at 31 December 2021). For the year ended 31 December 2022, Kuveyt Türk contributed 32.9 per cent. to the Group's profit to shareholders after taxation (compared to 38 per cent. for the year ended 31 December 2021).

The financial information above related to Kuveyt Türk has been extracted from the Group's accounting records (after adjustments and eliminations).

Risk Management

Risk management is an integral part of the decision-making processes for the Group. This is implemented through a governance process that emphasises independent risk assessment, control and monitoring and is directly overseen by the Board and the Executive Management. The Group operates a "three lines of defence" system for managing risk:

- the *first* line of defence recognises that risks are raised by the business units and within their business. All employees (credit officers, dealers, operations, etc.) are required to ensure the effective management of risks within their organisational responsibilities;

- the *second* line of defence comprises the Group's Risk Management Department ("**GRM**"), which is responsible for ensuring that the Group's risks are managed in accordance within the stated risk parameters; and

- the *third* line of defence is the independent assurance provided by the Group's internal audit function.

Risk governance structure

The Board is ultimately responsible for oversight of risk management and control in the Group and sets the Group's risk parameters. The Board discharges its risk management function with the assistance of the Board's Risk Committee and Audit and Compliance Committee.

At the senior management level, risk management is headed by the GRM and the Internal Audit Department ("**Internal Audit**"). GRM plays a vital role in evaluating risk exposures on an enterprise-wide basis by, for instance, conducting stress tests, monitoring the Group's risk profile and assisting with strategic initiatives to support capital optimisation. Internal Audit, on the other hand, conducts internal audits to test and monitor if the overall system of control effectiveness is working as required within the risk management framework. All Internal Audit findings are reported to the relevant management and governance bodies within the Group. The Group has also appointed an independent Chief Risk Officer and an independent Internal Audit Manager who have direct access to the Risk Committee and Audit and Compliance Committee, respectively.

On a day-to-day basis, the Risk Committee is organised in the following functional lines (with relevant management executives being responsible for the relevant functions): operational risk management, market and liquidity risk management, investment risk management, technology risk management, anti-money laundering and countering financing of terrorism ("**AML/CFT**"), and regulatory compliance and reporting. The AML/CFT and regulatory compliance functions report directly to the Audit and Compliance Committee.

The risk management functions described above operate independently from the business units and the investment risk management function provide rigorous review and challenge for all investment and financing proposals as well as strategic initiatives (such as new products and markets). Market and liquidity risk management also promote better balance sheet management through capital optimisation and work closely with Treasury to mitigate funding and liquidity related risks in respect of the currencies to which the Group has exposure.

A description of the key risks facing KFH is set out below and the relevant applicable risk governance. For further details, see Note 31 (*Risk Management*), Note 32 (*Credit Risk*), Note 33 (*Liquidity Risk*), Note 34 (*Market Risk*) and Note 35 (*Capital Management*) to the 2022 Consolidated Financial Statements.

Group Internal Audit Department

The Group Internal Audit Department is headed by the Group Chief Internal Auditor, who reports functionally to the Board's Audit and Compliance Committee and has unrestricted access to the Chairman of the Board.

KFH has not assigned executive responsibilities to its internal auditors and the Group Internal Audit Department performs its duties and prepares its report independently.

The Group Internal Audit Department assesses whether the Group's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning.

The Group Internal Audit Department applies a risk-based audit approach whereby the frequency of the audit is linked with the risk categorisation of the audit entities. A three-year strategic internal audit plan and the annual internal audit plan are reviewed and approved by the Board's Audit and Compliance Committee.

The internal control systems within the Group Internal Audit Department are subject to annual review by an external audit firm; additionally, the Group Internal Audit Department generally conforms with the international internal audit standards of the Institute of Internal Auditors ("**IIA**") based on the result of quality assurance review performed by an external audit firm.

The Group Internal Audit Department is responsible for following-up corrective actions being taken to resolve all observations raised by the Group Internal Audit Department and the external auditors on the internal control systems. The results of the Group Internal Audit Department along with the follow up progress are reported quarterly to the Board's Audit and Compliance Committee.

As per the requirements of the CBK, KFH appoints annually an external audit firm to assess the accounting and other records and internal control systems. The external auditor's opinion is disclosed in the bank's annual report.

Credit risk

As part of its banking operations, KFH provides financing to retail and corporate customers via a number of products (including tawarruq, murabaha, istisna'a and ijara financings). Accordingly, KFH is exposed to credit risk arising from customers' inability or unwillingness to perform their payment obligations towards KFH. Such credit risk may arise from various factors such as the nature of customer activity, changes in market trends or internal failure in following the procedures/policies for granting finance to customers. Default may be complete or partial.

Furthermore, default may also result from non-cash financing products such as a letter of credit (when a customer defaults in paying relevant amounts to the beneficiary which results in KFH having to pay the relevant amounts on such customer's behalf) or a letter of guarantee (when the customer defaults in delivering relevant services to the contract counterparty which results in KFH having to reimburse the contract counterparty for contract costs and any damages). In cases of letters of credit and letters of guarantee issued at the request of its clients, KFH protects itself against calls on such instruments by ordinarily obtaining more than 100 per cent. cash collateral, including the principal amount and certain cash margins to be blocked as against the contingent liabilities under such issued letters of credit or letters of guarantee. When financing specific projects, KFH ordinarily obtains a security interest by way of an authenticated assignment of rights over the project's proceeds to cover the financed amount of such letters of credit or letters of guarantee.

Credit risk may be exacerbated due to large exposures to a small number of individuals or groups or due to concentrations of financing in any particular sector which is (or may become) subject to financial stress.

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 exposure limit structures.

In accordance with CBK regulations, the Group limits its credit concentration per group of related entities to 15.0 per cent. of its 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 or to banks.

The Group also measures its concentration levels across sectors, geographies and products to ensure and enhance its portfolio oversight and diversification.

Credit risk mitigants, such as collateral and guarantees from third parties, are effective mitigating factors within the Group's portfolio and collateral quality is continuously monitored and assessed.

Additional practices used to manage the Group's credit exposures include risk transfer in the form of syndications or risk participation arrangements with other banks.

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.

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.

Furthermore, in accordance with the CBK Basel III framework, only cash collateral, quoted shares, eligible debt instruments, real estate collaterals under ijara contracts and units in collective investment schemes are recognised as risk mitigants for capital adequacy purposes.

The eligibility of commercial real estate (other than real estate collaterals under ijara contracts) for capital adequacy purposes is being gradually phased-out as part of the CBK Basel III framework. 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 and 2021, a significant portion of the Group's financings, advances and Islamic financing to customers was secured by collateral, primarily comprising of 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 secured financing. 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 financing.

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 financings are generally not secured. However, before granting consumer financings, the Group requires that the customer's employer makes the customer's salary payments directly to the customer's account held with the Group.

Credit risk governance

KFH's credit risk governance aims at establishing and maintaining a performing financing portfolio that minimises the incidence of customer default. The process of risk management begins with the relationship manager who is responsible for developing an understanding of the customer's financing needs and financial position with a view to ensuring that the customer is not exposed to excessive leverage in its financing activities. In KFH, credit decisions based on an assessment of the customer's ability to service debt. Precautions, such as collateral, are taken as security to mitigate loss in the event of a default by the customer. In order to avoid excessive risk concentrations, KFH's policies and procedures include specific guidelines for maintaining diversified financial portfolios, thus establishing control over certain credit risk concentrations.

With the exception of financing to retail banking customers, applications for new or renewed financing are reviewed independently of KFH's Credit Committee before being submitted to the GRM for assessment and recommendation. The Credit Committee reviews all applications and approves or denies those that fall within its delegated authority. The Chief Risk Officer is a non-voting member in the Credit Committee and provides an independent recommendation. The Chief Risk Officer has the authority to escalate a proposal to the Board if he disagrees with the decision of the Credit Committee. The Board decides on proposals that are not included within the Credit Committee's delegated authorities (or if any proposal is escalated to the Board by the Chief Risk Officer). In addition, a special purpose committee meets on a monthly basis to review the corporate banking customer portfolios and analyse the performance of such portfolios. This committee also reviews customers in default, their collateral coverage ratios, exceptions granted, limits expiry and other similar provisions.

KFH also uses credit mitigation techniques to manage risk concentrations at the relationship and industry levels. For instance, 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 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)

Category	Criteria
Bad	Irregular for a period exceeding 365 days

KFH 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.

Further, KFH ensures the diversification of exposures according to standard portfolios, business sectors and geographical distributions borders in addition to continuous evaluation of risk mitigation methods against finance obligations and credit limits of the customer as per KFH's analysis of the customer's financial position.

Eligible collaterals and guarantees are calculated as per the CBK's instructions. Netting is applied for exchange of deposits with banks and financial institutions. Standard supervisory haircuts are applied on the eligible collaterals according to the CBK's regulations.

Market risk

Market risk is the risk that the value of an asset or liability will fluctuate as a result of changes in market prices or as a result of fluctuations in the prices of commodities, sukuk, share and/or real estate. KFH's market risk exposure arises from fluctuations in foreign exchange rates which affect its banking and investment portfolio. The profit rate risks that KFH is exposed to are limited as all Islamic financing and investment transactions are interest free and all Islamic finance contracts (comprising mudaraba and musharaka transactions) are based on profit and loss sharing. Moreover, other Islamic finance transactions are related to real economic transactions such as purchase and sale of merchandise through murabaha, istisna'a, ijara or salaam transactions.

Market risk governance

Treasury manages foreign exchange risk and commodity risk arising from its activities. Treasury also manages sukuk exposure risk. Equity price risk is managed through KFH Capital. The quantum of the exposures is measured and monitored by GRM and overseen by KFH's Assets and Liabilities Management Committee ("**ALCO**"). The ALCO functions under the supervision of the Risk Committee of the Board. Real estate price risk arising from collateral pledged for financing facilities is managed by active monitoring of collateral values and topping up the collateral where the coverage of the debt is no longer acceptable.

Liquidity risk

Liquidity risk is the risk arising from KFH's inability to meet its obligations when due as a result of unavailability of funds at an economically viable price. Liquidity risk may arise from unexpected withdrawals of deposits or an inability to sell assets in the market due to absence of buyers.

Liquidity risk governance

KFH has a liquidity risk management framework which sets out specific responsibilities of internal departments (such as Treasury and GRM) in relation to measuring, monitoring and assessing KFH's funding requirements in the short-term and medium-term under normal operating and stressed conditions in order to ensure the availability of sufficient liquidity to meet its commitments (both expected and unexpected). Furthermore, KFH is in compliance with the Basel III regulatory requirements as implemented by the CBK. KFH also has a contingency funding plan in case of indications of a future liquidity shortfall (based on triggers specified in the liquidity risk management framework).

KFH's liquidity risk management framework is monitored, maintained and updated by the ALCO (overseen by the Board Risk Committee).

Operational risk

Sources of risk

KFH is exposed to the risk of loss as a result of inadequate or failed internal processes, people and systems or from external events, including legal risk.

Operational risk could be broken down as follows:

- *operational risk* – risk of losses resulting from execution, delivery and process management, damage to physical assets, violation of employment practices and workplace safety regulations and products or business practices;

- *legal and compliance risk* – risk of incurring losses due to violations of or ambiguous practices regarding laws, rules, regulations, policies procedures, contractual obligations or ethical standards or failures in regulatory compliance leading to fines or intensive scrutiny;

- *technology risk* – risk of losses or service disruptions arising from the failure of information technology ("**IT**"), *e.g.* system defects, faults, or incompleteness in computer operations, in addition to illegal or unauthorised use of computer systems that may lead to an adverse impact on the confidentiality, availability and integrity of the systems and data;

- *theft and fraud risk* – risk of losses due to theft or internal fraud, *e.g.* fraud by employees, and external fraud, *e.g.* third-party theft and forgery; and

- *Shari'a risk* – risk of losses resulting from failure to comply with *Shari'a* requirements.

Governance and organisation

Since operational risks arise from a multitude of factors, the Group's primary focus of operational risk management is on developing awareness of internal control weaknesses, strengthening such controls and installing additional risk mitigation where required.

Operational risk management is primarily the responsibility of all employees and business management. Each department head has responsibility for maintaining oversight over operational risk and internal control, covering all processes for which they are responsible.

Other committees and departments in the organisation which are responsible for the governance of operational risk management are as follows:

- *Board Risk Committee* – the committee is ultimately responsible for ensuring effective operational risk management. It sets the operational risk appetite for the bank and approves the major policies for managing operational risk. The Board also oversees the risk profile of KFH;

- *Risk Management Department* – the department primarily assists the management in discharging its responsibility to oversee operational risk within their departments. It is also responsible for maintaining the operational risk management framework, monitoring the level of operational losses and the effectiveness of the control environment, and operational risk reporting; and

- *Internal Audit* – the department provides the Board and senior management with an independent assurance process for operational risk controls across the organisation.

Methods and processes

The objective of the Group's operational risk management framework is to manage and control operational risks in a cost-effective manner within targeted levels of operational risk consistent with the approved risk appetite.

KFH is implementing the Risk Control Self-Assessment ("**RCSA**") process which entails defining business objectives and the respective key risks, mapping control activities to the risks, assigning control activities to employees, owners, assessing the effectiveness of controls and the residual risks and developing risk mitigation action plans intended to reduce risks.

KFH has also defined a number of operational key risk indicators which are measured and monitored for key business activities (see further "*–Key Business Activities*").

KFH also systematically captures risk event data from its businesses and functional departments through the loss data management system and collection workflow.

In terms of business continuity management, KFH has in place a committee monitoring the implementation of its business continuity plan. To date, a complete business impact analysis has been developed and signed-off.

KFH has adopted the basic indicator approach under Pillar 2 to measure the capital required for operational risk.

Reputation risk

KFH defines reputation risk as risks arising from negative perception of KFH or any member of the Group by customers or other parties, such as shareholders, investors, employees or regulators that could adversely affect KFH's ability to maintain current relationships or establish new relationships. In addition, given the Islamic nature of KFH's activities, KFH is also exposed to the risk of reputation arising from non-adherence to *Shari'a*, which may lead to loss of customers. Reputation risk may arise from a failure on the part of KFH to perform as expected by its relevant stakeholders. As such this risk is mitigated through monitoring and managing KFH's primary operational processes.

Strategic risk

KFH defines strategic risks as risks arising from changes in market conditions and the results of decisions of business units and strategies of competitors or inappropriate responses to market developments, which may lead to KFH losing out on profitable investment opportunities. In addition, strategic risks also arise from failure to properly implement KFH's strategic plan or from incorrect execution of the plan's objectives. KFH's strategic plan was put in place with the full involvement of the Board and senior management and is managed pro-actively. Any deviations from this plan are raised with senior management in order to take the necessary actions to achieve the stated objectives.

Information Technology and Data Security

To assist with KFH's digital innovation strategy (see further "*–Strategy plan 2020-2024 – Technology-driven innovation*"), KFH's IT department continuously assembles necessary technology components to support KFH's digital transformation aspirations as well as to create a sustainable foundation allowing such transformation to be implemented at scale and at an ever-increasing pace. KFH's IT strategy is centred on utilising enterprise solutions that offer seamless and consistent experience, promote customer centricity and address fragmentation issues.

KFH is also committed to using IT advancements as a means of contributing to inter-Group synergies through a variety of initiatives that allow KFH to standardise applications, optimise costs and achieve high levels of data quality, speed and security. For instance, a majority of KFH's recently launched products and services are technology-based, reflecting the Group's move towards digital transformation. Such products and services include ripple cross-border remittance based on block chain technology, "Digital Wallet", customer service chatbots, digital customer on-boarding, XTMs and recognition of e-signatures for account openings. KFH believes that it will be able to integrate its IT systems with those of AUB with minimal disruption to customers.

KFH has a state-of-the-art tier 3 data centre and also has an offsite IT operations centre as well as a disaster recovery site that can be activated when required. These facilities ensure that all critical systems are fully operational at all times in order to provide essential services to its customers. KFH carries out periodic data back-ups which are stored in the main data centre and replicated online (in real time) to the disaster recovery centre. Additionally, KFH provides real time back-ups of all critical systems and data to an international location in compliance with CBK instructions. KFH also carries out various security assessments using external agencies and has adopted the latest technologies to assist in mitigating cyber threats.

Islamic Insurance

KFH maintains various Islamic insurance policies and coverage. These include standard property insurance coverage for its assets (premises and contents) within and outside Kuwait, staff private medical insurance coverage and professional indemnity insurance coverage. KFH also maintains a banker's blanket insurance policy. The Group's assets are generally insured on a reinstatement cost basis. KFH's aim is to maintain market standard insurance coverage.

Litigation

Litigation commenced against banks is a reasonably common occurrence in the banking industry due to the nature of the business undertaken. KFH has formal controls and policies for managing legal claims. Advice is obtained from KFH's internal legal team as well as external legal counsel in the relevant jurisdiction and an early case assessment is completed. This assessment includes a reasonable estimate of the potential amount of loss (if any) and KFH makes adjustments to account for any adverse effects which the claims may have on its financial standing. There are, and have been, no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which KFH is aware) during the 12 months preceding the date of this Base Offering Circular that may have, or have had, significant effects on the Group's financial position or profitability.

MANAGEMENT AND EMPLOYEES

Corporate Governance Framework

KFH has developed a corporate governance framework which is based on international best practice and the CBK's "Rules and Standards of Corporate Governance" which were issued during September 2019.

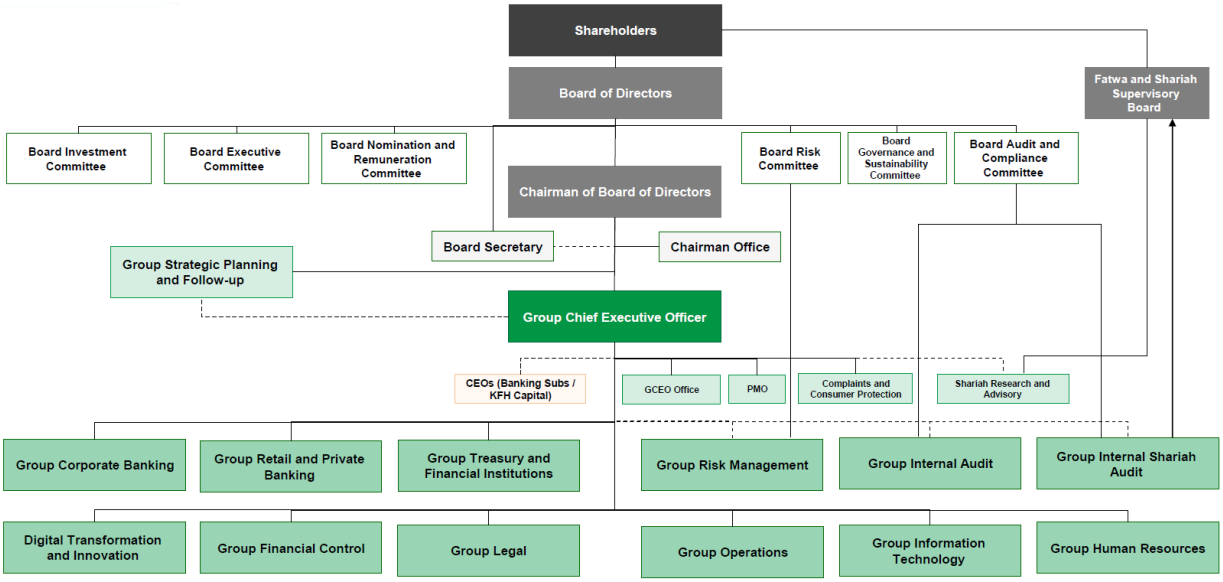
The Board has the overall responsibility for adequate corporate governance across KFH and ensuring that governance policies and mechanisms appropriate to the structure, business and risks of KFH are in place. To assist with its supervision of KFH's corporate governance framework, the Board has also established the Governance Committee (see further "*–Board Committees–Governance Committee*"). The Board, together with the Governance Committee, evaluates such policies annually in order to align these with the growth, complexity and geographic expansion of KFH. KFH's corporate governance framework is documented in a corporate governance manual maintained by the Governance Committee. The corporate governance report is included in KFH's annual reports.

Whilst the Board takes responsibility for providing the requisite guidance and leadership to KFH, the Executive Management is responsible for preparing and implementing the strategies and policies approved by the Board. The Executive Management therefore ensures that the corporate governance framework is implemented through appropriate procedures.

In addition, KFH also has a Fatwa and *Shari'a* Supervisory Board to ensure that KFH's operations are in compliance with *Shari'a* rules and regulations.

Organisation Structure

The following chart summarises the principal features of the organisational structure within KFH:


Shareholders
Board of Directors
Fatwa and Shariah Supervisory Board
Board Investment Committee
Board Executive Committee
Board Nomination and Remuneration Committee
Board Risk Committee
Board Governance and Sustainability Committee
Board Audit and Compliance Committee
Chairman of Board of Directors
Board Secretary
Chairman Office
Group Strategic Planning and Follow-up
Group Chief Executive Officer
CEOs (Banking Subs / KFH Capital)
GCEO Office
PMO
Complaints and Consumer Protection
Shariah Research and Advisory
Group Corporate Banking
Group Retail and Private Banking
Group Treasury and Financial Institutions
Group Risk Management
Group Internal Audit
Group Internal Shariah Audit
Digital Transformation and Innovation
Group Financial Control
Group Legal
Group Operations
Group Information Technology
Group Human Resources

* As at the date of this Base Offering Circular, the Board Merger Committee is suspended.

Board

KFH operates under the direction of the Board, which is the principal decision-making forum with overall responsibility for the development of KFH's strategic goals, risk strategy and sound governance principles and for monitoring performance of KFH's businesses and the Executive Management. As at the date of this Base Offering Circular, the Board comprises 12 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 16 times in 2022.

The table below shows the names of the members of the Board as at the date of this Base Offering Circular.

Name	***Position***	***Year of Appointment***
Mr. Hamad Abdul Mohsen Al Marzouq	Chairman	March 2014
Mr. Abdul Aziz Yacoub Alnafisi	Vice-Chairman	March 2014
Mr. Fahd Ali AlGhanim	Board Member	March 2014
Mr. Muad Saud Al Osaimi	Board Member	March 2014
Mr. Khaled Salem Al Nisf	Board Member	March 2014
Mr. Noorur Rahman Abid	Board Member	March 2014
Mr. Salah Abdulaziz Al-Muraikhi	Board Member	May 2018
Mr. Mohammed Nasser Al Fouzan	Board Member	September 2020
Mr. Hamad Abdullateef Al Barjas	Board Member	September 2020
Mr. Ahmed Meshari Al Faris	Board Member	September 2020
Mr. Ahmad Abdullah Al Omar	Board Member	February 2023
Sheikh Salem Abdulaziz Al Sabah	Board Member	February 2023
Mr. Ahmad Hamad Al Thunayan	Board Member	February 2023

The business address of each member of the Board is Kuwait Finance House K.S.C.P., P.O. Box 24989, Safat 13110, State of Kuwait.

Brief biographies

Detailed below is brief biographical information about each member of the Board as at the date of this Base Offering Circular.

Mr. Hamad Abdul Mohsen Al Marzouq – Chairman

Mr. Al Marzouq has been a member of the Board since March 2014 and was appointed as the Chairman of the Board in March 2014. He is also the Chairman of the Executive Committee and the Chairman of the Governance Committee (see further "*–Board Committees*").

Mr. Al Marzouq has over 30 years' experience in banking and finance sectors within and outside Kuwait. As at the date of this Base Offering Circular, he is a board member of the Kuwait Banking Association (which position he has held since 2002, including as Chairman of the Kuwait Banking Association from 2010 to 2016). Previously, Mr. Al Marzouq was the Vice-Chairman of Ahli United Bank UK (1998 until 2014), the Vice-Chairman of Ahli United Bank Bahrain (2000 until 2014), a board member of Kuwait and Middle East Financial Investment Company (2002 until 2010) (where he also served as the Chairman and the Vice-Chairman), the Chairman and Managing Director of Ahli United Bank Kuwait (2002 until 2014), a board member of the Union of Arab Banks (2003 until 2010), a board member of the Kuwait Institute of Banking Studies (2003 until 2014), a member of the board of trustees of the Arab Academy for Financial and Banking Sciences (2004 until 2009), the Vice-Chairman of Ahli Bank Qatar (2004 until 2013), the Vice-Chairman of Ahli United Bank Egypt (2006 until 2014), the Vice-Chairman of Commercial Bank of Iraq (2006 until 2014), the Vice-Chairman of Ahli United Bank Oman (2007 until 2014), a board member of the Public Authority for Applied Education and Training (2007 until 2016) and the Vice-Chairman of Middle East Financial Investment Company (2009 until 2013). He has also previously held key positions at the CBK (including as the Manager of the Financial Control Department (1996 until 1998)).

Mr. Al Marzouq holds a master's degree in International Finance and Business Management from Claremont Graduate University, United States (1987) and a bachelor's degree in Industrial Systems Engineering from University of Southern California, United States (1985).

Mr. Abdul Aziz Yacoub Alnafisi – Vice-Chairman

Mr. Alnafisi has been a member of the Board since March 2014 and was appointed as the Vice-Chairman of the Board in March 2014.

Mr. Alnafisi has considerable experience within and outside Kuwait in the banking and finance, real estate and telecommunication sectors. As at the date of this Base Offering Circular, he is the General Manager of Abdul Aziz Alnafisi General Trading Company. Previously, Mr. Alnafisi was the Deputy General Manager of Yacoub Alnafisi General Trading and Contracting Establishment (1984 until 1990), the Chairman of KFIC Brokerage Company (1989 until 1992) (where was also the Managing Director from 1989 until 1990), a board member of Kuwait Investment Projects Company (1993 until 1996), the Chief Executive Officer of Alnafisi National Real Estate Group (1996 until 2010), the Chairman of Al Madar Finance and Investment Company (1998 until 2004), a board member of Wethaq Takaful Insurance Company (2000 until 2004), the Chairman of Mada Communication Company (2001 until 2011) and a board member of the Zain Group (2005 until 2017) (where he was also the Vice-Chairman for a number of years until 2013) as well as a board member of various Zain Group entities in the MENAT region (including Zain Saudi Arabia, Zain Iran, Zain Jordan, Zain Sudan and Celtel).

Mr. Alnafisi holds a bachelor's degree in Economics from Whittier College, United States (1977).

Conflicts of interest

Certain related parties (members of the Board and the Executive Management, officers of the Group, their families, associated companies and companies of which they are the principal owners) are depositors and financing facility 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 profit rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties (see further, Note 29 (*Related Party Transactions*) to the 2022 Consolidated Financial Statements).

Further, each member of the Board 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.

The Group is committed to managing all related party transactions and potential conflicts of interest which may arise and has adopted written policies concerning related parties (including the rules and procedures regulating operations with related parties) as well a "Conflict of Interests Policy" in line with IAS 24 and related CBK instructions. These policies provide the processes for dealing with any such potential conflict, including related party transactions being approved by the shareholders' general assembly and/or 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.

Subject to the preceding paragraphs, no member of the Board has any actual or potential conflict of interest between his duties to the Group and his private interests and/or other duties.

Board Committees

The Board has established the six Board committees which are described below. The roles and authorities of each Board committee are defined and delegated by the Board.

Audit and Compliance Committee

The key role of the Audit and Compliance Committee is to assist the Board with fulfilling and complying with its supervisory responsibilities *vis-à-vis* KFH's accounting operations, financial control systems, internal audit controls, compliance and risk management systems as well as with the management of

financial reports in co-operation with internal and external auditors to ensure compliance with applicable regulatory requirements.

The Audit and Compliance Committee comprises five Board members with at least two of the members required to have knowledge in financial matters in order to perform their duties as members of the Audit and Compliance Committee. As at the date of this Base Offering Circular, the members of the Audit and Compliance Committee are: Mr. Noorur Rahman Abid (Chairman), Mr. Fahd Ali AlGhanim, Mr. Salah Abdulaziz Al-Muraikhi, Mr. Hamad Abdullateef Al Barjas and Mr. Muad Saud Al Osaimi.

The Audit and Compliance Committee is required to convene at least once every three months and provide regular reports to the Board. In 2022, the Audit and Compliance Committee convened five times.

Nominations and Remuneration Committee

The key role of the Nomination and Remuneration Committee is to assist the Board with selecting qualified individuals for the Board and Executive Management and assessing the performance of the Board and its committees. In addition, the Nomination and Remuneration Committee also assists the Board in supervising short-term and long-term remuneration systems.

The Nomination and Remuneration Committee comprises at least four Board members. As at the date of this Base Offering Circular, the members of the Nomination and Remuneration Committee are: Mr. Noorur Rahman Abid (Chairman), Mr. Abdul Aziz Yacoub Alnafisi, Mr. Ahmad Abdullah Al Omar, Mr. Ahmad Hamad Al Thunayan and Mr. Hamad Abdullateef Al Barjas.

The Nomination and Remuneration Committee is required to convene at least bi-annually and provide regular reports to the Board. In 2022, the Nomination and Remuneration Committee convened six times.

Risk Committee

The key role of the Risk Committee is to assist the Board with supervision of KFH's risk conditions, risk strategy and appetite towards credit, banking, real estate and investment activities risks as well as all related policies and procedures (see further "*Description of the Group – Risk Management*").

The Risk Committee comprises at least five Board members. As at the date of this Base Offering Circular, the members of the Risk Committee are: Mr. Ahmed Meshari Al Faris (Chairman), Mr. Khaled Salem Al Nisf, Mr. Mohammed Nasser Al Fouzan, Mr. Ahmad Hamad Al Thunayan and Mr. Salah Abdulaziz Al-Muraikhi.

The Risk Committee is required to convene at least four times each year and provide regular reports to the Board. In 2022, the Risk Committee convened five times.

Governance Committee

The key role of the Governance Committee is to assist the Board with supervising the corporate governance framework as well as to develop and assess governance policies and procedures (including KFH's professional code of ethics and code of conduct).

The Governance Committee comprises five Board members. As at the date of this Base Offering Circular, the members of the Governance Committee are: Sheikh Salem Abdulaziz Al Sabah (Chairman), Mr. Salah Abdulaziz Al-Muraikhi, Mr. Hamad Abdul Mohsen Al Marzouq, Mr. Hamad Abdullateef Al Barjas and Mr. Ahmed Meshari Al Faris.

The Governance Committee is required to convene at least bi-annually and provide regular reports to the Board. In 2022, the Governance Committee convened three times.

Executive Committee

The key role of the Executive Committee is to assist the Board with supervision of KFH's investment and banking activities by, amongst other things, supervising the implementation of KFH's strategy, monitoring performance efficiency, reviewing investment offers, approving suggestions related to finance, liquidity and/or market risks, reviewing proposed provisioning and management plans for retrieval of bad debts (if any) and reviewing the diversity and credibility of KFH's finance portfolio.

The Executive Committee comprises at least six Board members. As at the date of this Base Offering Circular, the members of the Executive Committee are: Mr. Hamad Abdul Mohsen Al Marzouq (Chairman), Mr. Abdul Aziz Yacoub Alnafisi, Mr. Salah Abdulaziz Al-Muraikhi, Mr. Fahd Ali AlGhanim, Mr. Muad Saud Al Osaimi and Mr. Khaled Salem Al Nisf.

The Executive Committee is required to convene at least four times each year and provide regular reports to the Board. In 2022, the Executive Committee convened 10 times.

Investment Committee

The key role of the Investment Committee is to assist the Board with establishing a framework for, and supervising, KFH's investment activities in compliance with KFH's strategic investment objectives.

The Investment Committee comprises at least five Board members. As at the date of this Base Offering Circular, the members of the Investment Committee are: Mr. Fahd Ali AlGhanim (Chairman), Mr. Muad Saud Al Osaimi, Mr. Khaled Salem Al Nisf, Mr. Ahmad Hamad Al Thunayan, Mr. Ahmad Abdullah Al Omar and Mr. Mohammed Nasser Al Fouzan.

The Investment Committee is required to convene at least four times each year and provide regular reports to the Board. In 2022, the Investment Committee convened four times.

Fatwa and *Shari'a* Supervisory Board

KFH's Fatwa and *Shari'a* Supervisory Board has the primary responsibility for reviewing and endorsing KFH's policies, products, services and activities as *Shari'a*-compliant. The Fatwa and *Shari'a* Supervisory Board is appointed at a shareholders' general assembly meeting and its activities include presenting an annual report at the general meeting on conformity of KFH's activities with *Shari'a* rules, supervising KFH's *Shari'a* Control and Advisory Department (which, in turn, supervises the execution of the resolutions and recommendations of the Fatwa and *Shari'a* Supervisory Board) and supervising training programmes for KFH's employees to enable them to perform their duties in compliance with *Shari'a* rules. The Fatwa and *Shari'a* Supervisory Board convened 27 times in 2022.

The Fatwa and *Shari'a* Supervisory Board comprises scholars of high repute with extensive experience of and exposure to law, economics and banking systems in various jurisdictions. The table below shows the names of the members of the Fatwa and *Shari'a* Supervisory Board as at the date of this Base Offering Circular.

Name	Position
Sheikh Professor Dr. Sayyid Mohammad Al-Sayyid Abdul Razzaq Al-Tabtaba'e	Chairman
Sheikh Professor Dr. Mubarak Jeza Al-Harbi	Member
Sheikh Dr. Anwar Shuaib Al-Abdulsalam	Member
Sheikh Dr. Esam Abdulrahim Al-Ghareeb	Member
Sheikh Dr. Khaled Shujaa' Al-Otaibi	Member

Brief biographies

Detailed below is brief biographical information about each member of the Fatwa and *Shari'a* Supervisory Board as at the date of this Base Offering Circular.

Sheikh Professor Dr. Sayyid Mohammad Al-Sayyid Abdul Razzaq Al-Tabtaba'e – Chairman

Dr. Al-Tabtaba'e received his PhD in 1996, and his master's degree in 1993 from the Higher Judicial Institute at Imam Mohammad Ibn Saud Islamic University in Riyadh, Kingdom of Saudi Arabia. He received his bachelor's degree in 1988 from the College of *Shari'a* at Imam Mohammad Ibn Saud Islamic University in Al-Qaseem. Dr. Al-Tabtaba'e is currently the Chairman of Fatwa and *Shari'a* Supervisory Board at KFH since 2014. Dr. Al-Tabtaba'e chairs the Fatwa Board for Personal Status Law of the Ministry of Awqaf and Islamic Affairs in the State of Kuwait. During his professional career he held several prominent positions including Chairman of the *Shari'a* Law Implementation Committee and Member of the Board of Trustees of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Dr. Al-Tabtaba'e was the former Dean of *Shari'a* and Islamic Studies College at Kuwait

University, former Vice Chancellor of Kuwait University, and a teaching faculty member of the college at professorship grade.

Sheikh Professor Dr. Mubarak Jeza Al-Harbi – Member

Dr. Al-Harbi received his PhD in Comparative Islamic Jurisprudence from the Faculty of Dar Al-Uloom in Cairo University, Egypt in 2002. He received his master's degree in Comparative Islamic Jurisprudence from the Faculty of Dar Al-Uloom in Cairo University, Egypt in 1998. Dr. Al-Harbi received his bachelor's degree in *Shari'a* from the Islamic University of Medina, Kingdom of Saudi Arabia in 1992. Dr. Al-Harbi is currently a member of the Fatwa and *Shari'a* Supervisory Board at KFH since 2009. Dr. Al-Harbi is member of the Fatwa and *Shari'a* supervisory board for Kuwait Finance House - Bahrain. He is also a member of the Fatwa Board at the Ministry of Awqaf and Islamic Affairs in Kuwait, and a member of Fatwa and *Shari'a* supervisory boards at various Islamic financial institutions and organisations. Dr. Al-Harbi was former head of the Comparative Islamic Jurisprudence and Shari'a Policy Department at Shari'a and Islamic Studies College of Kuwait University.

Sheikh Dr. Anwar Shuaib Al-Abdulsalam – Member

Dr. Al-Abdulsalam received his PhD in Islamic Jurisprudence and Usui Al-Fiqh from Al-Azhar University in Egypt in 1999. He received his master's degree in Islamic Jurisprudence and Usui Al-Fiqh from Al-Azhar University in Egypt in 1996. Dr. Al-Abdulsalam received his bachelor's degree in *Shari'a* from Kuwait University in 1989. Dr. Al-Abdulsalam is currently a member of the Fatwa and *Shari'a* Supervisory Board at KFH since 2000. Dr. Al-Abdulsalam is a member of the Fatwa and *Shari'a* supervisory board of Kuveyt Türk and a member of Fatwa and *Shari'a* supervisory boards at various Islamic financial institutions and organisations. Dr. Al-Abdulsalam was former head of Islamic Jurisprudence and Usui Al-Fiqh Department at *Shari'a* and Islamic Studies College of Kuwait University.

Sheikh Dr. Esam Abdulrahim Al-Ghareeb – Member

Dr. Al-Ghareeb received his PhD in Islamic Jurisprudence and Usui Al-Fiqh from Birmingham University in the UK in 2000. He received his master's degree in Islamic Jurisprudence and Usui Al-Fiqh from the same university in 1997. Dr. Ghareeb received his bachelor's degree in Islamic Jurisprudence and Usui Al-Fiqh from Kuwait University in 1988. Dr. Al-Ghareeb is currently a member of the Fatwa and *Shari'a* Supervisory Board at KFH since 2014. Dr. Al-Ghareeb is a teaching faculty member at the Islamic Jurisprudence and Usui Al-Fiqh Department at *Shari'a* and Islamic Studies College and at the Faculty of Law of Kuwait University. Dr. Al-Ghareeb previously held the position of Assistant Dean at *Shari'a* and Islamic Studies College and College of Law of Kuwait University. Dr. Ghareeb also held the position of member of the *Shari'a* Law Implementation Committee.

Sheikh Dr. Khaled Shujaa' Al-Otaibi – Member

Dr. Al-Otaibi received his PhD in Islamic Jurisprudence and Usui Al-Fiqh from the Islamic University of Medina, Kingdom of Saudi Arabia in 2000. He received his master's degree in Islamic Jurisprudence and Usui Al-Fiqh from the Islamic University of Medina, Kingdom of Saudi Arabia in 1995. Dr. Al-Otaibi received his bachelor's degree in Islamic Jurisprudence and Usui Al-Fiqh from the Islamic University of Medina, Kingdom of Saudi Arabia in 1991. Dr. Al-Otaibi is currently a member of the Fatwa and *Shari'a* Supervisory Board at KFH since 2014. Dr. Al-Otaibi is a teaching faculty member at the Islamic Jurisprudence and Usui Al-Fiqh Department at Shari'a and Islamic Studies College of Kuwait University. He is the head of the *Shari'a* supervisory board at Kuwait Zakat House and the general advisor for Kuwait Hajj Delegation and a member of Fatwa and *Shari'a* supervisory boards at various Islamic financial institutions and organizations. Dr. Al-Otaibi is an imam and orator at the Ministry of Awqaf and Islamic Affairs in Kuwait.

Executive Management

The Executive Management is responsible for day-to-day supervision and control of KFH's business, particularly with respect to ensuring compliance, risk control, independence of functions and segregation of duties. Under the direction of the Board, the Executive Management ensures that KFH's activities are consistent with the business strategy, risk appetite and policies approved by the Board.

The table below shows the names of the members of the Executive Management as at the date of this Base Offering Circular.

Name	*Position*
Mr. Abdulwahab Issa Al-Rushood	Acting Group Chief Executive Officer and Group Chief Treasury and Financial Institutions Officer
Mr. Shadi Ahmad Zahran	Group Chief Financial Officer
Mr. Fahad Khaled Al-Mukhaizeem	Group Chief Strategy Officer
Mr. Gehad Mohamed El-Bendary	Group Chief Risk Officer
Mr. Haitham Abdulaziz Al-Terkait	Group Chief Information Officer
Mr. Khaled Yousef Alshamlan	Group Chief Retail and Private Banking Officer
Mr. Abdullah Mohammed Abu Alhous	Group Chief Operations Officer
Mr. Wissam Sami El-Kari	Group Chief Internal Auditor
Mr. Zeyad Abdullah Al-Omar	Group Chief Human Resources Officer
Dr. Khaled Mohammed Al-Jumah	Group General Manager of Legal
Mr. Ahmad Eissa Al-Sumait	General Manager of Treasury (Kuwait)
Ms. Mazyed Abdullatif Al-Mazyed	General Manager Digital Transformation and Innovation
Mr. Dherar Abdullah Alreshaid	General Manager Internal Audit KFH Kuwait
Mr. Yousef Ebrahim Abdullah Almutawa	General Manager of Corporate Banking
Mr. Jamal Eldin Mohammed Alhumairi	General Manager Group Financial Control

Biography of the Acting Group Chief Executive Officer

Detailed below is brief biographical information about the Acting Group Chief Executive Officer as at the date of this Base Offering Circular.

Mr. Abdulwahab Issa Al-Rushood – Acting Group Chief Executive Officer

Mr. Al-Rushood has been the Acting Group Chief Executive Officer since October 2020 and is also the chairman of KFH Capital Investment Company and a board member of Kuwait Finance House – Bahrain. He has been the Group Chief Treasury and Financial Institutions Officer at KFH since 2015. Mr. Al-Rushood has extensive banking experience extending over 33 years. From 2002 up to now, he steadily and meritoriously advanced through the Treasury Department's ranks to numerous leadership posts. From 2013 to 2015, he handled a number of prestigious leadership positions with great success, including General Manager Kuwait Treasury. Mr. Al-Rushood served as board member for numerous leading companies including Kuwait Finance House - Malaysia from 2007 until 2013, Liquidity Management House (KFH Investment Company) from 2008 until 2013, Development Enterprises Holding Company (DEH) from 2014 until 2016, Liquidity Management Centre - Bahrain (LMC) from 2006 until 2016 and Aviation Lease & Finance Company (ALAFCO) from 2013 to 2022. Mr. Al-Rushood holds a dachelor's degree in Mathematics and Computer Science from Western Oregon State College, United States (1987).

Conflicts of interest

No member of the Executive Management has any actual or potential conflict of interest between his duties to KFH and his private interests and/or other duties.

Employees

As at 31 December 2022, KFH had 2,828 employees (compared to 2,738 employees as at 31 December 2021).

KFH believes that its human capital is a fundamental part of its success and therefore KFH seeks to ensure that it attracts the best talent and remains committed to developing its human resource. In addition, and in line with the Government's Kuwaitisation policy, KFH is committed to identifying, attracting and developing Kuwaiti nationals in its workforce. As at 31 December 2022, KFH had a Kuwaitisation level of 79.0 per cent. (compared to 75.6 per cent. as at 31 December 2021), which was above the Government's recommended Kuwaitisation level of 70.0 per cent. Moreover, KFH believes that a diverse workforce is a competitive and strategic benefit. As at 31 December 2022, women constituted 22.2 per cent. of KFH's employees (compared to 22.6 per cent. as at 31 December 2021). KFH continues to endeavour to increase this percentage by proactively seeking to attract and develop talented female employees.

As part of its human resource development programme, KFH invests in training for its workforce through partnerships with a number of world-class service providers (including INSEAD, International Institute for Management Development, LinkedIn, IQUAD Learning Solutions, Thomson Reuters and Harvard Business School). KFH's training department periodically evaluates the effectiveness of such training programmes by assessing these against employees' needs. To address specific employee development requirements, KFH also provides specialised training (including "Forsa" for training recently graduated, new employees and leadership courses for KFH's future leaders identified through approved succession plans). For the year ended 31 December 2022, KFH's employees completed 54,338 training hours (which is an average of 16 hours per employee). KFH also provides opportunities to its employees for continuing their higher education by, for instance, providing scholarships for obtaining a master's degree. KFH conducts an annual employee satisfaction survey which serves as a platform for KFH's workforce to voice their opinions and provide any comments or evaluations in respect of KFH's working environment as a whole.

During 2022, KFH won global awards, implemented a new business automation system and signed a number of human resources development agreements. At the same time, employee wellness continued to be front and centre of KFH's human resources department strategy and processes and KFH launched a second version of its employee wellness programme during 2020. This programme is ongoing and is tailored to assist KFH's employees with achieving their wellness goals through interactions with a personal wellness coach. In addition, KFH launched the "Qadha" recognition program in early 2021 to emphasize the importance of KFH employees' spirit and mental health. KFH is also focused on environmental initiatives and has launched a "Keep it green" campaign, which focuses on sustainability projects.

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. Since 2003, the CBK has retained supervision over Islamic banks by virtue of Law No. 30 of 2003 (the "**Islamic Banking Law**") which amends the CBK Law to include rules and regulations governing Islamic banks. 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 ("**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 of December 2022 were approximately KD 13.5 billion, an increase of around 10.7 per cent. as compared to KD 12.2 million as of 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 CMA exercises supervisory authority over all Kuwaiti entities (including banks and financial institutions) which are listed on Boursa Kuwait or engage in securities activities as discussed further below. Apart from instructions issued to both Islamic and conventional banks, the CBK also issues specific instructions for Islamic banks.

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. 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 the 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 Regulations

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 (in the case of conventional banks) Government treasury bonds and (in the case of Islamic banks) financing sukuk issued by the Islamic Development Bank or governments of the GCC member countries (provided existence of underlying liquidity and no less than investment grade "BBB") or financing sukuk issued by the International Islamic Liquidity Management Corporation.

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 LCR and, later in 2015, the NSFR guidelines, which are aimed at improving banks' capacity to withstand liquidity stress and making their funding structure stable.

The CBK introduced the LCR in a phased manner, setting a benchmark requirement of 70 per cent. in 2016 which increased by 10 per cent. each year and remained at 100 per cent. between January 2019 and April 2020. Banks are required to submit, along with existing liquidity reports, their LCR reports on a daily and monthly basis for monitoring purposes as well as LCRs by major currency.

The minimum required NSFR is calculated as a percentage of available stable funding to required stable funding. The requirement to maintain an NSFR of 100 per cent. became effective in January 2018, although banks were to start reporting their NSFR to the CBK in January 2016.

In April 2020, as part of the measures implemented to support the Kuwaiti economy following the outbreak of COVID-19, the CBK decreased banks' liquidity ratio requirements from 18 per cent. to 15 per cent., their LCR requirements from 100 per cent. to 80 per cent and their NSFR requirements from 100 per cent. to 80 per cent. Additionally, the CBK increased the limit for the maximum negative cumulative gap for liquidity and also increased the limit for the maximum permissible financing from 90 per cent. to 100 per cent. These measures imposed by the CBK remained valid until 30 June 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 will revert 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 already implemented the full set of Basel III regulations, covering capital adequacy, leverage, and liquidity. The CBK has enhanced its capital adequacy regime by setting out higher and better quality capital for Kuwaiti banks to further strengthen their loss absorbing capacity. The CBK has also put up additional capital requirements for systemically important banks and introduced the Leverage Ratio (which is defined as the "capital" measure – made up of Tier 1 capital – *divided by* the "exposure" measure – being the sum of on-balance sheet assets, derivative exposures and off-balance sheet exposures) as a supplementary measure to ensure that Kuwaiti banks do not become overly leveraged.

The CBK's Instructions relating to Basel III require that the terms and conditions of Tier 1 or Tier 2 instruments issued by a licensed bank in Kuwait must contain a provision that permits such instruments to either be written-off or converted into common equity, as determined by the CBK, should a Trigger Event (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 only allow for a Write-down (as defined in the Conditions), and not a conversion into ordinary shares, of the Certificates to take place following the occurrence of a Trigger Event.

Credit risk regulations

- *Loan/financing to deposit ratio* – Kuwaiti banks are restricted by the CBK from lending amounts/providing financings 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, amounts due are not paid on the maturity date or the debit balance exceeds the drawing limits determined for the customer.

- *Consumer and instalment loans/financings* – Consumer credit facilities are granted with the CBK's regulatory framework, lending/funding limits and in accordance with the bank's internal credit policy. In November 2018, the CBK amended the regulations on granting personal loans/financings. 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/financing is 25 times the net monthly salary (or continuous monthly income) of the consumer, or KD 25,000, whichever is lower, with a maximum payment tenor of five years. An "instalment" loan/financing is a long-term personal loan/financing intended for non-commercial purposes, in particular for renovation or purchase of a private residence. The maximum limit on instalment loans/financings is KD 70,000 (which is in addition to the maximum limit on any "consumer" loan/financing advanced to the same customer). The maximum payment tenor for an instalment loan/financing is 15 years. A customer's total monthly payment liability (consumer and instalment loans/financing)s must not exceed 40 per cent. of that customer's net monthly salary (or continuous monthly income).

- *Extension of facilities for non-residents* – Local banks are permitted to extend credit facilities in Kuwaiti dinar to non-residents without the need for prior consent from the CBK only in connection with financing contracts awarded by government bodies in Kuwait whose value does not exceed

KD 40 million and where the loan/financing does not exceed 70 per cent. of the total value of the contract. In all other cases, CBK consent is required for loans/financings 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/profit rate cap regulations

The CBK's resolutions issued in respect of interest/profit rate ceilings provide that the maximum limits for interest/profit rates on Kuwaiti dinar loans/financings to corporates should not exceed:

- 2.5 per cent. over the CBK's discount rate in the case of commercial loans/financings with a maturity of one year or less; and

- 4 per cent. over the CBK's discount rate in the case of commercial loans/financings exceeding one year.

Interest/profit rates for consumer and instalment loans/financings denominated in Kuwaiti dinar are currently capped at the CBK discount rate *plus* 3 per cent. for each block of five years. Such interest/profit rates may be adjusted by no more than *plus* or *minus* 2 per cent. for each subsequent block of five years.

In light of recent developments in local and international economic conditions, the CBK raises the discount rate by 0.50 per cent. from 3.5 per cent. to 4 per cent. effective 26 January 2023.

Interest/profit rates for loans/financings 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 is 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 banks' board of directors and the board committees. With effect from 30 June 2020, a bank's board must

comprise no less than 11 board members, two of whom must be deemed "independent" but in no circumstance should the independent board members occupy more than half of the board seats. Another two independent board members are to be included to provide a total of four independent board members from the, at least, 11 board members. Following the outbreak of the COVID-19 pandemic, the CBK granted Kuwaiti banks an extension to this requirement until 31 December 2020.

The Corporate Governance Rules 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.

KFH has developed a corporate governance framework which is based on international best practice and adheres to the CBK's requirements under the Corporate Governance Rules (see further "*Management and Employees – Corporate Governance Framework*").

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.

Shari'a Supervisory Board

The CBK has issued instructions in respect of *Shari'a* supervisory regulations for Islamic banks. Islamic banks in Kuwait must have a *Shari'a* supervisory board, which must have a minimum of three members. The *Shari'a* supervisory board is responsible for determining the *Shari'a* compliance of bank products and transactions. The board of directors of an Islamic bank must implement the directives of the *Shari'a* supervisory board regarding *Shari'a* compliance.

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 Boursa Kuwait; (vi) the protection of customers; (vii) customers' special needs; and (viii) anti-money laundering and combating the financing of terrorism.

CBK Directive for Sustainable Finance

The CBK issued a circular to local banks on 16 November 2022 which included a directive on sustainable financing (the "**Sustainable Finance Directive**"), in efforts to support "Kuwait's Vision of 2035". The Sustainable Finance Directive consists of three parts: (i) an introduction to sustainable financing and its long-term goal to achieve economic, environmental and social stability; (ii) a summary on the importance of sustainable financing and environmental, social and corporate governance ("**ESG**") principals; and (iii) a guideline for local banks to consider when implementing sustainability standards.

The guideline includes, among other things, (i) encouraging local banks to support financial frameworks in general and facilitating access to financial services; and (ii) recommending local banks to introduce training programmes for its employees in relation to sustainable financing. The guideline clarifies that all policies and procedures in relation to the implementation of sustainable financing should be approved by the bank's board of directors. Although the Sustainable Finance Directive is not legally binding it sets out a framework in which local banks can abide by to achieve the sustainable financing initiative.

Application of CBK Regulations to KFH

KFH is incorporated as a public shareholding company in Kuwait. KFH is licensed by the CBK to conduct *Shari'a*-compliant banking activities and operates under its supervision. KFH is also listed on Boursa Kuwait. As a company incorporated in Kuwait under the applicable companies' laws, for KFH to perform any commercial activities, it must have a valid commercial license issued by the MOCI. The MOCI issued commercial license is renewable every four years. KFH has a valid commercial license which expires on 6 September 2025. KFH has no reason to believe that its commercial licence will not be renewed by the MOCI.

The CBK is tasked with maintaining the stability of Kuwait's banking system. As an entity subject to the CBK's oversight, KFH 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 full inspection of KFH for which a report has been issued was conducted during 2022. The final inspection report was issued on 23 October 2022.

Alongside the CBK, KFH 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 Capital Market Authority 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 of December 2022, total local bank assets in the Kuwaiti banking sector amounted to KD 84,964.1 million and total credit facilities to Kuwaiti residents advanced by local banks amounted to KD 42,118.4 million (*source*: CBK).

The key performance indicators of the Islamic Kuwaiti banks as at 31 December 2022 are set out below (*source*: financial statements and investor publications published on the company website of each bank listed below):

	As at and for the year ended 31 December 2022			
	Cost to Income Ratio	**Return on Average Assets**	**Return on Average Equity**	**Earnings Per Share**
		(%)		*(fils)*
Al Ahli United Bank	41.4	0.8	4.5	13
Boubyan Bank	50.1	0.8	7.6	14.2
KFH	32.6	1.7	13.2	33.6
Kuwait International Bank	72	0.4	2.4	7.9
Warba Bank	44.3	0.5	5	7

In addition, as at 31 January 2023, the following banks also operated in Kuwait:

- five conventional banks (Al Ahli Bank of Kuwait, Burgan Bank, Commercial Bank of Kuwait, Gulf Bank and National Bank of Kuwait);
- one specialised bank (The Industrial Bank of Kuwait, which was established by the Government with an emphasis on financing and enhancing industrial development in Kuwait); and
- 11 foreign bank branches (Al-Rajhi Bank, Bank of Bahrain and Kuwait, Bank Muscat, BNP Paribas, Citibank, Doha Bank, First Abu Dhabi Bank, HSBC, Industrial and Commercial Bank of China Limited, Mashreq Bank and Qatar National Bank).

Deposit Guarantee Law

In response to the global financial crisis in 2008, the Government passed Law No. 30 of 2008 regarding the guarantee of deposits held with local banks (the "**Deposit Guarantee Law**"). Under the Deposit Guarantee Law, the Government has undertaken to guarantee the principal (but not interest) of all deposits held with local banks in Kuwait, including savings accounts and current accounts.

OVERVIEW OF KUWAIT

Unless indicated otherwise, information in this section has been derived from the Government publications.

Overview

Kuwait is located in the north-east of the Arabian Peninsula in Western Asia. It is bordered by the Kingdom of Saudi Arabia to the south at Khafji and the Republic of Iraq to the north at Basra. To the east, Kuwait has approximately 499 kilometres of coastline on the Arabian Gulf.

Kuwait covers an area of approximately 17,818 square kilometres, which is divided into six "Governorates" (Al-Ahmadi, Al-'Asimah (the capital), Al-Farwaniyah, Al-Jahra', Hawalli and Mubarak Al-Kabir). Each Governorate is headed by a governor, a representative of the Emir, who is supported by a council. Governors are usually members of the ruling family or close allies. Membership of the Governorate councils is by appointment. Each Governorate is divided into districts or areas and each district is headed by a mayor or chief (*Mukhtar*) who reports to the Kuwait Ministry of Interior. The capital and administrative centre of Kuwait is Kuwait City, where the Government and most of the other state institutions are located. The official language in Kuwait is Arabic, but the use of English is widespread, especially in business transactions.

Kuwait's economy benefits from some of the largest oil reserves in the world as well as very low relative oil production costs. According to OPEC's 2022 Annual Statistical Bulletin, Kuwait has the sixth largest oil reserves in the world estimated at around 101.5 billion barrels (accounting for 6.6 per cent. of the world's total oil reserves). In addition, Kuwait was the world's seventh largest oil producer and sixth largest exporter for the year ended 31 December 2021, accounting for 3.5 per cent. of the world's total oil production and 4.2 per cent. of the world's total oil exports for the year ended 31 December 2021. According to the same source, Kuwait's production levels were 2.4 million barrels per day on average for the year ended 31 December 2021.

As a founding member of OPEC, Kuwait's oil production is subject to any agreements that are reached by OPEC to limit oil production and, in April 2020, Kuwait participated in the OPEC+ agreement, and the subsequent extension in July 2020, to cut global oil production in response to the reduced demand for oil following the outbreak of COVID-19. With recovery of economic activity after the COVID-19 pandemic, OPEC+ agreed in January 2021 to increase oil production by 500,000 barrels per day. The global recovery resulted in the OPEC reference basket rising from U.S.$54.38 in January 2021 to U.S.$71.89 in June 2021. On 4 January 2022, OPEC+ agreed to proceed with its planned increase in oil output of 400,000 barrels per day for February, in line with the OPEC+ agreement made in July 2021. On 2 June 2022, OPEC agreed to increase oil production by almost 650,000 barrels a day in both July and August 2022. On 5 September 2022, the OPEC and non-OPEC Ministerial Meeting decided to revert to the production level of August 2022 for OPEC and non-OPEC participating countries for the month of October 2022, noting that the upward adjustment of 0.1 mb/d to the production level was only intended for the month of September 2022. On 8 September 2022, the OPEC reference basket stood at U.S.$92.59. However, on 5 October 2022, OPEC+ announced a cut of 2,000,000 barrels per day to its production target, starting from November 2022 for OPEC and non-OPEC participating countries. On 4 December 2022, OPEC+ announced that it would maintain production at current levels given market uncertainty over Chinese demand and Russian supply of oil. On 2 April 2023, OPEC+ announced a reduction of its production target by 1,160,000 million barrels per day to the end of 2023. As of 14 April 2023, the OPEC reference basket stood at U.S.$86.80.

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 Kuwait Central Statistical Bulletin was 4.2 million at the start of 2022.

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 Statistics Bureau, 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 2022), 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 2.6 per cent. in 2023.

According to data from Kuwait's Ministry of Finance, oil revenues comprised 91.2 per cent. of total Government revenues for the fiscal year ended 31 March 2022. According to the Statistics Bureau, oil and oil products represented 91.6 per cent. of total exports for the year ended 31 December 2021. 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 2018, 2019, 2020, 2021 and 2022. The annual average OPEC reference basket prices in each of 2016, 2017, 2018, 2019, 2020, and 2021 were U.S.$40.76, U.S.$52.43, U.S.$69.78, U.S.$64.04, U.S.$41.47, and U.S.$69.89, 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, the price of oil declined to U.S.$80.36 by December 2022 due to a combination of factors, including increased production levels from OPEC and other major producers, which has slowed economic growth, decreased oil demand and raised inventories. As of 14 April 2023, the OPEC reference basket stood at U.S.$86.80.

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 oil (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 Statistics Bureau), 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 Statistics Bureau, 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.

According to the Sovereign Wealth Fund Institute, Kuwait's public finances benefit from one of the world's largest sovereign wealth funds. 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.

Inflation

The following table sets forth the consumer price index and annual inflation rate in Kuwait for the years ended 31 December 2022. 2021, 2020, 2019 and, respectively.

	Average for the year ended 31 December				
	2022	**2022**	**2022**	**2022**	**2022**
Consumer price index (base year 2013=100)	127.6	127.6	127.6	127.6	127.6
Inflation (percentage change, year on year).....	4.4	4.4	4.4	4.4	4.4

Source: Statistics 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-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 Plan

On 30 January 2017, the Government updated its long-term development strategy under the slogan "New Kuwait 2035". The New Kuwait Plan is based on the following seven thematic pillars and objectives:

- *public administration*: reform administrative and bureaucratic practices to reinforce transparency, accountability and efficiency in the Government;

- *economy*: develop a prosperous and diversified economy to reduce Kuwait's dependency on oil revenues;

- *infrastructure*: develop and modernise the national infrastructure to improve the quality of life for Kuwait's citizens;

- *living environment*: ensure the availability of accommodation through environmentally sound resources and tactics;

- *healthcare*: improve service quality and develop national capabilities in the public healthcare system;
- *human capital*: reform the education system to better prepare Kuwait's youth to become competitive, productive and competent members of the workforce; and
- *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, the Kingdom of Saudi Arabia, the State of Qatar, the Sultanate of Oman 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).

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent. Defined terms used below have the meaning given to them in the Conditions.

Master Purchase Agreement

The Master Purchase Agreement was entered into on 19 April 2023 between the Trustee (in its capacity as "**Purchaser**") and KFH (in its capacity as "**Seller**") and is governed by Kuwait law. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by Kuwait law.

Pursuant to the Master Purchase Agreement, the Seller may in connection with the issue of a Tranche, from time to time, agree to sell, transfer and convey to the Purchaser, and the Purchaser may, from time to time, agree to purchase and accept the transfer and conveyance from the Seller of:

(a) in respect of the first Tranche of a Series, all of the Seller's interests, rights, title, benefits and entitlements, present and future, in, to and under the Initial Wakala Assets; and

(b) in respect of any Additional Tranche, all of the Seller's interests, rights, title, benefits and entitlements, present and future, in, to and under the Additional Wakala Assets,

in each case, on the Issue Date of the relevant Tranche pursuant to a Supplemental Purchase Agreement which will, among other things, specify in a schedule the Initial Wakala Assets or the Additional Wakala Assets, as the case may be, being sold and the purchase price to be paid for them.

In respect of the first Tranche of a Series, the purchase price (excluding the portion of the purchase price attributable to the Intangible Portion of any Tradable Sukuk comprised in the relevant Initial Wakala Assets) shall be no less than 55 per cent. of the aggregate face amount of the Certificates issued pursuant to such Tranche. In respect of any Additional Tranche, the purchase price shall be such that after entering into the relevant Supplemental Purchase Agreement, the Tangibility Ratio will be more than 50 per cent.

The proportion of the purchase price payable in respect of each Initial Wakala Asset or Additional Wakala Asset (as applicable) shall be an amount equal to the Value of that Initial Wakala Asset or Additional Wakala Asset (as applicable).

Wakala Agreement

The Wakala Agreement was entered into on 19 April 2023 between the Trustee and KFH (in its capacity as Wakeel) and is governed by English law.

Pursuant to the Wakala Agreement, the Trustee has appointed the Wakeel to provide certain services in respect of the Wakala Portfolio Assets relating to each Series. In particular, the Wakeel will provide, amongst other things, the following services (the "**Wakala Services**"), during the Wakala Ownership Period, in relation to each Series:

(a) it shall complete a Wakala services plan (which will be substantially in the form set out in the Wakala Agreement) (the "**Wakala Services Plan**") on the Issue Date of the first Tranche of the relevant Series;

(b) if the Trustee issues an Additional Tranche in respect of a Series, it shall as soon as practicable after such issuance amend the Wakala Services Plan for that Series to take into account the issuance of such Additional Tranche;

(c) it shall manage the relevant Wakala Portfolio Assets in accordance with the relevant Wakala Series Plan and the terms of the Wakala Agreement;

(d) it shall, subject to the terms of the Wakala Agreement, ensure that, at all times after the Issue Date of the first Tranche of a Series, the Tangibility Ratio of the relevant Series is more than 50 per cent. If at any time the Tangibility Ratio of a Series falls:

(i) to 50 per cent. or less (but is 33 per cent or more), it shall, following consultation with its *Fatwa* and *Shari'a* Supervisory Board, take such steps as may be required to ensure that the Tangibility Ratio of the relevant Series is restored to more than 50 per cent. within the time period determined by its *Fatwa* and *Shari'a* Supervisory Board; and

(ii) to less than 33 per cent. (such event being a "**Tangibility Event**") within 10 Business Days of the Wakeel becoming aware of the occurrence of the Tangibility Event, the Wakeel shall deliver a notice to the Trustee and the Delegate in accordance with the terms of the Wakala Agreement and request the Trustee to promptly deliver a Tangibility Event Notice to the relevant Certificateholders in accordance with Condition 8.5 (*Dissolution at the option of the Certificateholders (Tangibility Event Put Right)*);

(e) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) in accordance with its usual practices that it considers reasonably necessary to ensure the assumption of, and compliance by each Wakala Asset Obligor with its covenants, undertakings or other obligations under the transaction documents in respect of the relevant Wakala Portfolio Asset in accordance with applicable law and the terms of the Wakala Portfolio Assets;

(f) it shall discharge or procure the discharge of all obligations to be discharged by KFH in respect of any of the Wakala Portfolio Assets, it being acknowledged that the Wakeel may appoint one or more agents to discharge these obligations on its behalf, and such actual costs, expenses, actual losses and Taxes shall be reimbursed in accordance with the terms of the Wakala Agreement;

(g) it shall pay on behalf of the Trustee any actual costs, expenses, actual losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio Assets;

(h) it shall use its reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues, investigate non-payment of Wakala Portfolio Revenues and generally make all efforts to collect or enforce the collection of such Wakala Portfolio Revenues under all Wakala Portfolio Assets as and when the same shall become due;

(i) it shall ensure that each Wakala Asset Obligor is in compliance with its obligations in respect of the Wakala Portfolio Assets (and the related transaction documentation (including those of maintenance and insurance (including Islamic insurance) where applicable));

(j) it shall maintain the Collection Accounts and the Reserve Account, in each case in accordance with the terms of the Wakala Agreement;

(k) if, following payment to the Transaction Account of a Series of amounts standing to the credit of the Reserve Account of the relevant Series in accordance with the terms of the Wakala Agreement, a Shortfall Amount (as defined below) remains on any Wakala Distribution Determination Date it may: (A) provide *Shari'a*-compliant funding to the Trustee; or (B) procure third party *Shari'a* compliant funding on commercially acceptable terms, in each case, to the extent necessary to ensure that the Trustee receives on each Wakala Distribution Determination Date the Required Amount payable by it in accordance with the Conditions of the relevant Series on the immediately following Periodic Distribution Date, by payment of the same into the Transaction Account and on terms that such funding is repayable (i) from amounts standing to the credit of the Income Collection Account (see below) or (ii) on the relevant Dissolution Date (such funding in relation to a Series, a "**Liquidity Facility**");

(l) it shall notify the Trustee promptly if at any time (1) a Wakala Portfolio Asset ceases to be an Eligible Wakala Asset or any of the representations and warranties contained in clause 5.2 of the Master Purchase Agreement (or any equivalent provision of any Supplemental Purchase Agreement) cease to be true and correct, (the occurrence of such event or circumstance being an "**Impaired Wakala Asset Event**");

(m) it shall, together with any notice delivered in accordance with paragraph (l) above, notify the Trustee of the availability (if any), together with all necessary details, of any Eligible Wakala

Assets for the purposes of substituting any Wakala Asset in respect of which an Impaired Wakala Asset Event has occurred in accordance with the terms of the Purchase Undertaking and

(n) it shall carry out any incidental matters relating to any of the above.

The Wakeel shall provide the Wakala Services in relation to the Wakala Portfolio Assets in accordance with all applicable laws and regulations, with the degree of skill and care that it would exercise in respect of its own assets and in accordance with *Shari'a* principles laid down by its *Fatwa* and *Shari'a* Supervisory Board.

The Wakeel has undertaken in the Wakala Agreement, in relation to each Series, that:

(a) it shall not take any steps during the Wakala Ownership Period that will result in there being no Wakala Portfolio Assets in respect of a Series at any time; and

(b) it shall maintain actual or constructive possession, custody or control of all of the Wakala Portfolio Assets of a Series during the Wakala Ownership Period of that Series, provided that:

(i) it is legally possible for the Wakeel to so maintain; and

(ii) such maintenance shall not result in a breach of the terms of the relevant transaction documents relating to such Wakala Portfolio Assets.

The Trustee, KFH and the Wakeel have agreed in the Wakala Agreement that if, in relation to a Series, at any time there are Principal Revenues standing to the credit of the Principal Collection Account of the relevant Series then, then, to the extent KFH has further Eligible Wakala Assets available for sale to the Trustee, the Wakeel shall notify the Trustee in writing of:

(a) the Principal Revenues standing to the credit of the Principal Collection Account of the relevant Series and freely available for use by the Trustee for the purposes of purchasing further Eligible Wakala Assets as selected by KFH (the "**Further Wakala Assets**"); and

(b) the details and Values of such Further Wakala Assets.

Following receipt of the notice referred to above, the Trustee shall pay, or procure the payment by the Wakeel of, a purchase price (the "**Further Wakala Asset Purchase Price**") which shall be no greater than the Value of the Further Wakala Assets, to or to the order of KFH against the sale, transfer and conveyance to, or for the benefit of, the Trustee of all of the KFH's interests, rights, title, benefits and entitlements, in, to and under the relevant Further Wakala Assets subject to the execution, and pursuant to and on the terms, of a separate purchase agreement substantially in the form, *mutatis mutandis*, of a Supplemental Purchase Agreement provided that the Further Wakala Asset Purchase Price shall be debited (or equivalent) by the Wakeel from the Principal Collection Account of the relevant Series on the date of such sale, transfer and conveyance (the "**Further Wakala Asset Purchase Date**") and such debiting (or equivalent) of the Further Wakala Asset Purchase Price from the Principal Collection Account of the relevant Series shall constitute full discharge of the obligation of the Trustee to pay the Further Wakala Asset Purchase Price.

KFH is entitled to receive a fee for acting as Wakeel which comprises a fixed fee of U.S.$100 (the receipt and adequacy of which is acknowledged by the Wakeel under the Wakala Agreement) and may also receive incentive payments as described below.

In relation to each Series, the Wakeel will maintain three book-entry ledger accounts (referred to as the "**Principal Collection Account**", the "**Income Collection Account**" and the "**Reserve Account**").

All Wakala Portfolio Revenues relating to a Series will be recorded as follows:

(a) if any such amounts comprise Income Revenues, in the Income Collection Account; and

(b) if any such amounts comprise Principal Revenues, in the Principal Collection Account.

In relation to each Series, amounts standing to the credit of the Income Collection Account will be applied by the Wakeel on each Wakala Distribution Determination Date in respect of the relevant Series in the following order of priority:

(a) *first*, in repayment or payment of any amounts advanced to the Trustee by way of a Liquidity Facility in respect of the relevant Series;

(b) *second*, in payment to the Wakeel on behalf of the Trustee of any Wakeel Liabilities Amounts for the Wakala Distribution Period ending on the immediately following Wakala Distribution Date in respect of the relevant Series and (if applicable) any Wakeel Liabilities Amounts for any previous Wakala Distribution Period in respect of the relevant Series that remain unpaid;

(c) *third*, in payment into the relevant Transaction Account an amount equal to lesser of the Required Amount payable on the Periodic Distribution Date falling one (1) Business Day after such Wakala Distribution Determination Date and the balance of the Income Collection Account; and

(d) *fourth*, any remaining amounts will be credited to the Reserve Account of the relevant Series.

Amounts standing to the credit of the Reserve Account of each Series shall be applied by the Wakeel as follows:

(a) if there will be a shortfall on a Wakala Distribution Determination Date in respect of the relevant Series (after payment into the relevant Transaction Account of the relevant amount in accordance with paragraph (c) above) between (A) the amount standing to the credit of the relevant Transaction Account and (B) the Required Amount payable on the Periodic Distribution Date falling one (1) Business Day after such Wakala Distribution Determination Date (the difference between such amounts being referred to as a "**Shortfall Amount**"), by paying into the relevant Transaction Account on that Wakala Distribution Determination Date from the amounts standing to the credit of the Reserve Account of the relevant Series (if any) an amount equal to the Shortfall Amount (or such lesser amount as is then standing to the credit of the relevant Reserve Account);

(b) the Wakeel will be entitled to deduct amounts standing to the credit of the Reserve Account at any time during the relevant Wakala Ownership Period and use such amounts for its own account, **provided that** such amounts shall be immediately repaid by it if so required to fund a Shortfall Amount in accordance with paragraph (a) above; and

(c) following redemption in full of all of the Certificates of a Series, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the Principal Collection Account, Income Collection Account and Reserve Account of that Series for its own account as an incentive payment for acting as Wakeel in respect of the relevant Series (in relation to each Series, an "**Incentive Payment**").

The Wakeel has agreed in the Wakala Agreement (and except as provided therein) that all payments by it under the Wakala Agreement will be made in the Specified Currency without any deduction or withholding for or on account of any present or future taxes imposed by the Relevant Jurisdictions unless required by law and without set-off or counterclaim of any kind and, if there is any deduction or withholding, the Wakeel shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made.

The payment obligations of the Wakeel under the Wakala Agreement will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)) unsecured obligations of the Wakeel and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated obligations of the Wakeel present and future.

Purchase Undertaking

The Purchase Undertaking was executed as a deed on 19 April 2023 by KFH in favour of the Trustee and the Delegate and is governed by English law.

In relation to each Series, KFH has irrevocably granted to the Trustee and the Delegate (on behalf of itself and the Certificateholders) the following rights:

(a) **provided that** a Dissolution Event has occurred and is continuing in relation to a Series and a Dissolution Notice has been delivered to the Trustee in accordance with the Conditions in respect of the relevant Series, to require KFH to purchase and accept the transfer and conveyance on the Dissolution Event Redemption Date specified in the Exercise Notice of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Portfolio Assets of the relevant Series at the Exercise Price specified in the relevant Exercise Notice

(b) to require KFH, on the Scheduled Dissolution Date of a Series, to purchase and accept the transfer and conveyance of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Portfolio Assets of the relevant Series at the Exercise Price specified in the relevant Exercise Notice;

(c) **provided that**:

(i) Certificateholder Put Right is specified as applicable in the applicable Pricing Supplement of a Series (and Optional Dissolution Right is specified as not applicable in the applicable Pricing Supplement of a Series);

(ii) a holder or holders of the relevant Certificates have exercised the Certificateholder Put Right in respect of the relevant Series in accordance with the Conditions; and

(iii) the Value of the relevant Certificateholder Put Right Wakala Assets represents a proportion of the aggregate Value of all of the Wakala Portfolio Assets of the relevant Series not exceeding the relevant Certificateholder Put Right Proportion, each as determined on the relevant exercise date,

to require KFH, on the relevant Certificateholder Put Right Date, to purchase and accept the transfer and conveyance on the Certificateholder Put Right Date of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Certificateholder Put Right Wakala Assets of the relevant Series at the Certificateholder Put Right Exercise Price specified in the relevant Exercise Notice;

(d) **provided that:**

(i) a Tangibility Event has occurred in respect of a Series and any Certificateholder of that Series has exercised its option to require redemption of all or any of its Certificates in accordance with the Conditions; and

(ii) the Value of the relevant Tangibility Event Put Right Wakala Assets represents a proportion of the aggregate Value of all of the Wakala Portfolio Assets of the relevant Series not exceeding the relevant Tangibility Event Put Right Proportion, each as determined on the relevant exercise date,

to require KFH, on the Tangibility Event Put Right Date, to purchase and accept the transfer and conveyance of all of the Trustee's rights, title and interests in, to and under the Tangibility Event Put Right Wakala Assets of the relevant Series at the relevant Tangibility Event Put Right Exercise Price specified in the relevant Exercise Notice; and

(e) **provided that** the Trustee has received a notice from the Wakeel in accordance with the terms of the Wakala Agreement in respect of the occurrence of an Impaired Wakala Asset Event in respect of a Series, to require KFH to purchase and accept the transfer and conveyance on the relevant Impaired Wakala Asset Exercise Date of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the relevant Impaired Wakala Assets against the transfer and conveyance to the Trustee of all of KFH's interests, rights, title, benefits and entitlements, present and future, in, to and under certain new Eligible Wakala Assets specified as such in an Impaired Wakala Asset Exercise Notice, subject to certain conditions set out in the Purchase Undertaking,

in each case, with regard to such Wakala Portfolio Assets, Certificateholder Put Right Wakala Assets, Tangibility Event Put Right Wakala Assets, Impaired Wakala Assets and New Wakala Assets, as the case may be, free of any Adverse Claim and on an "as is" basis (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Purchase Undertaking.

KFH has expressly declared and undertaken in the Purchase Undertaking that:

(a) at the time of delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, Kuwait Finance House K.S.C.P. remains in actual or constructive possession, custody or control of all or any part of the Wakala Portfolio Assets, the Certificateholder Put Right Wakala Assets and the relevant Tangibility Event Put Right Wakala Assets of the relevant Series, as the case may be; and

(b) if, following delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever,

KFH shall (as an independent, severable and separately enforceable obligation) fully indemnify (on an after-Tax basis) the Trustee for the purpose of redemption in full of the Certificates of the relevant Series then outstanding, the Certificateholder Put Right Certificates of the relevant Series or the Tangibility Event Put Right Certificates of the relevant Series, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be.

KFH has agreed in the Purchase Undertaking that (except as provided therein) all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of any present or future taxes imposed by the Relevant Jurisdictions unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, KFH shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made.

The payment obligations of KFH under the Purchase Undertaking will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)) unsecured obligations of KFH and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated obligations of KFH present and future.

In the Purchase Undertaking, KFH has undertaken to comply with all provisions of the Conditions and the Transaction Documents to which it is a party and which are expressed to be applicable to it including, without limitation the negative pledge provisions described in Condition 6.2 (*Negative Pledge*) and the use of proceeds provisions described in the "*Use of Proceeds*" section of this Base Offering Circular.

Sale and Substitution Undertaking

The Sale and Substitution Undertaking was executed as a deed on 19 April 2023 by the Trustee in favour of KFH and is governed by English law.

In relation to each Series, the Trustee has irrevocably granted to KFH each of the following rights:

(a) **provided that** a Tax Event has occurred in relation to a Series and the Trustee has delivered to the Delegate:

  (i) a certificate signed by two directors of the Trustee (in the case of Condition 8.2(a)) (*Early Dissolution for Taxation Reasons*) or by two authorised signatories of KFH (in the case of Condition 8.2(b)) (*Early Dissolution for Taxation Reasons*); and

  (ii) an opinion of independent legal advisers or other professional advisers, in each case of recognised standing,

in each case, in accordance with Condition 8.2 (*Early Dissolution for Taxation Reasons*), to require the Trustee to sell, transfer and convey to KFH on the Early Tax Dissolution Date specified in the relevant Exercise Notice all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Portfolio Assets of the relevant Series at the Exercise Price specified in the relevant Exercise Notice;

(b) if and to the extent that any Certificates of a Series have been purchased and are to be cancelled pursuant to Condition 8.7 (*Purchases*) and 8.8 (*Cancellation*), to require the Trustee to purchase the relevant Cancelled Certificates from KFH in consideration for (1) the transfer and conveyance of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the relevant Cancellation Wakala Assets to KFH; (2) the payment of an amount equal to the Cancellation Amount specified in the relevant Cancellation Notice to KFH; and (3) the cancellation of the Cancelled Certificates on the relevant Cancellation Date in accordance with the terms of the Master Declaration of Trust, the relevant Supplemental Declaration of Trust, the Conditions and the terms of the Sale and Substitution Undertaking, subject to certain conditions set out in the Sale and Substitution Undertaking;

(c) **provided that** Optional Dissolution Right is specified as applicable in the applicable Pricing Supplement of a Series (and Certificateholder Put Right is specified as not applicable in the applicable Pricing Supplement of a Series), to require the Trustee, on the relevant Optional Dissolution Date, to sell, transfer and convey to KFH on the Optional Dissolution Date specified in the Exercise Notice all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the relevant Optional Dissolution Wakala Assets at the Optional Dissolution Exercise Price specified in the relevant Exercise Notice, provided that the Value of such Optional Dissolution Wakala Assets represents a proportion of the aggregate Value of all of the Wakala Portfolio Assets not exceeding the Optional Dissolution Proportion each as determined on the relevant exercise date;

(d) to oblige the Trustee to sell, transfer and convey on any substitution date all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under certain Wakala Portfolio Assets (the "**Substituted Assets**") in exchange for the transfer and conveyance by KFH to the Trustee of all of its interests, rights, title, benefits and entitlements, present and future, in, to and under new Eligible Wakala Assets, subject to certain conditions set out in the Sale and Substitution Undertaking; and

(e) provided that 75 per cent. or more of the face amount of the Certificates of a Series then outstanding have been redeemed pursuant to Condition 8.5 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), to require the Trustee to sell, transfer and convey to KFH on the Clean Up Call Dissolution Date all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Portfolio Assets of the relevant Series at the Exercise Price specified in the relevant Exercise Notice,

in each case, free of any Adverse Claim and on an "as is" basis (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale and Substitution Undertaking

Master Murabaha Agreement

The Master Murabaha Agreement was entered into on 19 April 2023 between the Trustee (in its capacity as seller) and KFH (in its capacity as buyer, the "**Buyer**") and is governed by English law.

In connection with each Series of Certificates, the Trustee may desire to enter into a Commodity Murabaha Investment with the Buyer using a portion of the issue proceeds of the Series as specified in the applicable Pricing Supplement.

Pursuant to the Master Murabaha Agreement, the Trustee has undertaken that, on receipt of a Notice of Request to Purchase from the Buyer, the Trustee (acting through the Commodity Agent) shall purchase the relevant commodities no later than 10.00 a.m. London time on the relevant Issue Date (or such other time as may be agreed in writing between the Buyer and the Trustee) from a commodity supplier at the relevant Commodity Purchase Price.

Following the purchase of the commodities by the Trustee and the Trustee gaining title and (actual or constructive) possession of the commodities, the Trustee may offer to sell such commodities to the buyer by delivering an Offer Notice to the Buyer no later than 11.00 a.m. on the relevant Issue Date (or such other time and date as may be agreed in writing by the Buyer and the Trustee).

Immediately upon receipt of a duly completed and issued Offer Notice, the Buyer may accept such offer to purchase the Commodities from the Trustee by countersigning the relevant Offer Notice and sending it to the Seller no later than 12.00 p.m. on the relevant Issue Date (or such other time as may be agreed in writing by the Buyer and the Trustee).

As soon as the Buyer has countersigned the Offer Notice, a Murabaha Contract shall be created between the Trustee and the Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement and ownership of, including, without limitation, the right of ownership from a *Shari'a* perspective (and actual or constructive) possession of and all risks in and to the commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto

In connection with each Murabaha Contract, the Buyer has irrevocably and unconditionally undertaken in the Master Murabaha Agreement to pay the outstanding Deferred Sale Price in full to the Trustee on the Business Day falling immediately prior to the Scheduled Dissolution Date or on the Dissolution Event Redemption Date or on the Business Day prior to the Early Tax Dissolution Date or on the Business Day prior to the Clean Up Call Right Dissolution Date, in each case, by crediting such amount to the Transaction Account no later than 10.00 am (London time) on such dates.

The Optional Dissolution Proportion, Tangibility Event Put Right Proportion or Certificateholder Put Right Proportion of the outstanding Deferred Sale Price shall be paid by the Buyer on the Business Day prior to an Optional Dissolution Date, on the Business Day prior to any relevant Certificateholder Put Right Date or on the Business Day prior to a Tangibility Event Put Right Date (as applicable) by crediting such amounts to the Transaction Account no later than 10.00 am (London time) on such dates.

The Buyer has agreed in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement will be made without any deduction or withholding for or on account of any present or future Taxes imposed by the Relevant Jurisdictions unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Buyer shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made. The payment obligations of the Buyer under the Master Murabaha Agreement and each Murabaha Contract will be direct, unsubordinated and (subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)) unsecured obligations of the Buyer and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated obligations of the Buyer, present and future.

The Master Declaration of Trust, as supplemented by each Supplemental Declaration of Trust

The Master Declaration of Trust will be entered into on 19 April 2023 between the Trustee, KFH and the Delegate and will be governed by English law. A Supplemental Declaration of Trust between the same parties will be entered into on the Issue Date of each Series of Certificates and will also be governed by English law.

Upon issue of the Global Certificate(s) initially representing the Certificates of any Series, the Master Declaration of Trust and the relevant Supplemental Declaration of Trust shall together constitute the trust over the relevant Trust Assets declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series of Certificates comprise (unless otherwise specified in the relevant Supplemental Declaration of Trust): (i) the cash proceeds of the issue of the Certificates, pending the application thereof in accordance with the terms of the Transaction Documents; (ii) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Sukuk Assets from time to time (excluding any representations given by KFH to the Trustee and/or the Delegate under any documents constituting the Sukuk Assets from time to time); (iii) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any

representations given by KFH to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to Clause 3 of the Master Declaration of Trust); (iv) all moneys standing to the credit of the Transaction Account from time to time; and (v) all proceeds of the foregoing, as more particularly described in Condition 5.1 (*Trust Assets*).

Pursuant to the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust, the Trustee will, in relation to each Series of Certificates, *inter alia*:

(a) hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries *pro rata* according to the face amount of Certificates of that Series held by each Certificateholder; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust.

The Trustee irrevocably and unconditionally appointed the Delegate to be its attorney and to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities and discretions vested in the Trustee by the Master Declaration of Trust that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, to: (i) exercise all of the rights of the Trustee under the Purchase Undertaking, the Master Murabaha Agreement and any of the other Transaction Documents to which the Trustee is a party; and (ii) make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Master Declaration of Trust as supplemented by the relevant Supplemental Declaration of Trust. The appointment of such delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

In relation to any Series, if:

(i) at the time of delivery of an Exercise Notice or an Impaired Wakala Asset Exercise Notice, as the case may be, in accordance with the provisions of the Purchase Undertaking, KFH remains in actual or constructive possession, custody or control of all or any part of the Wakala Portfolio Assets, the Tangibility Event Put Right Wakala Assets or the Impaired Wakala Assets of the relevant Series; and

(ii) following delivery of an Exercise Notice or an Impaired Wakala Asset Exercise Notice, as the case may be, in accordance with the provisions of the Purchase Undertaking, KFH fails to pay the relevant Exercise Price, Certificateholder Put Right Exercise Price or, if applicable, Tangibility Event Put Right Exercise Price, as the case may be, for any reason whatsoever and thereby resulting in KFH's failure to comply with its obligations under the Purchase Undertaking,

KFH will covenant and undertake in the Master Declaration of Trust that KFH shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates of such Series, and, accordingly, the amount payable under any such indemnity claim will equal the relevant exercise price.

KFH will further covenant and undertake in the Master Declaration of Trust that if the outstanding Deferred Sale Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Master Murabaha Agreement for any reason whatsoever, KFH shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates of such Series and, accordingly, the amount payable under any such indemnity claim will equal the outstanding Deferred Sale Price.

The Master Declaration of Trust specifies that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series. The Certificateholders have no claim or recourse against the Trustee to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

A non-interest bearing Transaction Account will be established in respect of each Series of Certificates. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise revenues from the Wakala Portfolio Assets other than in the nature of sale, capital or principal payments, and, if

applicable to a Series, amounts of the Deferred Sale Price paid by KFH pursuant to a Commodity Murabaha Investment (see "*Summary of the Principal Transaction Documents – Wakala Agreement"* and *"Summary of the Principal Transaction Documents – Master Murabaha Agreement*"). The Master Declaration of Trust provides that all monies credited to the Transaction Account in respect of each Series will be applied in the order of priority set out in Condition 5.2 (*Application of Proceeds from Trust Assets*).

Shari'a Compliance

Each Transaction Document to which it is a party provides that each of KFH Sukuk Company and Kuwait Finance House K.S.C.P. agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents and, to the extent permitted by law, further agrees that:

(a) it shall not claim that any of its obligations under the Certificates and the Transaction Documents to which it is a party (or any provision thereof) is ultra vires or not compliant with the principles of *Shari'a*, regardless of any pronouncement by any *Shari'a* committee, authority, institution or adviser to that effect;

(b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Certificates or the Transaction Documents to which it is a party; and

(c) none of its obligations under the Certificates and the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Certificates or the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

"**AAOIFI**" means the Accounting and Auditing Organisation for Islamic Financial Institutions.

"**Additional Wakala Assets**" means, in relation to an Additional Tranche, the Eligible Wakala Assets specified as such in the Supplemental Purchase Agreement relating to that Additional Tranche.

"**Adverse Claim**" means any claim of ownership of any person, a lien, security interest, mortgage, charge or encumbrance or other similar right or claim of any person.

"**Cancellation Amount**" means, in respect of an exercise of the right granted under the applicable provisions of the Sale and Substitution Undertaking in respect of a Series, an amount to be paid by the Trustee to KFH which is equal to the aggregate of:

(a) an amount equal to the product of the amount standing to the credit of the Principal Collection Account of the relevant Series and the Cancellation Proportion (the "**Principal Collections Cancellation Amount**"); and

(b) an amount equal to the product of the outstanding Commodity Purchase Price component of any outstanding Deferred Sale Prices in respect of the relevant Series and the Cancellation Proportion (the "**Murabaha Contract Cancellation Amount**"),

in each case, as determined on the relevant Cancellation Date immediately prior to the redemption and cancellation of the relevant Cancelled Certificates and specified in the relevant Cancellation Notice.

"**Cancellation Date**" means, in respect of an exercise of the right granted under the applicable provisions of the Sale and Substitution Undertaking, the date specified as such in the relevant Cancellation Notice.

"**Cancellation Notice**" means a notice substantially in the form set out in the Sale and Substitution Undertaking.

"**Cancellation Proportion**" means, in respect of an exercise of the right granted under the applicable provisions of the Sale and Substitution Undertaking in respect of a Series, such proportion as is determined by dividing (i) the aggregate face amount of the relevant Cancelled Certificates by (ii) the aggregate face amount of the Certificates of the relevant Series then outstanding.

"**Cancellation Wakala Assets**" means, in respect of an exercise of the right granted under the applicable provisions of the Sale and Substitution Undertaking, the Wakala Portfolio Assets specified as such in the relevant Cancellation Notice.

"**Cancelled Certificates**" means, in respect of an exercise of the right granted under the applicable provisions of the Sale and Substitution Undertaking, the Certificates which are the subject of the relevant Cancellation Notice.

"**Certificateholder Put Right Certificates**" means, in relation to a Series, in respect of an exercise of the right granted under the applicable provisions of the Purchase Undertaking, the Certificates of the relevant Series specified as such in the relevant Exercise Notice.

"**Certificateholder Put Right Exercise Price**" means, in relation to each Series, the aggregate of (without duplication or any double-counting):

(a) the aggregate face amount of the relevant Certificateholder Put Right Certificates; plus

(b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificateholder Put Right Certificates being redeemed; plus

(c) if all of the Certificates of a Series are being redeemed, an amount equal to the Outstanding Liquidity Amount (if any) relating to such Series; plus

(d) if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Certificateholder Put Right Date); plus

(e) any other amounts payable in relation to the Certificateholder Put Right Certificates as specified in the applicable Pricing Supplement;

less:

(f) if a Commodity Murabaha Investment forms part of the relevant Series, the aggregate amount of the Certificateholder Put Right Proportion of each Deferred Sale Price then outstanding (if any) in respect of the relevant Series on the applicable Certificateholder Put Right Date.

"**Certificateholder Put Right Proportion**" means, in respect of an exercise of the right granted under the applicable provisions of the Purchase Undertaking in respect of a Series, such proportion as is determined by dividing (i) the aggregate face amount of the relevant Certificateholder Put Right Certificates by (ii) the aggregate face amount of the Certificates of the relevant Series then outstanding.

"**Certificateholder Put Right Wakala Assets**" means, in respect of an exercise of the right granted under the applicable provisions of the Purchase Undertaking, the Wakala Portfolio Assets specified as such in the relevant Exercise Notice.

"**Collection Account**" means an Income Collection Account and a Principal Collection Account.

"**Commodity Purchase Price**" means, in relation to a Tranche and the corresponding Murabaha Contract, the aggregate amount payable to the relevant commodity supplier by or on behalf of the Trustee for the purchase of the commodities from the relevant commodity supplier by the Trustee, specified as such in the relevant Notice of Request to Purchase and which amount shall be equal to the relevant Murabaha Investment Amount.

"**Deferred Sale Price**" means, in relation to a Murabaha Contract, the aggregate of the applicable Commodity Purchase Price and Murabaha Profit and specified as such in the relevant Offer Notice.

"**Eligibility Criteria**" means an asset:

(a) which is in compliance with the principles of *Shari'a* as determined by KFH's Fatwa and *Shari'a* Supervisory Board;

(b) in respect of which the obligations of the obligor contained in the related transaction documents to which it is a party constitute legal, valid, binding and enforceable obligations of the obligor thereof in the jurisdiction in which such obligor is located, under the governing law of such transaction documents and, in the case of an Ijara Asset, in the jurisdiction in which the related asset in respect of such Ijara Asset is located;

(c) which, as at the date on which it becomes a Wakala Portfolio Asset of a Series only, has been originated or is held or owned by KFH in a manner consistent with its usual credit and origination and/or investment policies;

(d) in respect of which the Seller is entitled to receive all payments or proceeds of sale (as the case may be);

(e) in respect of which, there has not occurred any event of default, any acceleration or analogous event;

(f) in respect of which, as at the date on which it becomes a Wakala Portfolio Asset of a Series only, a total loss event (howsoever described) has not occurred; and

(g) in respect of which the Seller's interests, rights, title, benefits and entitlements, present and future, therein are capable of being sold, transferred and conveyed by the Seller to the Purchaser in accordance with all applicable laws, its own terms and the terms set out in the relevant Transaction Documents.

"**Eligible Wakala Asset**" means any Ijara Asset, Other Tangible Asset or Tradable Sukuk which complies with the Eligibility Criteria.

"**Exercise Price**" means, in relation to each Series, the aggregate of (without duplication or any double-counting):

(h) the aggregate face amount of Certificates then outstanding for the relevant Series; plus

(i) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates; plus

(j) an amount equal to the Outstanding Liquidity Amount (if any) relating to such Series; plus

(k) an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Dissolution Event Redemption Date or Scheduled Dissolution Date (as the case may be)); plus

(l) any other amounts payable on redemption of the Certificates as specified in the applicable Pricing Supplement;

less,

(m) if a Commodity Murabaha Investment forms part of the relevant Series, the aggregate amount of each Deferred Sale Price then outstanding (if any) in respect of the relevant Series on the applicable Dissolution Date.

"**Ijara Asset**" means an asset in relation to which KFH or any person on its behalf has entered into an Ijara Contract (and includes that Ijara Contract and all rights, title, interests, benefits and entitlements, present and future, of the lessor under such Ijara Contract), provided, however, that such asset is in existence on the date on which it forms part of the relevant Wakala Portfolio Assets.

"**Ijara Contract**" means:

(a) an ijara contract entered into by KFH or any person on its behalf (as lessor) and another person (as lessee) pursuant to which the lessor leases an asset to the lessee, and in respect of which payments are due from the lessee to the lessor, including any other agreements or documents associated with that contract; and

(b) any arrangement similar in economic effect to that described in paragraph (a) above including, for the avoidance of doubt, a forward lease contract based on ijara mousoofah fizzimmah where the relevant asset has been delivered to, or to the order of, the relevant lessee under that contract.

"**Impaired Wakala Asset**" means the Wakala Portfolio Assets of a Series in respect of which an Impaired Wakala Asset Event has occurred, as notified by the Wakeel to the Trustee and specified as such in the relevant Impaired Wakala Asset Exercise Notice.

"**Impaired Wakala Asset Exercise Date**" means the date specified as such in the relevant Impaired Wakala Asset Exercise Notice.

"**Impaired Wakala Asset Exercise Notice**" means a notice substantially in the form set out in the Purchase Undertaking.

"**Income Revenues**" means, in relation to a Series, all revenues in respect of the relevant Wakala Portfolio Assets of that Series other than Principal Revenues.

"**Initial Wakala Assets**" means, in relation to the first Tranche of each Series, the Eligible Wakala Assets specified as such in the relevant Supplemental Purchase Agreement.

"**Intangible Portion**" means, in relation to any Tradable Sukuk, the portion of such Tradable Sukuk (expressed as a percentage) equal to 100 per cent. minus the Tangibility Requirement of the relevant Tradable Sukuk.

"**Murabaha Contract**" means, in relation to a Tranche, an individual contract for the sale of commodities at the applicable Deferred Sale Price and made pursuant to the Master Murabaha Agreement by the delivery of both an Offer Notice by the Trustee to the Buyer and the subsequent countersignature of such Offer Notice by the Buyer in accordance with the terms of the Master Murabaha Agreement.

"**Murabaha Investment Amount**" means, in relation to a Tranche, the amount of the proceeds of the issue of the Certificates of that Tranche which are to be applied in the acquisition of commodities by or on behalf of the Trustee for the purposes of the entry into of a Murabaha Contract pursuant to the terms of the Master Murabaha Agreement and specified as such in the applicable Pricing Supplement.

"**Murabaha Profit**" means, in relation to each Tranche and the corresponding Murabaha Contract, an amount equal to 10 per cent. of the Commodity Purchase Price of the relevant Tranche, and specified as such in the relevant Offer Notice and applicable Pricing Supplement.

"**Notice of Request to Purchase**" means a notice of request to purchase delivered by the Buyer to the Trustee substantially in the form set out in the Master Murabaha Agreement

"**Offer Notice**" means an offer notice to be issued by the Trustee to the Buyer substantially in the form set out in the Master Murabaha Agreement

"**Optional Dissolution Exercise Price**" means, in relation to each Series, the aggregate of (without duplication or double-counting):

(c) the aggregate face amount of the relevant Optional Dissolution Certificates; plus

(d) all accrued but unpaid Periodic Distribution Amounts (if any) relating to the Optional Dissolution Certificates; plus

(e) if all of the Certificates of a Series are being redeemed, an amount equal to the Outstanding Liquidity Amount (if any) relating to such Series; plus

(f) if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Optional Dissolution Date); plus

(g) any other amounts payable in relation to the Optional Dissolution Certificates as specified in the applicable Pricing Supplement;

less,

(h) if a Commodity Murabaha Investment forms part of the relevant Series, the aggregate amount of the Optional Dissolution Proportion of each Deferred Sale Price then outstanding (if any) in respect of the relevant Series on the applicable Optional Dissolution Date.

"**Optional Dissolution Proportion**" means, in respect of an exercise of the right granted under the applicable provisions of the Sale and Substitution Undertaking in respect of a Series, such proportion as is determined by dividing (i) the aggregate face amount of the relevant Optional Dissolution Certificates by (ii) the aggregate face amount of the Certificates of the relevant Series then outstanding.

"**Optional Dissolution Certificates**" means, in relation to a Series, in respect of an exercise of the right granted under the applicable provisions of the Sale and Substitution Undertaking, the Certificates of the relevant Series specified as such in the relevant Exercise Notice.

"**Optional Dissolution Wakala Assets**" means, in respect of an exercise of the right granted under the applicable provisions of the Sale and Substitution Undertaking, the Wakala Portfolio Assets specified as such in the relevant Exercise Notice.

"**Other Tangible Asset**" means revenue generating assets having associated with them underlying tangible assets (being corporate banking financings provided under any *Shari'a* compliant structure other than *murabaha*) (and includes the related transaction documents and all rights, title, interests, benefits and entitlements, present and future, of the lessor under such transaction documents) acquired by KFH pursuant to *musharaka*, *mudaraba* and *wakala* financings or a combination of two or more of the foregoing *Shari'a* contracts but, excluding for the avoidance of doubt, any receivables or monies held in accounts that are operated by KFH on the basis of *musharaka*, *mudaraba* or *wakala*.

"**Outstanding Liquidity Amount**" means, in relation to each Series, the amount (if any) of funding provided under a Liquidity Facility in respect of the relevant Series pursuant to the terms of the Wakala Agreement and which has not been paid in accordance with the provisions of the Wakala Agreement.

"**Priority Amounts**" means, in relation to a Series, any amounts described in Condition 5.2(a) (*Application of Proceeds from Trust Assets*)and/or Condition 5.2(b) (*Application of Proceeds from Trust Assets*) that remain unpaid.

"**Principal Revenues**" means, in relation to a Series, all revenues in respect of the Wakala Portfolio Assets of that Series which comprise amounts in the nature of sale, capital, investments or principal payments (including, without limitation, any total loss and expropriation related insurance (including Islamic insurance) proceeds and any indemnity payments).

"**Required Amount**" means, in relation to each Series and each relevant Periodic Distribution Date in respect of the relevant Series, an amount equal to the aggregate of the Periodic Distribution Amount payable on the relevant Periodic Distribution Date and an amount equal to the amounts payable on that Periodic Distribution Date pursuant to Conditions 5.2(a) and 5.2(b) (*Application of Proceeds from Trust Assets*).

"**Sukuk Asset Value**" means, in relation to a Series, the sum of (A) the aggregate of the Value of each Wakala Portfolio Asset of that Series at the relevant time; (B) any Principal Revenues standing to the credit of the Principal Collection Account of that Series and held by the Wakeel at the relevant time; and (C) the aggregate of each outstanding Deferred Sale Price in respect of that Series.

"**Tangibility Event Put Right Certificates**" means, in relation to a Series, in respect of an exercise of the right granted under the applicable provisions of the Purchase Undertaking, the Certificates of the relevant Series specified as such in the relevant Exercise Notice.

"**Tangibility Event Put Right Exercise Price**" means, in relation to each Series, the aggregate of (without duplication or any double-counting):

(a) the aggregate face amount of the relevant Tangibility Event Put Right Certificates; plus

(b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Tangibility Event Put Right Certificates being redeemed; plus

(c) if all of the Certificates of a Series are being redeemed, an amount equal to the Outstanding Liquidity Amount (if any) relating to such Series; plus

(d) if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Tangibility Event Put Right Date); plus

(e) any other amounts payable in relation to the Tangibility Event Put Right Certificates as specified in the applicable Pricing Supplement;

less,

(f) if a Commodity Murabaha Investment forms part of the relevant Series, the aggregate amount of the Tangibility Event Put Right Proportion of each Deferred Sale Price then outstanding (if any) in respect of the relevant Series on the applicable Tangibility Event Put Right Date.

"**Tangibility Event Put Right Proportion**" means, in respect of an exercise of the right granted under the applicable provisions of the Purchase Undertaking in respect of a Series, such proportion as is determined by dividing (i) the aggregate face amount of the relevant Tangibility Event Put Right Certificates by (ii) the aggregate face amount of the Certificates of the relevant Series then outstanding.

"**Tangibility Event Put Right Wakala Assets**" means, in respect of an exercise of the right granted under the applicable provisions of the Purchase Undertaking, the Wakala Portfolio Assets specified as such in the relevant Exercise Notice.

"**Tangibility Ratio**" means in relation to a Series, the ratio of:

(a) the aggregate Value of the Wakala Portfolio Assets of the relevant Series, except that for the purposes of this limb (a), the Value of any Tradeable Sukuk forming part of the Wakala Portfolio Assets of the relevant Series shall be deemed to be the product of (i) the outstanding face amount of such Tradeable Sukuk; and (ii) the Tangibility Requirement of such Tradeable Sukuk; to

(b) the Sukuk Asset Value.

"**Tangibility Requirement**" means, for a Tradeable Sukuk:

(a) if KFH's Fatwa and Shari'a Supervisory Board determines that the relevant Tradeable Sukuk are entirely based on tangible assets, 100 per cent.; and

(b) if KFH's Fatwa and Shari'a Supervisory Board determines that the relevant Tradeable Sukuk are not entirely based on tangible assets:

(i) the minimum tangibility requirement (expressed as a percentage or fraction) that:

(A) to the extent available, is required to be satisfied on an ongoing basis during the tenor of such Tradeable Sukuk following the issue date thereof; or

(B) if no such ongoing requirement applies, was required to be satisfied on the relevant issue date of such Tradeable Sukuk,

in each case, as detailed in the relevant legal documentation relating to such Tradeable Sukuk as determined by KFH's Fatwa and Shari'a Supervisory Board; and

(ii) if no such requirement is detailed in the relevant legal documentation relating to such Tradeable Sukuk, the percentage determined by KFH's Fatwa and Shari'a Supervisory Board.

"**Tradable Sukuk**" means sukuk or trust certificates which are owned by, or held on behalf of, the Seller and are tradable, in each case, in accordance with AAOIFI Shari'a Standards, as determined by KFH's *Fatwa* and *Shari'a* Supervisory Board in its sole discretion.

"**Value**" means, at any time, the amount in the Specified Currency of the relevant Series (following conversion, if necessary, of the relevant amounts at the spot rate of exchange) determined by the Wakeel on the relevant date as being equal to:

(a) in respect of an Ijara Asset which:

(i) is leased on an *ijara muntahiah bittamleek* basis, the aggregate of all outstanding fixed rentals or other equivalent fixed instalment amounts, in each case, in the nature of capital or principal payments in respect of the relevant asset payable by the relevant lessee;

(ii) is not leased on an *ijara muntahiah bittamleek* basis, the initial agreed value or the outstanding base amounts or other equivalent fixed instalment amounts or any other amounts in the nature of capital or principal payments in respect of the relevant asset payable by the relevant lessee;

(b) in respect of Other Tangible Assets, the outstanding capital or investment amounts; and

(c) in respect of Tradeable Sukuk, the outstanding face amount of such Tradeable Sukuk.

"**Wakala Asset Obligor**" means, in relation to a Wakala Portfolio Asset, the entity or entities (other than KFH or any party acting on behalf of KFH) obliged to make payments in respect of that Wakala Portfolio Asset in accordance with the terms of the underlying transaction documents in respect of that Wakala Portfolio Asset.

"**Wakala Distribution Date**" means, in relation to a Series, each Periodic Distribution Date in respect of the relevant Series.

"**Wakala Distribution Determination Date**" means, in relation to a Series, the Business Day immediately preceding each Wakala Distribution Date.

"**Wakala Distribution Period**" means, in relation to a Series, the period beginning on (and including) the Issue Date of the first Tranche of that Series and ending on (but excluding) the first Wakala Distribution Date specified in the relevant Wakala Services Plan and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date.

"**Wakala Ownership Period**" means, in relation to each Series, the period commencing on the Issue Date of the first Tranche of that Series and ending on the date on which all of the Certificates of that Series are redeemed in full.

"**Wakala Portfolio Assets**" means, in relation to each Series, the Initial Wakala Assets of the first Tranche of that Series and specified as such in schedule 1 to the relevant Supplemental Purchase Agreement, subject to taking into account:

(a) any substitution of any Wakala Portfolio Assets in accordance with:

(i) the terms of the Sale and Substitution Undertaking, in which case the Wakala Portfolio Assets shall, from the relevant Substitution Date, include the relevant new Eligible Wakala Assets and cease to include any Wakala Portfolio Assets so substituted;

(ii) the terms of the Purchase Undertaking, in which case the Wakala Portfolio Assets shall, from the relevant Impaired Wakala Asset Exercise Date, include the relevant new Eligible Wakala Assets and cease to include any Wakala Portfolio Assets so substituted (being the relevant Impaired Wakala Assets);

(b) any purchase of new Eligible Wakala Assets by, or on behalf of, the Trustee in accordance with the terms of the Wakala Agreement, in which case the Wakala Portfolio Assets shall, from the

relevant Further Wakala Asset Purchase Date, include the new Eligible Wakala Assets so purchased;

(c) any purchase of Additional Wakala Assets by the Trustee in accordance with the terms of any Supplemental Purchase Agreement, in which case the Wakala Portfolio Assets shall, from the date of such Supplemental Purchase Agreement, include the Additional Wakala Assets so purchased;

(d) any purchase of the Wakala Portfolio Assets (or part thereof) by KFH (as obligor) pursuant:

(i) to the terms of the Purchase Undertaking on the Scheduled Dissolution Date, Dissolution Event Redemption Date, Tangibility Event Put Right Date or Certificateholder Put Right Date; or

(ii) the terms of the Sale Undertaking on the Early Tax Dissolution Date, Cancellation Date, Clean Up Call Dissolution Date or an Optional Dissolution Date,

in which case, the Wakala Portfolio Assets shall, from the date of such purchase, exclude any such Wakala Portfolio Assets (or part thereof) so purchased.

"**Wakala Portfolio Revenues**" means, in relation to a Series, all Income Revenues and all Principal Revenues relevant to that Series.

"**Wakeel Liabilities Amount**" means, in relation to each Series and each corresponding Wakala Distribution Period, the amount of any claims, actual losses, actual costs and expenses properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee, in each case in providing the Wakala Services during the relevant Wakala Distribution Period, but, for the avoidance of doubt, does not include any amount due to the Wakeel or any third party under the Wakala Agreement in respect of any Liquidity Facility.

TAXATION

General

The following summary of certain Cayman Islands, Kuwait, United States and EU tax consequences relating to the Certificates is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Offering Circular. 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/or have retrospective effect, and could affect the tax consequences for holders of the Certificates. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Certificates. Each prospective holder is urged to consult its own tax advisor as to the particular tax consequences to such holder of acquiring, holding and disposing of Certificates, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Base Offering Circular, and of any actual changes in applicable tax laws after such date.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, that for a period of 20 years from 8 February 2023, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Act (As Revised).

No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

Kuwait

*The following summary of taxation in Kuwait is based on the Kuwait Income Tax Decree No. 3 of 1955, as amended by Law No. 2 of 2008 "Amending Certain Provisions of Kuwait Income Tax Decree No. 3 of 1955"(the "**Amendment**"), the Executive Bylaws of the Amendment (the "**Regulations**") and various ministerial resolutions and circulars relating thereto issued by the Kuwait Ministry of Finance and the Administrative Resolution (as defined below) (together, the "**Taxation Laws**") as interpreted and implemented by the DIT as at the date of this Base Offering Circular. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the Kuwait Ministry of Finance's Department of Income Tax (the "**DIT**") may alter and affect this summary.*

Income tax

There is no personal income tax under the Taxation Laws. However, an income tax (at a flat rate of 15 per cent.) is levied on, *inter alia*, the net income and capital gains realised by any foreign 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 Offering Circular 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 Offering Circular as "**non-GCC corporate entities**") which, for the avoidance of doubt, include shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in Kuwait. Pursuant to the Regulations, income generated from the lending of funds inside Kuwait or resulting from leasing of any property, including moveable and immoveable property used in Kuwait, is considered to be income realised from the conducting of business in Kuwait, and is therefore subject to income tax. Article 1 of the Amendment stipulates that the calculation of the annual income tax is applied to, *inter alia*: (i) profits realized from any contract that may be totally or partially completed in Kuwait; (ii) the amounts collected from the sale, lease, granting franchise to use or exploit any trademark, patent design or copyrights; (iii) commissions due or resulting from representation agreements or commercial mediation; (iv) profits of the industrial and commercial businesses; and (v) profits realized from disposing assets. The following paragraphs in this section are therefore applicable only to non-GCC corporate entities.

Pursuant to Article 150 (bis) of Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and the Regulating of Securities (as amended) ("**Article 150 (bis)**"), yields of securities, bonds, finance sukuk and all other similar securities regardless of the issuer thereof shall be exempted from taxation. Article 150 (bis) was acknowledged by the Administrative Resolution Ministry of Finance Administrative Resolution No. 2028 of 2015 (the "**Administrative Resolution**").

However, see "*Risk Factors – Risk Factors Relating to Tax – The application and enforcement of the Kuwaiti income tax regime is uncertain*, *and holders of the Certificates which are "non–GCC corporate entities" may become subject to the Kuwaiti income tax regime in certain limited circumstances*".

Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

Retention

Under the Regulations, a Kuwaiti-based party making a payment (being referred to in this section as the payer) to any other party (being referred to in this section as the payee), wherever incorporated, is obliged to deduct five per cent. of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. Unlike with withholding tax, the payer is not required to transfer directly the deducted amount to the DIT immediately, but instead retains such amount and releases it either (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realised a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand.

According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include payments by KFH to the Trustee under the Transaction Documents to which it is a party. Given that neither Article 150 (bis) nor the Administrative Resolution address the issue of whether or not there remains an obligation, as described above, to make a deduction, a payer (such as KFH) could be required to deduct five per cent. from every payment made by it to a payee (such as the Trustee and, where applicable, the holders of the Certificates), 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 Trustee shall be able to rely on the provisions in the Wakala Agreement and Master Murabaha Agreement, which require the Wakeel and Buyer (respectively) to gross up each payment by an amount equal to any deduction, irrespective of whether a tax clearance certificate is presented or not.

Other taxes

Save as described above, all payments in respect of the Certificates and the Wakala Agreement, Purchase Undertaking and Master Murabaha Agreement 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 Certificates in connection with the issue or any transfer of the Certificates.

The Proposed Financial Transactions Tax (the "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 Certificates (including secondary market transactions) in certain circumstances. An issuance and subscription of Certificates should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "**FATCA**", a foreign financial institution may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and any Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Certificates (as described in Condition 20 (*Further Issues*)) that are not distinguishable from previously issued Certificates are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Certificates, including the Certificates offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Certificateholders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in the Programme Agreement dated 19 April 2023 (agreed with the Trustee and KFH a basis upon which they or any of them may from time to time agree to purchase Certificates.

In the Programme Agreement, each of the Trustee and KFH has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Certificates under the Programme.

The Programme Agreement will make provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers generally in respect of the Programme or in relation to a particular Tranche of Certificates.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall not make, and has not made, any invitation or offer, whether directly or indirectly, to the public in the Cayman Islands to subscribe for the Certificates.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, 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, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(i) 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; or

(ii) 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

(iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of any Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates 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 resolution number 3-123-2017 dated 27 December 2017, as amended by the 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 Certificates 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 Certificates 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 Certificates 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.

Malaysia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) the Base Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**"); and

(ii) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b), 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 Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge that this Base Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Certificates or caused the Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Offering Circular or any other document or material in connection with the offer or sale, or invitation

for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as amended or modified from time to time (the "**SFA**")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (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 Certificates pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

State of Kuwait

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Certificates 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 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 Certificates.

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 Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Base Offering Circular has not been filed with or reviewed or approved by the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering 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 Certificates to any person in the Dubai International Financial Centre unless such offer is:

(i) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(ii) 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.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) *No deposit-taking*: in relation to any Certificates having 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 Certificates other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;

(b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Trustee; and

(c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the UK.

European Economic Area

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Certificates to the public in that Member State:

(a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(b) *Fewer than 150 offerees*: 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 Trustee and/or KFH (if applicable) for any such offer; or

(c) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Certificates referred to above shall require the Trustee, KFH 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.

For the purposes of this provision, the expression an "**offer of Certificates to the public**" in relation to any Certificates in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

United States

The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered and sold any Certificates, and will not offer and sell any Certificates: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the completion of the distribution of all Certificates of the Tranche of which such Certificates are a part within the United States or to, or for the account or benefit of U.S. persons expect pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The Certificates covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Certificates except, in either case, in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificates, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Until 40 days after the commencement of the offering of any Series of Certificates, an offer or sale of such Certificates 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 an available exemption from registration under the Securities Act.

Terms used in these paragraphs have the meanings given to them by Regulation S under the Securities Act.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will, to the best of its knowledge and belief, comply in all material respects with all applicable securities laws, regulations and directives in force in any jurisdiction

in which it purchases, offers, sells or delivers Certificates or possesses or distributes this Base Offering Circular and neither the Trustee, KFH nor any of the other Dealers shall have any responsibility therefor.

None of the Trustee, KFH or any of the Dealers represents that Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any Certificates, or possession or distribution of the Base Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Trustee, KFH and the relevant Dealer(s) shall agree and as shall be set out in the relevant subscription agreement or, as the case may be, in the applicable Pricing Supplement.

GENERAL INFORMATION

Listing of the Certificates

Application has been made to the ISM for Certificates, issued under the Programme during the 12 months from the date of this Base Offering Circular, to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of the UK Prospectus Regulation. The ISM is a market designated for professional investors. Certificates admitted to trading on the ISM are not admitted to the Official List of the FCA. It is expected that each Tranche of the Certificates which is to be admitted to trading on the ISM will be admitted separately as and when issued, subject only to the issue of a Global Certificate (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Certificates is expected to be granted on or before 19 April 2023. Prior to admission to trading, dealings in the Certificates of the relevant Series will be permitted by the ISM in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction.

Legal Entity Identifier

The legal entity identifier ("**LEI**") of the Trustee is 5493008FLJYWGCMZDN21.

The LEI of KFH is 2549007KX0N057S9BC98.

Authorisation

The establishment of the Programme and the entry into the Transaction Documents to which it is a party was authorised by a resolution of the shareholders of KFH dated 20 March 2023 and a resolution of the Board of KFH dated 15 June 2022.

The establishment of the Programme, the issuance of the Certificates thereunder and the entry into the Transaction Documents to which it is a party was authorised by a resolution of the board of directors of the Trustee dated 21 March 2023. The Trustee and KFH have obtained or will obtain from time to time, all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates, as the case may be.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and International Securities Identification Number in relation to Certificates issued under the Programme will be specified in the applicable Pricing Supplement.

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, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial performance or financial position of KFH or the Group since 31 December 2022 and there has been no material adverse change in the prospects of KFH or the Group since 31 December 2022.

There has been no significant change in the financial performance or financial position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since the date of its incorporation.

Litigation

Neither the Trustee nor KFH nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or KFH is aware) in the 12 months preceding the date of this Base Offering Circular which may have or has had in the recent past significant effects on the financial position or profitability of the Trustee, KFH or the Group.

Auditors

The auditors of KFH are EY and Deloitte. The business address of EY is P.O. Box 74, 18 – 21st Floor, Baitak Tower, Ahmed Al Jaber Street, Safat Square 13001, Kuwait and the business address of Deloitte is Ahmed Al-Jaber Street, Sharq, Dar Al-Awadi Complex, Floors 7 & 9, P.O. Box 20174, Safat 13062, Kuwait. Each of EY 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.

EY and Deloitte have audited, without qualification, each of the consolidated financial statements of KFH as at and for the years ended 31 December 2022 and 31 December 2021 in accordance with the International Standards on Auditing, as stated in their reports incorporated by reference herein.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Documents Available

For the period of 12 months following the date of this Base Offering Circular, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available for inspection and/or collection from the registered office of the Trustee and the specified office of the Principal Paying Agent, and available online at https://www.kfh.com/home/Investor-Relations.html/:

(a) the constitutional documents of the Trustee and KFH;

(b) the consolidated financial statements of KFH as at and for the years ended 31 December 2022 and 31 December 2021, in each case, together with the audit reports thereon and the notes thereto;

(c) the most recently published consolidated financial statements of KFH and interim condensed consolidated financial information of KFH, in each case, together with any audit or review reports thereon and the notes thereto;

(d) the Master Declaration of Trust and Agency Agreement; and

(e) this Base Offering Circular together with any supplement to this Base Offering Circular and any applicable Pricing Supplement.

This Base Offering Circular will be published on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Cayman Islands Data Protection

The Trustee has certain duties under the Data Protection Act (As Revised) of the Cayman Islands (the "**DPA**") based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Trustee Administrator) with certain personal information which constitutes personal data within the meaning of the DPA. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Trustee Administrator, may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPA to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Trustee Administrator by email at dubai@maples.com), which provides an outline of investors' data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

Dealers Transacting with KFH

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, KFH and its affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, KFH and their affiliates, including, without limitation, the Certificates. Certain of the Dealers or their affiliates that have a financing relationship with KFH and its affiliates may routinely hedge their credit exposure to KFH and its 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 Certificates. Any such short positions could adversely affect future trading prices of the Certificates. 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.

THE TRUSTEE

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