

IMPORTANT NOTICE

THIS BASE OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the base offering circular following this notice (the **Base Offering Circular**), and you are therefore advised to read this 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 any time you receive any information from the Issuer, the Arranger and/or Dealers (each as defined in the Base Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE BASE OFFERING CIRCULAR IN THE UNITED STATES OR ANY JURISDICTION WHERE IT WOULD BE UNLAWFUL TO DO SO.

THE SECURITIES REFERRED TO HEREIN WILL BE OFFERED AND SOLD IN OFFSHORE TRANSACTIONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S (**REGULATION S**) UNDER THE U.S. SECURITIES ACT 1933, AS AMENDED (THE **SECURITIES ACT**). ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATOR OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT IN ACCORDANCE WITH REGULATION S OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. NO SECURITIES OFFERED BY THE ISSUER HAVE BEEN RECOMMENDED BY, OR APPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAS ANY SUCH COMMISSION OR REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS BASE OFFERING CIRCULAR.

THIS BASE OFFERING CIRCULAR IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM AND IS NOT INTENDED TO BE AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY FOR THE PURPOSE OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 OF THE UNITED KINGDOM (THE **FSMA**). TO THE EXTENT THAT THE COMMUNICATION OF THIS BASE OFFERING CIRCULAR DOES CONSTITUTE SUCH A FINANCIAL PROMOTION, IT IS DIRECTED ONLY AT: (I) PERSONS WHO ARE OUTSIDE OF THE UNITED KINGDOM; (II) PERSONS WHO ARE INVESTMENT PROFESSIONALS WITHIN THE MEANING OF ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED) OF THE UNITED KINGDOM (THE **FINANCIAL PROMOTION ORDER**); (III) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER; OR (IV) ANY OTHER PERSONS TO WHOM THIS ANNOUNCEMENT FOR THE PURPOSES OF SECTION 21 OF THE FSMA CAN OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS **RELEVANT PERSONS**), AND MUST NOT BE RECEIVED BY, ACTED ON OR RELIED UPON BY PERSONS OTHER THAN RELEVANT PERSONS. ANY SECURITY, INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS BASE OFFERING CIRCULAR MAY RELATE IS ONLY AVAILABLE TO, AND ANY INVITATION, OFFER, OR AGREEMENT TO ENGAGE IN SUCH INVESTMENT ACTIVITY WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. NO OTHER PERSON SHOULD RELY ON IT OR ANY OF ITS CONTENTS.

THE BASE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON (AS DEFINED IN REGULATION

S). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT 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.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the Base Offering Circular or make an investment decision with respect to the Notes described herein: (i) each prospective investor in respect of the Notes being offered outside of the United States in an offshore transaction pursuant to Regulation S must be a person outside of the United States and a person that is not a U.S. person; and (ii) each prospective investor in respect of the securities being offered in the United Kingdom must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the attached Base Offering Circular, you shall be deemed to have represented to the Arranger and the Dealers that: (1) you have understood and agree to the terms set out herein; (2) the electronic mail (or e-mail) address to which, pursuant to your request, the attached Base Offering Circular has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; (3) in respect of the Notes being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person; (4) you consent to delivery by electronic transmission; (5) you will not transmit the attached 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 except with the consent of the Arranger or the Dealers; and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Notes.

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 the Base Offering Circular electronically or otherwise to any other person and in particular to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Base Offering Circular by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, 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.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, securities, in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the relevant dealer or any affiliate of the relevant dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant dealer or such affiliate on behalf of the Issuer in such jurisdiction.

None of the Dealers nor any of their respective directors, affiliates, advisers, agents, nor the Agents (as defined in the agency agreement relating to the programme described in the Base Offering Circular (the **Programme**)) accepts any responsibility whatsoever for the contents of the Base Offering Circular or for any statement made therein in connection with the Issuer or the Programme. The Dealers and their respective directors, affiliates, advisers, agents and the Agents accordingly each disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Dealers or their respective directors, affiliates, advisers or agents or the Agents as to the accuracy, completeness, verification or sufficiency of the information set out in this document and neither the Dealers nor any of their respective directors, affiliates, advisers or agents accepts any responsibility for any acts or omissions of the Issuer or any other person in connection with the Base Offering Circular or the issue and offering of Notes under the Programme.

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 the Arranger or the Dealers nor any person who controls the Arranger or the Dealers nor any director, officer, employee or agent or 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 herewith and the hard copy version available to you on request from any of the Dealers.

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

BASE OFFERING CIRCULAR



BANK OF BAHRAIN AND KUWAIT (B.S.C.)

(incorporated in the Kingdom of Bahrain by an Amiri Decree)

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

Euro Medium Term Note Programme

Under this U.S.\$2,000,000,000 Euro Medium Term Note Programme (the **Programme**), Bank of Bahrain and Kuwait (B.S.C.) (**BBK** or the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (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 (the **Base Offering Circular**) to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

Application has been made to the London Stock Exchange plc (the **London Stock Exchange**) for Notes issued under the Programme during the period of 12 months from the date of this Base Offering Circular to be admitted to the London Stock Exchange's International Securities Market (the **ISM**). The ISM is not a United Kingdom (**UK**) regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (**UK MiFIR**).

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UK Financial Conduct Authority (FCA). The London Stock Exchange has not approved or verified the contents of this Base Offering Circular.

References in this Base Offering Circular to the Notes being **admitted to trading** (and all related references) shall mean that such Notes have been admitted to trading on the ISM, so far as the context permits.

This Base Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the UK which has been designated as a regulated market for the purposes of UK MiFIR and has not been approved by the FCA pursuant to the Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019.

This Base Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the European Economic Area (the **EEA**) which has been designated as a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU (as amended, **MiFID II**)), and has not been approved by the competent authority in any member state of the EEA pursuant to Regulation (EU) 2017/1129.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement document (the **Pricing Supplement**) which, with respect to Notes to be admitted to trading on the ISM, will be delivered to the London Stock Exchange. Copies of Pricing Supplements in relation to Notes to be admitted to trading on the ISM may also be published on the website of the London Stock Exchange through a regulatory information service or may be published in such other manner permitted by the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time, the **ISM Rulebook**).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

The Issuer has been assigned a long-term issuer default rating of B+ (stable) from Fitch Ratings Limited (**Fitch**) and a long-term bank deposits rating of B2 (stable) from Moody's Investors Service Cyprus Ltd. (**Moody's**). The Programme is expected to be rated B+ by Fitch and B2 by Moody's.

Fitch 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**). Fitch is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited in accordance with the CRA Regulation and have not been withdrawn. Fitch Ratings Ireland Limited is established in the EEA and registered under the CRA Regulation. As such, Fitch Ratings Ireland Limited 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/credit-rating-agencies/cra-authorisation>) in accordance with the CRA Regulation. Moody's is established in the EEA and is registered under the CRA Regulation. As such Moody's is included in the list of credit rating agencies published by ESMA on its website (at <https://www.esma.europa.eu/credit-rating-agencies/cra-authorisation>) in accordance with the CRA Regulation. Moody's is not established in the UK and has not applied for registration under the UK CRA Regulation. The ratings issued by Moody's have been endorsed by Moody's Investors Services Ltd in accordance with the UK CRA Regulation and have not been withdrawn. Moody's Investors Services Ltd is established in the UK and registered under the UK CRA Regulation.

Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Pricing Supplement and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. 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.

Amounts payable on Floating Rate Notes will be calculated by reference to one of BBSW, CNH HIBOR, EIBOR, EURIBOR, HIBOR, KLIBOR, KIBOR, MIBOR, PRIBOR, SAIBOR, SHIBOR, SIBOR, TLREF, TIBOR, SOFR, SONIA and €STR as specified in the applicable Pricing Supplement. As at the date of this Base Offering Circular, the administrators of EURIBOR, KLIBOR, PRIBOR, SAIBOR and SIBOR are included in the register of administrators of the FCA's register of administrators under Article 36 of Regulation (EU) No. 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**). As at the date of this Base Offering Circular, the administrators of BBSW, CNH HIBOR, HIBOR, KIBOR, MIBOR, TLREF, TIBOR, SOFR, SONIA and €STR are not included in the FCA's register of administrators under Article 36 of the UK Benchmarks Regulation. As far as the Issuer is aware (a) EIBOR, SHIBOR, SOFR, SONIA and €STR do not fall within the scope of the UK Benchmarks Regulation by virtue of Article 2 of that regulation and (b) the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that ASX Limited, the Treasury Markets Association of Banks, the Central Bank of Kuwait, the Financial Benchmarks India Private Ltd, Borsa Istanbul, Thompson Reuters and the JBA TIBOR Administration are not currently required to obtain authorisation/registration (or, if located outside the UK, recognition, endorsement or equivalence).

Arranger

J.P. Morgan

Dealers

Bank ABC
BNP PARIBAS
Emirates NBD Capital
Gulf International Bank
J.P. Morgan
National Bank of Bahrain
SICO Bank

Barclays
Citigroup
First Abu Dhabi Bank PJSC
HSBC
Mashreqbank psc
Nomura
Standard Chartered Bank

The date of this Base Offering Circular is 7 May 2024.

IMPORTANT INFORMATION

This Base Offering Circular does not comprise a base prospectus for the purposes of either Regulation (EU) 2017/1129 (the *Prospectus Regulation*) or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the *UK Prospectus Regulation*), and has not been approved as such by the competent authority in any member state of the EEA or the FCA.

The Issuer accepts responsibility for the information contained in this Base Offering Circular and the applicable Pricing Supplement for each Tranche of Notes issued under the Programme. The Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Base Offering Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

A COPY OF THIS BASE OFFERING CIRCULAR HAS BEEN SUBMITTED AND FILED WITH THE CENTRAL BANK OF BAHRAIN. FILING OF THIS BASE OFFERING CIRCULAR WITH THE CENTRAL BANK OF BAHRAIN DOES NOT IMPLY THAT ANY BAHRAINI LEGAL OR REGULATORY REQUIREMENTS HAVE BEEN COMPLIED WITH. THE CENTRAL BANK OF BAHRAIN HAS NOT IN ANY WAY CONSIDERED THE MERITS OF THE NOTES TO BE OFFERED FOR INVESTMENT WHETHER IN OR OUTSIDE OF THE KINGDOM OF BAHRAIN.

NEITHER THE CENTRAL BANK OF BAHRAIN NOR THE BAHRAIN BOURSE ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS BASE OFFERING CIRCULAR AND EACH EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS BASE OFFERING CIRCULAR. THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS BASE OFFERING CIRCULAR. TO THE BEST OF THE KNOWLEDGE OF THE ISSUER (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE) THE INFORMATION CONTAINED IN THIS BASE OFFERING CIRCULAR IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

This Base Offering Circular is to 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.

Statistical data and macro-economic information regarding Bahrain for the periods indicated under the heading "*Kingdom of Bahrain Banking Sector and Regulation*" have been extracted from public information. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

None of the Arranger, the Dealers or any of their directors, affiliates, advisers or agents has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers nor any of their directors, affiliates, advisers or agents as to the accuracy or completeness of the information contained or incorporated by reference in this Base Offering Circular or any other information provided by the Issuer in connection with the Programme, nor is any responsibility or liability accepted by them for any acts or omissions of the Issuer or any other person (other than the relevant Dealer) in connection with this Base Offering Circular or the issue and offering of Notes under the Programme. To the fullest extent permitted by law, none of the Arranger or the Dealers accepts any responsibility for the contents of this Base Offering Circular or for any other statement, made or purported to be made by a Dealer or on its behalf in connection with the Issuer, or the issue and offering of the Notes. Each of the Arranger and the Dealers accordingly disclaims all and any liability whether

arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Offering Circular or any such statement.

No person is or has been authorised by the Issuer, the Arranger or the Dealers 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 Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any of the Dealers.

Neither this Base Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Arranger, the Dealers or any of their directors, affiliates, advisers or agents that any recipient of this Base Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Base Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arranger and the Dealers do not represent that this Base Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base 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 Notes 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 Notes. In particular, there are restrictions on the distribution of this Base Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, the Kingdom of Bahrain (*Bahrain*), the Kingdom of Saudi Arabia, the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Qatar (including the Qatar Financial Centre), Japan, Malaysia, Singapore and Hong Kong, see "*Subscription and Sale*".

SUITABILITY OF INVESTMENT

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

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

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

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 prospective investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The audited consolidated financial statements of the Issuer and its consolidated subsidiaries (together, the **Group**) contained in this Base Offering Circular as at and for the financial years ended 31 December 2023 (the **2023 Financial Statements**) and 31 December 2022 (the **2022 Financial Statements** and, together with the 2023 Financial Statements, the **Financial Statements**) have been prepared in accordance with International Financial Reporting Standards (**IFRS**). The financial information of the Group as at and for the financial year ended 31 December 2022 included in this Base Offering Circular has been derived from the comparative information as at and for the financial year ended 31 December 2022 contained in the 2023 Financial Statements. The Financial Statements were audited by Ernst & Young – Middle East, the Group's independent auditors, as stated in their reports incorporated by reference in this Base Offering Circular.

The Bahraini Dinar is the functional currency of the Group and the presentation currency for the Financial Statements. The Financial Statements and financial information included elsewhere in this document have, unless otherwise noted, been presented in Bahraini Dinar.

Definitions

In this Base Offering Circular, all references to:

- **Bahrain** are to the Kingdom of Bahrain;
- **BHD** and **Bahraini Dinar** are to the lawful currency of Bahrain;
- **CBB** are to the Central Bank of Bahrain;

- **euro** and € are to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty Establishing the European Community, as amended;
- **GCC** are to the Cooperation Council (comprising Bahrain, the State of Kuwait (**Kuwait**), Oman, Qatar, the Kingdom of Saudi Arabia (**Saudi Arabia**) and the United Arab Emirates (**UAE**));
- **India** are to the Republic of India;
- **Government** are to the government of Bahrain;
- the **MENA region** are to the Middle East and North Africa region; and
- **U.S. dollars, U.S.\$ and \$** refer to United States dollars.

This Base Offering Circular contains a conversion of certain BHD amounts into U.S. dollars at specified rates solely for convenience using an exchange rate of U.S.\$1 = BHD0.376 and, accordingly, unless otherwise indicated, U.S. dollar amounts in this Base Offering Circular have been converted from BHD at this exchange rate.

Rounding

All percentage data in this Base Offering Circular has been rounded to two decimal places, with 0.0050 being rounded up and 0.0049 being rounded down. Where used in tables, the symbol "—" means that there is no data in the accounting records in respect of the relevant item.

Alternative Performance Measures

This Base Offering Circular includes certain non-IFRS financial measures which the Group uses in the analysis of its business and financial position, each of which constitutes an alternative performance measure (**APM**). However, the Group believes that these measures provide useful supplementary information to both investors and the Group's management, as they facilitate the evaluation of the Group's performance. The APMs are not measurements of the Group's operating performance or liquidity under IFRS and should not be used instead of, or considered as alternatives to, any measures of performance or liquidity under IFRS. The APMs relate to the reporting periods described in this Base Offering Circular and are not intended to be predictive of future results. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. Unless otherwise stated, the list below presents the Group's APMs:

- *cost to income ratio*: total operating expenses divided by total income (which includes net interest and similar income, net fees and commissions income, investment and other income and share of (loss) /profit from associates and joint ventures);
- *return on average assets*: net profit for the year attributable to the owners of BBK divided by average total assets for the year/period, with average total assets calculated as the sum of total assets at the end of each month divided by the number of months in the relevant year/period;
- *return on average equity*: net profit for the year attributable to the owners of BBK divided by average total equity attributable to the owners of BBK for the year/period, with average total equity attributable to the owners of BBK for the year/period calculated as the sum of total equity attributable to the owners of BBK at the end of each month divided by the number of months in the relevant year/period;
- *profit per employee*: net profit for the year attributable to the owners of BBK divided by the number of employees;

- *capital adequacy ratio*: total capital base divided by total risk weighted exposure;
- *equity to total assets ratio*: total equity divided by total assets;
- *debt to equity ratio*: term borrowings divided by total equity;
- *loans and advances to total assets ratio*: net loans and advances to customers (calculated as gross loans and advances to customers less ECL) divided by total assets;
- *investments excluding treasury bills to total assets ratio*: investment securities plus investments in associates and joint ventures divided by total assets;
- *net NPL (net of provisions) to loans and advances ratio*: total non-performing loans and advances to customers (**NPLs**) less expected credit loss (**ECL**) on stage III loans and advances to customers divided by net loans and advances to customers (calculated as gross loans and advances to customers less ECL);
- *specific NPL coverage ratio*: total specific provisions (ECL on stage III loans and advances to customers) divided by total NPLs;
- *specific and collateral NPL coverage ratio*: total specific provision (ECL) on stage III loans and advances to customers) plus collateral (consisting of cash, securities and real estate that the Group holds relating to stage III loans and advances to customers) divided by total NPLs;
- *loans and advances to deposits ratio*: total net loans and advances to customers (calculated as gross loans and advances to customers less ECL) divided by total customers' current, savings and other deposits;
- *liquidity coverage ratio*: calculated in accordance with the CBB regulations and represents total high-quality liquid assets divided by expected net cash outflows for the next 30 days; and
- *net stable funding ratio*: calculated in accordance with the CBB regulations and represents total available stable funding divided by total required stable funding.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

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

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

This Base Offering Circular does not constitute an offer of securities in Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006, as amended from time to time).

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

A copy of this Base Offering Circular has been filed with the CBB. 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 Notes to be marketed for investment, whether in or outside Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base 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 Notes will be made to the public in 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.

The offering of Notes under the Programme will comply with Legislative Decree No. (4) of 2001 with respect to the Prevention and Prohibition of the Laundering of Money, as amended from time to time, and the Ministerial Orders issued thereunder, including, but not limited to, Ministerial order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering and the Anti-Money Laundering and Combating of Financial Crime Module contained in the Central Bank of Bahrain Rulebook, Volume 6.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

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

NOTICE TO MALAYSIA RESIDENTS

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

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

IMPORTANT – EEA RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation.

Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

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

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

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET

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

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

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

Unless otherwise stated in the applicable Pricing Supplement all Notes 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 Singapore Monetary Authority (the **MAS**) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Offering Circular may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Issuer's plans, objectives, goals, strategies and future operations and performance and 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 the sections entitled "*Risk Factors*" and "*Description of the Issuer*" and other sections of this Base Offering Circular. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Base Offering Circular, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors*" and "*Description of the Issuer*", which include a more detailed description of the factors that might have an impact on the Issuer's business development and on the industry sector in which the Issuer operates.

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 contained in this Base Offering Circular speak only as at the date of this Base Offering Circular. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Offering Circular any updates or revisions to any forward-looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward-looking statement is based.

STABILISATION

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

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RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Offering Circular a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

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

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.

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

The Issuer believes that the following non-exhaustive list of factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

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

The Issuer believes that the factors described below represent the material risks inherent in investing in Notes issued under the Programme and could be material for the purposes of assessing the market risks associated with the Notes. If any of the following factors actually occurs, the trading price of the Notes could decline or the Issuer's ability to perform its obligations in respect of Notes issued under the Programme could be adversely affected. These factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency. 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.

Economic, political and related considerations

The Issuer is a bank, operating through 22 branches in Bahrain, one branch in Kuwait, four branches in the Republic of India (in Hyderabad, Mumbai, Aluva and New Delhi), one representative office in Dubai in the UAE and one representative office in Istanbul in Turkey. The Group has substantial retail operations in Bahrain and, to a lesser extent, in Kuwait and the majority of its lending and deposit-taking activities are located in those and other Gulf Co-operation Council (GCC) countries. The economies of many GCC countries, including Bahrain and Kuwait, have expanded significantly in recent years, in large part as a result of historically high oil prices, and diversification efforts away from the oil sector, and this expansion has been reflected in increased lending and deposit-taking activity by banks in the region, including the Issuer.

The profitability of the Group's businesses could be adversely affected by a worsening of general economic and social conditions in the GCC (macro-economic conditions in the GCC have historically been heavily influenced by the price of oil, although recent adverse conditions for corporate lending in the GCC have been influenced more by the continuing volatility in global credit markets and its negative impact on, amongst other things, the ability of regional businesses to raise new finance or to refinance existing debt and asset prices), the wider Middle East region and, globally, particularly in key markets such as the United States or Europe (because of

inter-relationships within the global financial markets). Any sustained deterioration in the economies of these countries or a major political upheaval may have a material adverse effect on the Group's business and results of operations and on its ability to perform its obligations in respect of Notes issued under the Programme (see *"Risk Factors – The Group's business is located in a region that has been subject to ongoing geo-political and security concerns"*, *"Risk Factors – Domestic political considerations relating to Bahrain"* and *"Risk Factors – Bahrain's economy and the Issuer could be materially adversely affected by changes in global economic and political conditions or external shocks"*).

Bahrain's economy and the Issuer could be materially adversely affected by changes in global economic and political conditions or external shocks

Recent global social, health, political and economic events, including the ongoing conflict between Israel and Hamas, invasion of Ukraine by Russia and the related sanctions imposed on Russia by western and allied governments and the ongoing market and supply chain impacts of the coronavirus disease pandemic (**COVID-19**), have given rise to substantial volatility in financial markets and elevated prices for energy and other commodities, which have, in turn, caused a global increase in inflation and an increase in interest rates and a slowdown in the global economy. For example, according to the International Monetary Fund (the **IMF**), global headline inflation for 2024 is expected to be 5.8 per cent., although considerable uncertainty surrounds this projection. Any continuation or worsening of such market or economic conditions could adversely impact Bahrain's economy.

Following a period of mild deflation until the end of 2021, inflation increased in Bahrain in 2022 in line with global and regional trends, before decreasing in 2023. Increases in inflation in 2022 were driven partly by disruptions to global supply chains as a result of COVID-19 and following the relaxation of COVID-19 travel and trade restrictions, as well as by upward pressure on global food prices and the increased rate of VAT in Bahrain (which came into effect in January 2022) and the effects of the military conflict in Ukraine. Between May 2022 and July 2023, the CBB raised interest rates concurrently with the U.S. Federal Reserve, in an attempt to ease inflationary pressures. Any prolonged period of rising inflation may result in slow or stagnant economic growth in Bahrain, in particular, if combined with slowing economic expansion and elevated unemployment levels.

Whilst the Issuer believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks (see *"Description of the Issuer – Risk Management"*), investors should note that a worsening of current financial market conditions could lead to decreases in investor and consumer confidence, further market volatility and decline and further economic disruption as a result of which the Group may experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, credit losses and impairment charges, and lower profitability and cash flows, which could materially adversely affect its business, financial condition and results of operations, which would, in turn, affect its ability to perform its obligations in respect of Notes issued under the Programme.

Bahrain's economy is dependent on economic and other conditions of Saudi Arabia, in particular, as well as those of the other GCC countries

Bahrain's economy is closely aligned with, and is dependent on, the economy of Saudi Arabia, as well as the economies of the other GCC countries. Accordingly, Bahrain's economy may be adversely affected by any adverse change in the social, political or economic conditions of Saudi Arabia and the other GCC countries (see also *"Risk Factors – The Group's business is located in a region that has been subject to ongoing geo-political and security concerns"* below). Although Bahrain has sought to diversify its geographical economic dependence, there can be no assurance that such geographical diversification will be successful, and any such adverse change could have a material adverse effect on the economy and the financial condition of Bahrain.

In recent years, Bahrain has benefitted from support from GCC countries. In October 2018, Saudi Arabia, Kuwait and the UAE pledged U.S.\$10.3 billion to Bahrain to support Bahrain's Fiscal Balance Program (**FBP**),

a set of measures aimed at reducing Bahrain's fiscal deficit, alleviating near-term financing constraints and putting government debt on a downward trajectory. As at 30 November 2023, Bahrain had received U.S.\$7.5 billion in support, as part of the total U.S.\$10.3 billion pledged. In October 2021, a joint statement was made by the finance ministers of Saudi Arabia, Kuwait and UAE reiterating their support for the FBP and the two-year extension to its targets. However, there can be no assurance that future payments will be available, in a timely manner or at all and such payments may be subject to delays or conditions beyond Bahrain's control.

Furthermore, Bahrain benefits from a U.S.\$7.5 billion development fund established in 2011 with contributions made by the non-donor GCC member states (excluding the State of Qatar) (the **GCC Development Fund**). The GCC Development Fund includes investments in key infrastructure projects across the manufacturing, energy, healthcare and education sectors. As at 30 November 2023, an amount of U.S.\$7.4 billion had been committed to 48 GCC Development Fund projects, and U.S.\$5.4 billion had been certified as paid from the GCC Development Fund. The GCC Development Fund is intended to stimulate economic growth in Bahrain and is expected to be used in furtherance of development goals set out in the Government's Vision 2030 and, in particular, on important infrastructure projects. Under the terms of the GCC Development Fund, the Government must coordinate with the Saudi Fund for Development (representing the government of Saudi Arabia) (the **Saudi Fund**), the Kuwait Fund for Arab Economic Development (representing the government of Kuwait) (the **Kuwait Fund**), and the Abu Dhabi Fund for Development (representing the government of the UAE) (the **Abu Dhabi Fund**) to finalise the planned projects. This support has significantly contributed to Bahrain's economy and fiscal stimulus. However, there can be no assurance that any further support may be available and the timings of any pledged support may be subject to changes, delays or conditions beyond Bahrain's control, including political, economic and social conditions in Saudi Arabia and the GCC.

Any adverse change in the amount or rate at which funding under the GCC Development Fund or any other fiscal support initiatives is deployed could have an adverse effect on Bahrain's growth prospects or further increase Bahrain's budget deficit if Bahrain is required to turn to other funding sources to meet its development and other requirements. Any subsequent deterioration in the economy of Bahrain could adversely affect the Group's business, financial condition and results of operations, the trading price of Notes issued under the Programme and the Issuer's ability to perform its obligations in respect thereof.

The Group's business may be adversely affected if the Bahraini Dinar/U.S. dollar "peg" were to be removed or adjusted

As at the date of this Base Offering Circular, the Bahraini Dinar remains "pegged" to the US dollar (U.S.\$1.00 = BHD0.376). However, in response to the fall in oil prices since 2014, certain regional oil-producing countries that have traditionally pegged their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange pegs. While the GCC states (including Bahrain) have indicated their commitment to maintaining the peg, there can be no assurance that the Bahraini Dinar will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Group. Any such de-pegging by Bahrain or any other GCC state would pose a systemic risk to the regional banking systems by virtue of the inevitable devaluation of any such de-pegged currency against the U.S. dollar and the corresponding impact on the open cross-currency positions held by regional banks, including the Issuer, which would likely have an adverse effect on the Issuer's business, financial condition and results of operations and its ability to perform its obligations in respect of Notes issued under the Programme.

Bahrain's economy remains significantly dependent on oil revenues and is vulnerable to external shocks, including the intermittent low oil price environment

The economies of the GCC countries (including Bahrain) are affected by international oil prices, which have fluctuated widely over the past two decades. Petroleum products are Bahrain's most exported products, accounting for approximately 68.33 per cent. of Government revenues in 2022 and 16.2 per cent. of real GDP as at 30 September 2023. According to the Organisation of the Petroleum Exporting Countries (**OPEC**) website,

the price of the OPEC Reference Basket (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) has fluctuated significantly in recent years.

As oil is Bahrain's most important export, any change in oil prices affects various macroeconomic and other indicators, including, but not limited to, nominal GDP, Government revenues, balance of payments and foreign trade. International oil prices have fluctuated significantly in the past, and may remain volatile in the future. For example, in 2020, the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) was U.S.\$41.47. This figure was significantly below the average for 2019 and principally reflected the impact of COVID-19 containment measures on demand and the expiry, at the end of March 2020, of the three-year partnership between OPEC and major non-OPEC providers and the subsequent new agreement which came into force in May 2020. In 2021, the yearly average OPEC Reference Basket price was U.S.\$69.89 and principally reflected the positive impact on demand of reduced COVID-19 containment measures as well as the positive impact of the new OPEC agreement. In 2022, the yearly average OPEC Reference Basket price was U.S.\$100.08 which was principally driven by supply uncertainties caused by the military conflict in Ukraine in February 2022 and sanctions imposed by major countries around the world on Russia as a result. In 2023, the yearly average OPEC Reference Basket price was U.S.\$82.95, principally driven by changes towards the end of 2022 in the sanctions' regime imposed on Russia and announcements by OPEC and non-OPEC members towards the end of 2022 and in early 2023 with the aim of stabilising oil prices. In February 2024, the average monthly OPEC Reference Basket price was U.S.\$81.23 per barrel.

Bahrain's oil price estimate is set at U.S.\$60 per barrel in the FBP for the 2023 and 2024 budgets. However, there can be no assurance that oil prices will remain above the Government's budget or break-even amount or that the oil price will not decline again. If oil prices decline, Bahrain may not be able to materially increase production levels and offset the resulting revenue decline resulting from such oil price decreases.

Furthermore, Bahrain shares a substantial portion of its oil reserves with Saudi Arabia. Bahrain's main source of oil is from the Abu Saafa oilfield, which is on the maritime border with Saudi Arabia. Under a treaty with Saudi Arabia, first signed in 1958, Bahrain is entitled to receive 50 per cent. of the output from the Abu Saafa oilfield, although historically Bahrain has received significantly more than its 50 per cent. entitlement. However, no assurance can be given that Bahrain will continue to receive more than its 50 per cent. share of entitlement from the Abu Saafa oilfield, which further increases Bahrain's vulnerability to reductions in oil and gas revenues.

Recently, oil prices have been supported by the OPEC/non-OPEC agreement on production cuts, albeit developments in the U.S. shale oil space and oil inventories continue to fuel volatility. Oil prices are expected to continue to fluctuate in the future in response to changes in many factors over which the Issuer has no control. Factors that may affect the price of oil include, but are not limited to:

- economic and political developments in oil-producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil-producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil-producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels; and
- global weather and environmental conditions.

Prolonged periods of low prices of crude oil and other hydrocarbons may adversely affect the economies of the GCC countries which, in turn, may materially adversely affect the Group's business and financial condition, by reducing the demand for financing from its GCC customers and adversely affecting the quality of its outstanding financing, thereby potentially increasing its impairment losses and reducing profitability. In addition, any further reduction in revenues of the GCC countries would reduce the likelihood and/or extent of government financial support being available to GCC banks, including the Issuer, should such support be needed in the future.

The Group's business is located in a region that has been subject to ongoing geo-political and security concerns

The Group's business is predominantly located in a region that is strategically important and parts of the region have at times experienced political instability and armed conflict. For example, the region is currently subject to a number of armed conflicts, including those in Yemen, Syria, Iraq and Palestine. Bahrain, along with other Arab states, is currently participating in the Saudi Arabia-led intervention in Yemen, which began in 2015 and is ongoing. The intervention was in response to requests for assistance from the Yemeni government.

In October 2023, Israel commenced military operations against Hamas in Palestine. In April 2024, there was an airstrike on an Iranian diplomatic building in Damascus, Syria followed by a drone and missile strike by Iran on Israel. The scale, duration and impact of this conflict on Bahrain and the region, as well as any global effects, cannot be predicted. In January 2024, Bahrain was one of four countries that provided support to the United States and the United Kingdom in connection with strikes against Houthi military targets in response to attacks on Red Sea shipping.

More generally, since 2011, the prospect of a nuclear Iran has been at the centre of international geopolitical discourse. The comprehensive agreement between the U.N. Security Council's five permanent members plus Germany and Iran that was reached in July 2015 (the **Joint Comprehensive Plan of Action**) to ensure that Iran's nuclear energy will be used exclusively for peaceful purposes paved the way for international sanctions relief (mainly U.S. and EU sanctions) in return for Iran agreeing to a reduction of Iranian nuclear capabilities and to being subject to supervision by the International Atomic Energy Agency (the **IAEA**). After the IAEA confirmed that Iran met the relevant requirements of the Joint Comprehensive Plan of Action, certain economic sanctions were lifted on 16 January 2016 with a view to improving Iran's position in the international community. However, certain other sanctions remain in place and the United States imposed certain additional sanctions on Iran in July 2017 relating to Iran's ballistic missile programme, human rights matters, arms sales and Iran's Revolutionary Guard Corps. Moreover, on 8 May 2018, the United States announced its withdrawal from the Joint Comprehensive Plan of Action, 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. Since May 2019, a number of incidents in and around the GCC region have occurred, including the alleged seizure of oil tankers by Iran. 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 U.S. base in Iraq. On 4 January 2021, the IAEA reported that Iran had begun retaliating against the continuing U.S. sanctions by resuming the process of enriching uranium to 20 per cent. purity, which can be used to create nuclear bombs, in breach of the 2015 Joint Comprehensive Plan of Action. Under the Joint Comprehensive Plan of Action, restrictive measures were expected to be lifted on 18 October 2023. However, each of the EU, the United Kingdom and the United States have maintained nuclear-related sanctions against Iran due to Iran's non fulfilment of its obligations under the Joint Comprehensive Plan of Action. Tensions around the Strait of Hormuz continue to be high, with reports of seizures of vessels in 2021, 2022 and 2023. Any continuation or increase in international or regional tensions regarding Iran, including further attacks on or seizures of oil tankers which disrupt international trade, any impairment of trade flow through the Strait of Hormuz or any military conflict, could have a destabilising impact on the GCC region's (and Bahrain's) ability to export oil and security.

Bahrain has also been subject in recent years to cyber-attacks, including those traced to a network of electronic accounts operated in several countries, including Iran. These attacks have been aimed at inciting sedition,

threatening social peace and destabilising security in Bahrain. There can be no assurance that Bahrain will not be subject to further cyber-attacks in the future.

These recent and ongoing developments, along with terrorist acts, acts of maritime piracy and other forms of instability in the region (that may or may not directly involve Bahrain), may contribute to instability in the Middle East and surrounding regions and may have a material adverse effect on Bahrain's attractiveness for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and financial condition.

The ongoing conflict between Russia and Ukraine could negatively impact Bahrain

In February 2022, the Russian Federation commenced military operations in Ukraine. These actions led the United States, the European Union and the United Kingdom, among others, to impose economic sanctions against Russia, Russian government officials, Russian corporations and Russian financial institutions. The ongoing conflict has had an impact on international capital markets, investor sentiment and commodity prices (including oil and gas, which has led to rising fuel prices and inflation). Sanctions include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organisations in Russia, severing Russia's largest bank from the U.S. financial system, barring some Russian enterprises from raising money in the U.S. market and blocking the access of Russian banks to financial markets. There remains a risk of escalation and an ongoing impact on geopolitical conditions. The United States and other countries could impose wider sanctions and take other actions should the conflict further escalate. While the full extent of the impact of the conflict remains to be seen, the effects of the conflict could materially affect the performance of Bahrain's economy, and, as a result, negatively affect its ability to raise funding in the external debt markets in the future.

Domestic political considerations relating to Bahrain

Although Bahrain has not experienced any significant political or security disruptions in recent years, the ongoing political stasis and tensions with opposing political and social groups continue to impact investor perceptions of Bahrain's political stability and foreign investment flows.

The most recent parliamentary elections were held on 12 November 2022. 73 per cent. of eligible voters turned out to cast their votes, and independent candidates won 35 of 40 seats.

Bahrain's security situation has stabilised over the past few years. However, since January 2022, there have been a number of small protests in various villages, and there can be no assurance that further protests or unrest will not occur in the future. The lack of a broad political consensus that encompasses Bahrain's various political and religious groups may undermine the Government's ability to implement the full extent of its fiscal readjustment programme and may hinder its efforts to reverse the rise in public debt in the near term.

Political, social and any consequent economic instability in Bahrain may adversely affect the Group's business, the trading price of Notes issued under the Programme and the Issuer's ability to perform its obligations in respect thereof. In particular, unrest in Bahrain directly impacted the Group through the closure of BBK's branches in Bahrain for one business day in 2011 following instructions from the CBB. See also "*The Group's business is located in a region that has been subject to on-going geo-political and security concerns*".

A crisis in the financial services sector could have an adverse effect on Bahrain's economy

The Government has made concerted efforts over the past decade to encourage the growth of its financial services and banking industries, and the country is now one of the primary financial centres for the MENA region. The financial services sector remains one of the main economic sectors of the Bahraini economy, and a major contributor to domestic employment, accounting for 17.7 per cent. of gross domestic product as at 30 September 2023. Any subsequent global or regional deterioration could have a disproportionate impact on

Bahrain's economy or other GCC economies, including on its financial services sector, which may, in turn, adversely affect the Group's business, financial condition and results of operations, the trading price of Notes issued under the Programme and the Issuer's ability to perform its obligations in respect thereof.

Emerging market risk

BBK is a Bahraini bank. Investors in securities issued by companies located in emerging markets, such as Bahrain, should be aware that these markets are subject to a higher degree of risk than more developed markets, including, but not limited to, higher volatility, limited liquidity and changes in the political and economic environment. In addition, there can be no assurance that the market for securities bearing emerging market risk, such as any Notes issued under the Programme, will not be affected negatively by events elsewhere, especially in the emerging markets. Key factors affecting the emerging market risk include the timing and size of adjustments in interest rates in the United States, further evidence of a slowdown in China and geo-political tensions in the Middle East, as well as the ongoing conflict between Israel and Hamas, and the ongoing tensions between Russia and Ukraine.

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

Bahrain and other GCC legal systems

Bahrain and many of the other GCC countries are in various stages of developing their legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Bahrain and other GCC countries may face uncertainty as to the security of their investments.

Any unexpected changes in the legal systems in Bahrain and the GCC may have a material adverse effect on the rights of holders of the Notes or the investments that the Group has made or may make in the future, which may, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and may affect the Issuer's ability to perform its obligations in respect of Notes issued under the Programme.

The Issuer may be adversely affected by a change in its shareholding structure

As at 31 December 2023, 52.17 per cent. of BBK's shares were owned by Bahraini and Kuwaiti government-owned entities. These entities provide significant support to the Issuer in terms of funding and general business and any reduction in these shareholdings could have a negative effect on BBK's future earnings. In addition, by virtue of such shareholdings, these Bahraini and Kuwaiti government-owned entities have the ability to significantly influence the Issuer's business through their ability to control actions that require shareholder approval. If circumstances were to arise where the interests of such shareholders conflict with the interests of the Noteholders, Noteholders could be disadvantaged by any such conflict.

No third-party guarantees

Prospective investors should note that Notes issued under the Programme are not guaranteed by any of the Issuer's shareholders or any other entity.

Risks related to the Group's business

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, legal and operational risk, and liquidity risk. While the Issuer believes it has implemented appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks could be greater than anticipated which could result in adverse effects on the Group's financial condition and reputation.

Credit risk

Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in a wide range of the Group's businesses, principally in its lending and investment activities. Credit risks could arise from a deterioration in the credit quality of specific borrowers, issuers and counterparties of the Group, or from a general deterioration in local or global economic conditions, or from systemic risks within the financial systems, which could affect the recoverability and value of the Group's assets and require an increase in the Group's provisions for the impairment of loans, securities and other credit exposures. A description of the Group's exposure to credit risk is included in "*Description of the Issuer — Risk Management — Credit Risk*". As at 31 December 2023, the Group's NPLs amounted to BHD49.9 million, as compared to BHD57.7 million as at 31 December 2022. The specific NPL coverage ratio declined to 68.74 per cent. as at 31 December 2023 from 71.58 per cent. as at 31 December 2022. In addition, the net NPL (net of provisions) / loans and advances ratio declined to 0.98 per cent. as at 31 December 2023 from 1.02 per cent. as at 31 December 2022. However, any potential deterioration in the quality of BBK's assets in the future could ultimately affect its ability to perform its obligations in respect of any Notes issued under the Programme.

In addition, financial service institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Group interacts on a daily basis. The Group routinely executes a high volume of transactions with numerous counterparties in the financial services industry, including brokers and dealers and commercial banks, resulting in significant credit concentration. As a result, the Group is exposed to counterparty risk and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. Moreover, problems at certain financial institutions in the Kingdom of Bahrain or in other countries could cause general market concerns over the health of financial institutions. Furthermore, these problems could lead to reduced access to liquidity and funding for financial institutions and/or a decline in the value of their debt or equity instruments, possibly including the Notes, such risk being sometimes referred to as "contagion effect". In addition, many of the hedging and other risk management strategies utilised by the Group also involve transaction counterparties that are financial institutions. The "systemic risk" has further been exacerbated by the recent collapse of a number of banks worldwide, such as Credit Suisse in Europe and Silicon Valley Bank and Signature Bank in the United States.

Loan and advances to customers portfolio concentration

Concentrations in the loans and advances to customers portfolio of BBK subject it to risks from default by its larger borrowers and from exposure to certain sectors of the Bahrain economy. The loans and advances to customers portfolio of BBK shows borrower concentrations, which are fairly common in the GCC. BBK's 20 largest outstanding loans as at 31 December 2023 together accounted for 26.91 per cent. of its total gross loans and advances to customers as at the same date.

The Group's loans and advances to customers are concentrated in a small number of industry sectors, including "trading and manufacturing" which accounted for 27.35 per cent. of the Group's gross loans and advances as at 31 December 2023. Accordingly, the Group's significant exposure to the "trading and manufacturing" sector, combined with any downturn or adverse trends in this sector, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group's loan and advances to individuals accounted for 35.28 per cent. of the Group's gross loans and advances as at 31 December 2023. Any deterioration in the performance of Bahrain's economy, stagnation or a reduction in levels of personal income, individual purchasing power and consumer confidence, either generally or specifically in respect of the banking sector, as well as any overleveraging or instability in the consumer finance market and any resulting regulatory restrictions, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and, in particular, may increase the proportion of NPLs and allowance for impairment thus adversely impacting the Group's profitability and reducing its capital. If the consumer market overheats, consumers become overleveraged and start to default due to various factors discussed above, the Group could be required to create significantly greater provisions to reflect rising credit risk and default rates on its retail finance portfolio, which could negatively affect its profit, capital generation and capital adequacy levels.

Although credit exposure in the Group's loan portfolio to government and public sector entities is low, the overall exposure taking into account fixed income bonds and treasury bills is much higher and could pose a risk in the event of deterioration in government finances. This risk is concentrated in Bahrain but the exposure covers GCC and India government risk as well.

As a result of the concentration of BBK's loans and advances to customers portfolio, any deterioration in general economic conditions in the GCC (and Bahrain in particular) or any failure of BBK to manage effectively its risk concentrations, including a material weakening in the credit quality of, or a default by, any one or more of BBK's counterparties to which it has large credit exposure, could result in it making significant additional loan loss provisions and experiencing reduced interest, which may, in turn, affect BBK's ability to perform its obligations in respect of any Notes issued under the Programme.

The Group may fail to make planned acquisitions, integrate planned or future acquisitions or manage its growth properly

As part of its growth strategy, the Issuer may participate in future merger and acquisition activity and to the extent any such transaction does occur this could lead to changes in the strategy of the Issuer and could require significant management time to manage the acquisition. The costs, complexity and delivery time of any transaction, along with any subsequent integration and the implementation of any changes to the Issuer's systems or processes required as a result of any transaction, could have a material adverse effect on the Issuer's business, results of operations and financial condition.

In February 2024, the Board of Directors of BBK (the **Board**) took a decision to conduct a feasibility study of a merger with the National Bank of Bahrain (the **NBB Merger**) and to start the selection process for legal and financial consultants in connection with the NBB Merger. As at the date of this Base Offering Circular, BBK has not taken any formal decision to pursue the NBB Merger. There can be no assurance that the NBB Merger will or will not proceed nor can any assurance be given as to the form or terms of the NBB Merger, if implemented, would take. See "*Description of the Issuer – Recent Developments*".

Market risk

The Group could be adversely affected by market risks that are outside its control, including, without limitation, volatility in benchmark interest rates, prices of securities or commodities and currency exchange rates. In particular, an increase in benchmark interest rates generally may increase the Group's funding costs. While the Group aims to manage the interest rate risk, fluctuations in benchmark interest rates may result in a pricing gap between the Group's rate-sensitive assets and liabilities. Benchmark interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as the CBB and the U.S. Federal Reserve, political factors and domestic and international economic conditions.

Changes in interest rate levels and spreads may also affect the Group's future cash flows (by adversely impacting the margin realised between the Group's financing and investment activities and its funding costs).

Changes in debt and equity prices may also affect the values of the Group's investment portfolio. However, as at the date of this Base Offering Circular, the majority of the Group's fixed income portfolio is hedged against interest rate risk.

Although the Group monitors profit and cost rates with respect to its assets and liabilities and seeks to match its profit and cost rate positions, rate movements may lead to mismatches between the rates on its profit-earning assets and cost-bearing liabilities which, in turn, may adversely affect the Group's net profit. If the Group's cost of funding increases and it is not able to pass the increased costs on to all or a significant portion of its existing financing customers in a timely manner or at all due to market, competitive or other conditions, this could have a material adverse effect on its business, results of operations, financial condition or prospects.

The U.S. Federal Reserve raised U.S. overnight interest rates by 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in each of June 2022, July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in each of February 2023, March 2023, May 2023 and July 2023. The CBB rates moves tracked these hikes. Further rate changes from central banks across the world could be forthcoming and it is unclear what impact these measures will ultimately have on their respective economies. Accordingly, any unexpected change in the monetary policy of the U.S. Federal Reserve could shock the markets, adversely affecting asset prices and ultimately economic growth. Furthermore, many of the world's economies have experienced elevated inflation since mid-2022, which is expected to remain high. For example, according to the IMF, global headline inflation for 2024 is expected to be 5.8 per cent., although considerable uncertainty surrounds this projection. Various factors have contributed to shaping the inflation outlook, including the Russia-Ukraine conflict, which caused increases to energy prices (as discussed above) and food prices (due to disruptions in the supply of commodities such as wheat, corn and fertilisers). This conflict and the associated widespread sanctions on Russian persons, entities and institutions are likely to prolong disruptions for the remainder of 2024. In addition, increased tensions in the Middle East evidenced by the war between Israel and Hamas, attacks on shipping in the Red Sea region, the seizure of a container ship by Iran and attacks by United States and British military aircraft on Al Houthi bases in Yemen has also impacted oil prices. Prolonged inflation could affect the wider global economy (by, for example, causing prompt broad-based selling in long-duration, fixed-rate debt, which could have negative implications for equity and real estate markets) and the Group's customers and counterparties (leading to lower recoverability), which, in turn, could have an adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is also exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency 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 Board. However, where the Group is not so hedged, it is exposed to fluctuations in foreign exchange rates and any such hedging activity may not in all cases protect the Group against such risks.

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

Legal and operational risk

Legal risk is the risk of losses occurring due to legal or regulatory action that invalidates or otherwise precludes performance by the Group or its counterparty under the terms of its contractual agreements. The Group seeks to mitigate this risk through the use of properly reviewed standardised documentation and appropriate legal advice in relation to its non-standard documentation.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems (including as a result of external events). Operational risk and losses can result from fraud, errors by employees,

failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems. Although the Group has implemented risk controls and mitigation strategies, it is not possible to entirely eliminate all operational risks. A description of the Issuer's exposure to legal and operational risk is included in "*Description of the Issuer — Risk Management — Legal and Operational Risk*".

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

Liquidity risk

Liquidity risk is the risk that the Issuer does not have sufficient funds available at all times to meet its contractual and contingent cash flow obligations as they fall due. The Issuer seeks to manage its liquidity risk by holding a stock of highly liquid assets which can be readily realised for cash and by focusing on the liquidity profile of its assets and liabilities. However, the Issuer's liquidity may be adversely affected by a number of factors, including significant unforeseen changes in interest rates, over-reliance on a particular source of funding, ratings downgrades, higher than anticipated losses on investments and disruptions in the financial markets generally.

An inability on the Issuer's part to access funds or to access the markets from which it raises funds may put the Issuer's positions in liquid assets at risk and result in it being unable to finance operations adequately. A dislocated credit environment compounds the risk that the Issuer will not be able to access funds at favourable rates. These and other factors could also lead creditors to form a negative view of the Issuer's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, because the Issuer receives a significant portion of its funding from deposits, the Issuer is subject to the risk that depositors could withdraw their funds at a rate faster than the rate at which borrowers repay their loans, thus causing liquidity strain. As at 31 December 2023, customers' current, savings and other deposits made up 64.78 per cent. of the Group's total liabilities.

In addition, there are always timing disparities between payments which the Issuer owes on its liabilities and payments due to it on its investments. The Issuer's ability to manage these payment mismatches and make timely payments on the Notes may be adversely affected if the fixed income markets were to experience significant liquidity problems. In addition, under certain market conditions, the Issuer could be unable to sell additional products and unable to sell investments within its portfolio in sufficient amounts to raise the cash required to meet its payment obligations under the Notes when due.

Furthermore, in circumstances where the Issuer's competitors have ongoing limitations on their access to other sources of funding such as wholesale market derived funding, this may also adversely affect the Issuer's access to funds and cost of funding.

Like most banks, the Issuer has been affected by the decreased availability and increased cost of wholesale funding that has been a feature of recent dislocations in global financial markets. As described in "*Description of the Issuer – Business Activities*", the Issuer has continued to perform well in its funding activities during this period. However, market conditions continue to be volatile with financial institutions continuing to experience

periods of reduced liquidity; therefore, it is difficult to predict what impact the current markets are likely to have on the Issuer and other participants in the financial sector.

All of the abovementioned factors relating to liquidity risk could have an adverse effect on the liquidity position and ultimately the profitability of the business, financial condition, results of operations or prospects of the Issuer or the Group which may, in turn, impact the Issuer's ability to meet its obligations in respect of Notes issued under the Programme.

A description of the Group's exposure to liquidity risk is included in "*Description of the Issuer — Risk Management — Liquidity risk*".

Reputational risk

All financial institutions depend on the trust and confidence of their customers to succeed in their business. The Issuer is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Issuer's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has advanced financing or in which it has invested. For example, if one of the Issuer's financing customers becomes associated with financial scandals or widely publicised improper behaviour, the Issuer's own reputation may be affected.

In common with other banks, the Issuer is also exposed to adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Issuer or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Issuer's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Issuer. Any of these developments could have an adverse effect on the Issuer's business, results of operations, financial condition and prospects and on its ability to perform its obligations in respect of Notes issued under the Programme.

Technological and cyber risk

The Issuer depends on its information technology (IT) systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Issuer's business and operating data. The proper functioning of the Issuer's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Issuer's business and ability to compete effectively. The Issuer's business activities would be materially disrupted if there is a partial or complete failure of any of these IT systems or communications networks.

In common with other financial institutions based in the GCC and elsewhere in the world, the threat to the security of the Issuer'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 its business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage the Issuer's reputation and/or brands, which could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects and on its ability to perform its obligations in respect of Notes issued under the Programme.

In addition, the Issuer's IT systems and communications networks may fail for other reasons, many of which are wholly or partially outside the Issuer's control, including natural disasters, extended power outages, hardware or software failures, computer viruses and malicious third-party intrusions. The proper functioning of the Issuer's

IT systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing the Issuer's transaction data could subject it to claims for losses and regulatory fines and penalties. The Issuer has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective, and any failure may have a material adverse effect on the Issuer's business and reputation.

Credit-related contingent liabilities

As part of its normal banking business, the Group issues guarantees and letters of credit which are accounted for off the Group's balance sheet until such time as they are actually funded or cancelled. The Group also makes commitments to lend which are accounted for in a similar manner. Although these commitments are contingent, they nonetheless subject the Group to both credit and liquidity risks. As at 31 December 2023, the Group had BHD451.0 million (U.S.\$1,199.5 million) in aggregate of contingencies (letter of credit and guarantees) and undrawn loan commitments. Although the Group anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, the Group may need to make payments in respect of a greater portion of such commitments than anticipated, particularly in cases where there has been a general deterioration in market conditions. This could result in the Group needing to obtain additional funding, potentially at relatively short notice, which could have an adverse effect on its financial condition and results of operations and may adversely affect the Issuer's ability to perform its obligations in respect of Notes issued under the Programme.

Impact of credit rating downgrade

BBK is rated B+ by Fitch (long-term) and B2 (long-term) by Moody's, in each case with a stable outlook. These ratings, which are intended to measure the Group's ability to meet its debt obligations as they mature, are an important factor in determining the Group's cost of borrowing funds.

BBK cannot guarantee that the rating agencies will not downgrade its debt ratings in the future or that it will be able to take measures to maintain its current ratings or to strengthen its ratings in the event of a potential downgrade or that the rating agencies will consider that the measures taken by BBK for this purpose are adequate. In addition, factors beyond BBK's control, such as those relating to the financial services industry or geographic regions in which the Group operates, may affect the ratings assigned to BBK by its rating agencies. In particular, any downgrades of Bahrain's credit ratings could, in turn, have a negative effect on the ratings assigned to BBK by its rating agencies.

A downgrade of the Group's credit ratings, or a negative change in their outlook, could limit the Group's ability to raise funds or capital and increase the Group's cost of funding, which, in each case, could adversely affect its business, financial condition, results of operations and prospects, and its ability to perform its obligations in respect of Notes issued under the Programme. Moreover, actual or anticipated changes in the Group's credit rating may affect the market value of Notes issued under the Programme.

In addition, the credit ratings assigned to the Group may not reflect the potential impact of all risks related to an investment in Notes issued under the Programme, the market, additional factors discussed in this Base Offering Circular and other factors that may affect the value of such Notes. A security rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

Impact of Basel III

In December 2010 and January 2011, the Basel Committee on Banking Supervision (the **Basel Committee**) issued its final guidance on Basel III. The Basel Committee's package of reforms includes increasing the minimum common equity (or equivalent) requirement and applying stricter regulatory adjustments. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer.

In June 2013, the CBB issued its Basel III implementation plan. This increased the total capital adequacy ratio level from 12.0 per cent. to 12.5 per cent., with effect from 1 January 2015 and to 14.0 per cent. for domestic systematically important banks (**DSIBs**), with effect from 1 July 2018. Pro-forma Basel III reporting to the CBB on a quarterly basis commenced in December 2012 and continued to December 2014. The Group's capital adequacy ratio at 31 December 2023, was 28.09 per cent. and predominantly consisted of tier 1 capital, the ratio for which was 26.99 per cent. as at the same date. BBK was categorised as a DSIB by the CBB in May 2013.

The Basel III framework also introduced detailed liquidity requirements for banks, and many national supervisors have endorsed those requirements. The CBB issued detailed regulations on liquidity risk management (**LRM**) in August 2018, covering various aspects such as governance of liquidity risk management, liquidity risk identification, measurement, monitoring and control, foreign currency liquidity risk management, funding diversification and market access, maintenance of liquidity cushions, intra-group liquidity management, collateral management, stress testing and scenario analysis, contingency funding planning, and required liquidity coverage ratio (**LCR**) and net stable funding ratio (**NSFR**) levels. The LCR promotes short term resilience by ensuring that a bank holds an adequate stock of unencumbered high-quality liquid assets that can be converted into cash immediately to meet liquidity needs for a 30-calendar day stressed liquidity period. The NSFR promotes long-term resilience by requiring maintenance of a stable funding profile in relation to assets and off-balance sheet activities. The Group is currently in full compliance with all of the CBB's LRM regulations. As at 31 December 2023, BBK's LCR and NSFR was 292.55 per cent. and 137.65 per cent., respectively.

Further buffers may also be implemented if there is excess credit growth in any given country resulting in a system-wide build-up of risk. It therefore cannot be ruled out that BBK may need to obtain additional capital in the future. Such capital, whether in the form of debt financing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, any such development may expose BBK to additional costs and liabilities requiring it to change how it conducts its business, including by reducing the risk and leverage of certain activities, or otherwise have an adverse effect on its business, the products and services it offers and the value of its assets. If BBK is unable to increase its capital adequacy ratios sufficiently, its credit ratings may be lowered and its cost of funding may increase which, in turn, may adversely affect BBK's ability to perform its obligations in respect of Notes issued under the Programme. BBK may become subject to mandatory guidelines and direct monitoring by the CBB should it fail to strengthen its capital position.

Impact of regulatory changes

The Issuer is subject to the laws, regulations, administrative actions and policies of Bahrain and each other jurisdiction in which it operates. These regulations may limit the Issuer's ability to carry on certain parts of its business, increase its loan portfolio or raise capital as well as increase its cost of doing business. In addition, increased regulations or changes in applicable laws and regulations and the manner in which they are interpreted or enforced in the countries in which the Group operates may impose significant additional costs on the Group and may have a material adverse effect on its business, financial condition, results of operations or prospects. Although the Group works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond the control of the Group. Furthermore, non-compliance by the Issuer with any applicable regulations could expose it to potential liabilities and fines, which may be significant.

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

Financial institutions such as the Issuer are also required to comply with applicable know your customer, anti-money laundering and counter-terrorism financing laws and regulations in Bahrain and the other jurisdictions where it operates, including those related to countries subject to sanctions by the United States Office of Foreign Assets Control (OFAC), similar regulations of the European Union (the EU) and other jurisdictions, and applicable anti-corruption laws in the jurisdictions in which it conducts business. To the extent that the Issuer fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged, and it could be subject to fines or other monetary penalties, with consequent adverse effects on its business, financial condition, results of operations and prospects, and its ability to perform its obligations in respect of Notes issued under the Programme.

Risk management and internal control policies

There can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Issuer's risk management systems. Some of the Issuer's methods of managing risk are based upon the use of historical market data which, as evidenced by the knock-on effects from COVID-19, may not always accurately predict future risk exposures which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Issuer's empirical data would otherwise indicate.

Other risk management policies and methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in the Issuer's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may, in turn, have a material adverse effect on its business, financial condition, results of operations and prospects and, in turn, on its ability to perform its obligations in respect of Notes issued under the Programme.

Money laundering activities and sanctions violations

The risk that financial institutions, such as the Issuer, will be exposed to or used for money laundering has increased worldwide. The continuing turnover of employees and the difficulty in consistently implementing related policies and technology systems mean that the risk of the occurrence of money laundering is high. If financial market conditions, both globally and regionally, deteriorate, there is a risk that incidents involving money laundering may increase and may also affect the Issuer's ability to monitor, detect and respond to such incidents.

In addition, the Issuer is required to comply with a number of international sanctions regimes, including those of the EU, the United Nations, the United States and a number of other countries. A wide range of countries, organisations and individuals may be subject to sanctions under these regimes and the complexity of banking operations means that steps taken to screen transactions against sanctions lists may not always be effective. If the sanctions regulations are expanded in the future, this may require certain business activities carried on by the Issuer in a particular country or with a particular entity to cease or may result in the non-completion or non-performance of certain transactions.

The risk of future incidents in relation to money laundering and sanctions violations always exists for the Issuer. Any violation of anti-money laundering rules or sanctions regimes, or even the suggestion of violations, may have severe legal and reputational consequences for the Issuer and may materially adversely affect its results of operations.

Internal compliance

The Group's ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. The Issuer is subject to oversight by regulatory authorities, including regular examination activity, and it performs regular internal audits to monitor and test its compliance systems. However, the Issuer cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against it. In the case of actual or alleged non-compliance with applicable regulations, the Issuer could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and, in turn, on its ability to perform its obligations in respect of Notes issued under the Programme.

Raising further capital

As at 31 December 2023, the Group's tier 1 capital adequacy ratio (calculated according to CBB Basel III guidelines) was 26.99 per cent. and its total capital adequacy ratio was 28.09 per cent., well above the levels required by the CBB of 12.5 per cent. and 14.0 per cent. (for DSIBs), respectively.

A variety of factors affect the Group's capital adequacy levels, including, in particular, changes in its risk weighted assets and profitability from one period to another. A significant increase in future lending and any future losses experienced by the Group would likely reduce the Group's capital adequacy ratios. In addition, regulatory requirements in relation to the calculation of capital adequacy and required levels of capital adequacy may change from time to time. The Group may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

As a result, the Group may need to obtain additional capital in the future. Such capital, whether in the form of subordinated debt financing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, should the Group's capital ratios fall close to regulatory minimum levels or the Group's own internal minimum levels, the Group may need to adjust its business practices, including reducing the risk and leverage of certain activities. If the Group is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and, in turn, on the Issuer's ability to perform its obligations in respect of Notes issued under the Programme.

Impact of CBB Financial Institutions Law

If BBK becomes insolvent, or appears likely to be insolvent, the CBB may assume the administration of BBK or appoint an external administrator to assume the administration pursuant to the Central Bank of Bahrain and Financial Institutions Law (Decree No. 26 of 2006 as amended from time to time) (the **CBB Law**) which would limit the enforceability or validity of Notes issued under the Programme. In such a situation, the administrator has the power, among others, to:

- continue or temporarily suspend the operations of BBK;
- suspend or limit the discharge of financial obligations of BBK during the period of administration;
- declare a moratorium in respect of any debts of BBK;
- discharge obligations of BBK to certain creditors in preference to other creditors, if this is to the advantage of BBK;

- subsequent to obtaining the approval of the competent court, and provided that such does not cause prejudice to market agreements and, where applicable, the rights of the other party to be compensated, the administrator may nullify any agreement entered into by BBK before placing BBK under administration if such action is in the interest of BBK or taken to protect the interests of its customers, or to avoid occurrence of an irrevocable damage; and
- dispose of BBK's assets, its property or revenues or effect a merger with another financial institution to the extent that such steps protect the rights of BBK's customers, creditors and shareholders.

During the period of administration, any action to enforce any security over the property of BBK, any other legal proceedings or any other measures may be suspended by the order of a competent court issued in response to the administrator's application if such action or legal proceedings affect the rights of BBK's shareholders, customers or creditors, or are likely to prejudice the objectives for which BBK was placed under administration.

In addition, according to Article 156 of the CBB Law, in the event of the liquidation of BBK, the rights pertaining to any of the following would have priority over the property of BBK and would be discharged before the obligations arising out of any Notes issued by it:

- the administrator's fees and reasonable expenses incurred by the administrator during the administration period of BBK, and the wages and salaries of the officers and employees of BBK up to the date on which the petition for compulsory liquidation was filed at the competent court or the date of termination of the relevant contract of employment, whichever is earlier;
- the liquidator's fees and reasonable expenses incurred by the liquidator during the period of liquidation;
- fees and taxes due to the Government, its organisations, agencies and the CBB;
- deposits and loans taken with the approval of the CBB to protect BBK from insolvency; and
- deposits with a value not exceeding 20,000 Bahraini Dinars per depositor.

Dependence on key personnel

The continued success of the Issuer will depend, in part, on its ability to continue to attract, retain and motivate qualified and skilled personnel. The Issuer relies on its senior management for the implementation of its strategy and its day-to-day operations. There is intense competition in Bahrain for skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. If the Issuer were unable to retain key members of its senior management and/or hire new qualified personnel in a timely manner, this could have an adverse effect on its operations. The loss of any member of the senior management team may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives which could, in turn, adversely affect the Issuer's business, results of operations, financial condition, prospects and its ability to make payments due in respect of Notes issued under the Programme.

Changes in accounting policies

Accounting policies and methods are fundamental to how the Group records and reports its financial condition and results of operations. Management of the Group must exercise judgement in selecting and applying many of these accounting policies and methods so they comply with the IFRS.

Management of the Group has identified certain accounting policies in the notes to its financial statements as being critical because they require management's judgement to ascertain the valuations of assets, liabilities, commitments and contingencies. See note 3 to the 2023 Financial Statements. These judgements include, for example, the determination of impairment allowances and fair values of financial instruments.

A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. The Group has established policies and control procedures that are intended to ensure that these critical accounting estimates and judgements are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. However, due to the uncertainty surrounding the Group's judgements 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.

Competition

The Group faces competition for all of its products and services in both the geographic and product areas in which it operates and such competition may increase. The markets in which the Issuer provides its financial and banking services are highly competitive. These markets are catered to by commercial banks established locally in the GCC along with branches of banks based outside the GCC. The increasing presence of branches of international banks has resulted in increased competition and may adversely impact the Issuer's business, resulting in limited or reduced market share. There has also been a recent trend towards consolidation of the banking sector, with a focus on mergers and acquisitions among some GCC banks. While this trend is still in its early stages, it could lead to increased competition for the Issuer, through the strengthening of the position of any of its competitors that engage in such consolidation. All of the foregoing factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects and hence the Issuer's ability to make payments under the Notes. See "*Description of the Issuer — Competition*".

The Group's principal competitive weaknesses are:

- its relative small size in global terms;
- the small scale of its overseas businesses; and
- limited expansion prospects in Bahrain.

In addition, the Group may be affected by mergers between financial institutions which could result in competitors that are significantly bigger than the Group, have a significantly wider product range and have significantly greater resources with which to compete effectively.

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

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for prospective investors. Set out below is a description of the most common such features:

Risks applicable to all Notes

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

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

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an

effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider reinvestment risk in light of other investments available at that time.

If the Notes include a feature to convert the interest rate basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

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

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

Interest rates and indices which are deemed to be "benchmarks", (including the euro interbank offered rate (**EURIBOR**)) are the subject of national and international regulatory guidance 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 Notes referencing such a benchmark.

Regulation (EU) 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 among other things, applies to the provision of benchmarks and the use of a benchmark in 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 FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

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

More broadly, any of the international or national reforms, 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.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark. On 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. 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 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 Terms and Conditions of the Notes (the **Conditions**) provide that, where the applicable Pricing Supplement specifies that Condition 5.2(b)(iv)(i) is applicable, there are certain fallback arrangements in the event that an original Reference Rate (as defined in the Conditions) and/or any page on which an original Reference Rate may be published, (or any other successor service) becomes unavailable or a Benchmark Event (as defined in the Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest (or the relevant component part thereof) could be set by reference to a Successor Rate or an Alternative Reference Rate, with the application of an Adjustment Spread (as defined in the Conditions) and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser (as defined in the Conditions), acting in good faith and following consultation with the Issuer, or the Issuer (acting in good faith and in a commercially reasonable manner), as applicable, and without the requirement for the consent or sanction of Noteholders. An Adjustment Spread, if applied, is the spread (which may be positive, negative or zero) or formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be), and is the spread, formula or methodology which (i) 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 (as defined in the Conditions), or (ii) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Issuer) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate, as the case may be, in international debt capital markets transactions to produce an industry-accepted replacement rate for the original Reference Rate, or (iii) (if the Independent Adviser (following consultation with the Issuer) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Issuer) determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate, as the case may be, or (iv) (if the Independent Adviser (following consultation with the Issuer) determines that there is no such industry standard) the Independent Adviser (following consultation with the Issuer) or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate. Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest (or the relevant component part thereof). The use of a Successor Rate or Alternative Reference Rate (including with or without the application of an Adjustment Spread) may still result in any Notes linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Rate of Interest (or the relevant component part thereof) for the relevant immediately following Interest Period may result in the Rate of Interest (or the relevant component part thereof) for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

The Conditions provide that, where the applicable Pricing Supplement specifies that Condition 5.2(b)(iv)(ii) is applicable, if the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date (each as defined in the Conditions) has occurred, the then-current Benchmark will be replaced by a Benchmark Replacement (determined by the Issuer in accordance with the Conditions) for all purposes relating to the relevant Notes in respect of all determinations on such date and for all determinations on all subsequent dates. The Issuer will have to exercise its discretion to determine (or to elect not to determine) a Benchmark Replacement and, if applicable, a Benchmark Replacement Adjustment, in a situation in which it is presented with a conflict of interest.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes linked to or referencing a benchmark.

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

Investors should be aware that the market continues to develop in relation to risk free rates, such as the Secured Overnight Financing Rate (**SOFR**), SONIA and €STR, as reference rates in the capital markets for sterling, U.S. dollar or euro bonds, as applicable, and their adoption as alternatives to the relevant interbank offered rates. This relates to the development both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such risk-free rates. In addition, market participants and relevant working groups are exploring alternative reference rates based on risk free rates, including term SOFR, SONIA and €STR reference rates (which seek to measure the market's forward expectation of an average SOFR, SONIA and €STR over a designated term).

The continued development of risk free reference rates for the Eurobond markets, as well as the continued development of SOFR, SONIA and €STR based rates and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of the Notes.

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

The market or a significant part thereof may adopt an application of risk free rates that differs significantly from that set out in the Conditions and used in relation to Floating Rate Notes that reference a risk free rate issued under this Base Offering Circular.

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 Notes that reference a risk free rate issued under the Programme from time to time. In addition, the manner of adoption or application of risk free rates in the Eurobond markets may differ materially compared with the application and adoption of risk free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of 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 Notes referencing such risk free rates.

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

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

Interest on Notes which reference a backwards looking risk free rate is only capable of being determined immediately prior to or on the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk free rates to reliably estimate the amount of interest which will be payable on such Notes and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to Notes referencing interbank offered rates, if the Notes become due and payable as a result of an Event of Default under Condition 10, the Rate of Interest payable shall be determined on the date the Notes became due and payable and shall not be reset thereafter. In addition, the manner of adoption or application of such risk free rates in the Eurobond markets may differ materially compared with the application and adoption of such 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 risk free rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Notes. The use of risk free rates as a reference rate for Eurobonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such risk free rates.

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

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

Each of the Federal Reserve, Bank of New York, the Bank of England or the European Central Bank (or their respective successors), as the administrators of SOFR, SONIA or €STR, respectively, may make methodological or other changes that could change the value of SOFR, SONIA or €STR and/or a related index, including changes related to the method by which each of SOFR, SONIA or €STR is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, SONIA or €STR or timing related to the publication of SOFR, SONIA or €STR and/or a related index. In addition, each such administrator may alter, discontinue or suspend calculation or dissemination of SOFR, SONIA or €STR or a related index (in which case a fallback method of determining the interest rate on the Notes will apply). Each administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing SOFR, SONIA, €STR or a related index. Any of the foregoing could have a material adverse effect on the value or liquidity of, and return on, any Notes which reference SOFR, SONIA or €STR.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

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

Risks applicable to Subordinated Notes

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to unsubordinated liabilities (including all deposits) in the event of the compulsory liquidation of the Issuer. As a result, the Issuer may not have enough assets remaining after making payments of unsubordinated liabilities to pay amounts due under Subordinated Notes. Although Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is an enhanced risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

Risks related to Notes generally

Set out below is a description of material risks relating to the Notes generally:

The Conditions contain provisions which may permit their modification without the consent of all investors.

The Conditions contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The value of Notes could be adversely affected by a change in English and/or Bahraini law or administrative practice

The Conditions are based on English law or, in the case of Condition 3.2, Bahraini law 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 and/or Bahraini law, as the case may be, or administrative practice after the date of this Base Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts 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 an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a nominal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a nominal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

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

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg (each as defined under "*Form of the Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes 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 Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

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

Risks related to the market generally

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

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

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

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

The Issuer will pay principal and interest on the Notes 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. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

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

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

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

In general, European regulated investors are restricted under the 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 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 CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

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

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

General

Enforcing arbitration awards and foreign judgments in Bahrain

The Agency Agreement, the Conditions (except for Condition 3.2), 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. Any dispute in relation to the Agency Agreement, the Conditions (except for Condition 3.2), and any non-contractual obligations arising out of or in connection with them, may be referred to arbitration in London, England under the London Court of International Arbitration Rules. Bahrain has ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the party seeking to enforce the arbitration award must supply:

- (a) the duly authenticated original or a duly certified copy of the award; and
- (b) the original or a duly certified copy of the arbitration agreement.

However, the enforcement of the arbitration award may be refused at the request of the party against whom it is invoked, if that party furnishes to the competent authority, where the recognition and enforcement is sought, proof that:

- (a) the party to the agreement was, under the law applicable to it, under some incapacity, or the said agreement is not valid under the law to which the parties have subjected to or failing any indication thereon under the laws of Bahrain; or
- (b) the party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case; or
- (c) the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration or it contains decisions on matters beyond the scope of the submission to arbitration. Provided that the decision on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters not submitted to arbitration may be set aside; or
- (d) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties or, failing such agreement, was not in accordance with the laws of the country where the arbitration took place; or
- (e) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the laws of which, that award was made.

Recognition and enforcement of an arbitral award may also be refused if the competent authority in Bahrain finds that:

- (a) the subject matter of the dispute is not capable of settlement by arbitration under the laws of Bahrain; or
- (b) the recognition or enforcement of the award would be contrary to the public policy of Bahrain.

In addition, subject to the provisions of Legislative Decree No. 27 of 2021 amending the Judicial Authority Law issued by virtue of Legislative Decree No. 42 of 2022 and Ministerial Order No. 28 of 2023 no document will be admitted in evidence in the Bahrain courts unless they are submitted in Arabic or accompanied by a duly authenticated Arabic translation approved by the Official Translator of the courts of Bahrain, which will be the official text.

Under the Conditions, any such dispute may also be referred to the courts of England (who shall have exclusive jurisdiction to settle any dispute arising from such documents) if the Noteholder(s) require. In these circumstances, each party irrevocably agrees to submit to the exclusive jurisdiction of the courts of England. In this case, and notwithstanding the agreement to submit to the exclusive jurisdiction of the courts of England, there is a possibility that a Bahraini court may assume jurisdiction in the case where the defendant or one of the defendants in a claim filed before the courts of Bahrain has an elected domicile or place of residence in Bahrain.

Notwithstanding that a judgment may be obtained in an English court, there is no assurance that the Issuer has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced.

As there has been no reciprocity between England and Bahrain, the courts of Bahrain are unlikely to enforce an English judgment without requesting that a fresh case is filed in the Bahrain courts which may lead to the possibility that the Bahrain courts may re-examine the merits of the claim although the Bahrain courts may also accept the English court judgment as evidence of a debt. The choice by the parties of English law as the governing law of the transaction will be recognised by the courts of Bahrain provided that the provisions thereof are (i) proved, as a matter of evidence to the satisfaction of the Bahraini court, by the party relying on it and (ii) not contrary to Bahraini public order and morality.

Judicial precedents in Bahrain generally do not have binding effect on subsequent decisions except as a directive for decisions of the Constitutional Court (the **Constitutional Court**). Although decisions rendered by the Court of Cassation (**Court of Cassation**) do not have binding effect on lower courts, the present practice is for the lower courts to adhere to the precedents and principles laid down by the Court of Cassation. There is no formal system of reporting court decisions in Bahrain except for those decisions of the Court of Cassation and the Constitutional Court.

There is limited reciprocity between Bahrain and other countries in relation to the recognition and enforcement of judgments. Bahrain's courts may enforce a foreign court judgment without re-examining the merits of the claim, provided that:

- (a) such court enforces judgments and orders rendered in Bahrain;
- (b) the courts of Bahrain did not have jurisdiction in the matter in respect of which the order or judgment has been made and it was made by a foreign court of competent jurisdiction under the jurisdiction rules or laws applied by such court;
- (c) the parties had been served with due notice to attend and had been properly represented;
- (d) the judgment was final in accordance with the law of the court making it; and
- (e) the judgment did not conflict with any previous decision of the Bahrain courts and did not involve any conflict with public order or morality in Bahrain.

Generally where provisions relating to interest payments are provided for in an agreement, the courts in Bahrain may give effect to such a provision so long as the agreement between the parties which provides for payment of interest is a commercial agreement relating to commercial activities.

Claims for specific enforcement

In the event that the Issuer fails to perform its obligations under the Notes, the potential remedies available to the Noteholders include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific performance of a contractual obligation.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Noteholders to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Issuer to perform its obligations under the Notes.

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

Prospective investors should note that the insolvency regime in Bahrain is relatively untested as there have been a limited number of large scale insolvencies. As a result, there is limited guidance as to how the legislative framework will be applied in practice and, in particular, the definitive approach that would be adopted by a court in Bahrain or the relevant insolvency official in relation to assessing the claims of senior and subordinated creditors of the Issuer. The Issuer, being a bank licensed by the CBB, shall be subject to the provisions of the Central Bank of Bahrain and Financial Institutions Law, Decree No. 64/2006 (as amended).

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the independent auditor's report and audited consolidated financial statements as at and for the financial year ended 31 December 2022 of the Group;
- (b) the independent auditor's report and audited consolidated financial statements as at and for the financial year ended 31 December 2023 of the Group;
- (c) the Terms and Conditions of the Notes contained on pages 51 to 81 (inclusive) in the base prospectus dated 10 March 2015 (the **2015 Base Prospectus**) prepared by the Issuer in connection with the Programme; and
- (d) the Terms and Conditions of the Notes contained on pages 51 to 84 (inclusive) in the base prospectus dated 24 June 2019 (the **2019 Base Prospectus**) prepared by the Issuer in connection with the Programme.

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.

Only the specified parts of the 2015 Base Prospectus and the 2019 Base Prospectus are incorporated by reference in this Base Offering Circular. The non-incorporated parts of the 2015 Base Prospectus and the 2019 Base Prospectus are either not relevant for investors or are covered elsewhere in this Base Offering Circular .

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Offering Circular prepare a supplement to this Base Offering Circular or publish a new Base Offering Circular for use in connection with any subsequent issue of Notes.

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 Notes, the applicable Pricing Supplement.

Words and expressions defined in "*Form of the Notes*", "*Terms and Conditions of the Notes*" and "*Description of the Issuer*" shall have the same meanings in this general description of the Programme.

Issuer: Bank of Bahrain and Kuwait (B.S.C.) (**BBK** and, together with its subsidiaries, the **Group**).

Issuer Legal Entity Identifier (LEI): 549300MCPF5HTBF8ZR90

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under "*Risk Factors*".

Description: Euro Medium Term Note Programme

Arranger: J.P. Morgan Securities plc

Dealers: Arab Banking Corporation (B.S.C.)
Barclays Bank PLC
BNP Paribas
Citigroup Global Markets Limited
Emirates NBD Bank PJSC
First Abu Dhabi Bank PJSC
Gulf International Bank B.S.C.
HSBC Bank plc
J.P. Morgan Securities plc
Mashreqbank psc
National Bank of Bahrain B.S.C.
Nomura International plc
SICO B.S.C.(c)
Standard Chartered Bank
and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Offering Circular.

Notes having a maturity of less than one year

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

Principal Paying Agent:	HSBC Bank plc
Registrar:	HSBC Bank plc
Programme Size:	Up to U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in euro, Sterling, U.S. dollars, yen and any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in either bearer or registered form as described in " <i>Form of the Notes</i> ". Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined on the basis of the reference rate set out in the applicable pricing Supplement.</p> <p>Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.</p> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p>

Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree. The Issuer may agree with any Dealer that Index Linked Notes may be issued in a form not contemplated by the Conditions, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree. The Issuer may agree with any Dealer that Dual Currency Notes may be issued in a form not contemplated by the Conditions, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Partly Paid Notes:	The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree. The Issuer may agree with any Dealer that Partly Paid Notes may be issued in a form not contemplated by the Conditions, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Notes redeemable in instalments:	The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree. The Issuer may agree with any Dealer that Notes redeemable in instalments may be issued in a form not contemplated by the Conditions, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Benchmark discontinuation:	In the event that a Benchmark Event (or, if applicable, a Benchmark Transition Event and its related Benchmark Replacement Date) occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Pricing Supplement, then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See Condition 5.2(b)(iv) for further information.
Redemption:	<p>The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "<i>Certain Restrictions – Notes having a maturity of less than one year</i>" above.</p>

Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see " <i>Certain Restrictions – Notes having a maturity of less than one year</i> " above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without withholding or deduction for or on account of taxes imposed by any Tax Jurisdiction, as provided in Condition 8. In the event that any such withholding or deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so withheld or deducted.
Negative Pledge:	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Senior Notes will contain a cross default provision as further described in Condition 10.1.
Status of the Senior Notes:	The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.
Status of the Subordinated Notes:	The Subordinated Notes will constitute subordinated obligations of the Issuer, ranking <i>pari passu</i> without any preference amongst themselves. In the event of the compulsory liquidation of the Issuer for the purposes of Article 156 of The Central Bank of Bahrain and Financial Institutions Law, Decree No. 64/2006 (compulsory liquidation), the payment obligations of the Issuer under the Subordinated Notes shall rank after unsubordinated and unsecured creditors of the Issuer but <i>pari passu</i> with all other subordinated obligations of the Issuer that are not expressed to rank junior or senior to the Subordinated Notes and in priority to the claims of all shareholders of the Issuer (including the holders of all preference shares of the Issuer, if any).
Rating:	The Programme is expected to be rated B+ by Fitch and B2 by Moody's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Pricing Supplement and will not necessarily be the same as the ratings assigned to the Programme. 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.
Listing:	<p>Application has been made for Notes issued under the Programme to be admitted to trading on the ISM.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p>

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

Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes, except for Condition 3.2, will be governed by, and shall be construed in accordance with, English law. Condition 3.2 of the Notes will be governed by, and construed in accordance with, Bahraini law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Bahrain, the Kingdom of Saudi Arabia, the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Qatar (including the Qatar Financial Centre), Japan, Malaysia, Singapore and Hong Kong and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see " <i>Subscription and Sale</i> ".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Bearer Notes

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

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

The option for an issue of Bearer Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Notes should not be expressed to be applicable in the applicable Pricing Supplement if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency).

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

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may

also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

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

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

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

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with a Common Depositary for, and registered in the name of the nominee for the Common Depositary of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.5) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.5) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable

General

Pursuant to the Agency Agreement (as defined in the Conditions, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

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.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 7 May 2024 and executed by the Issuer.

APPLICABLE PRICING SUPPLEMENT

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

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

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

[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the 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/EUWA] (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any [person subsequently offering, selling or recommending the Notes (a **distributor**)/ 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 Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the SFA) – [*Notice to be included if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA.*]]

[Date]

BANK OF BAHRAIN AND KUWAIT (B.S.C.)

Legal entity identifier (LEI): 549300MCPF5HTBF8ZR90

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$2,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Offering Circular dated 7 May 2024 [and the supplement[s] to it dated [date] [and [date]]] (the **Base Offering Circular**). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Offering Circular in order to obtain all the relevant information. Copies of the Base Offering Circular and this Pricing Supplement are available for inspection during normal business hours at the specified office of the Principal Paying Agent for the time being in London.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Offering Circular dated [original date] [and the supplement[s] to it dated [date]] which are incorporated by reference in the Base Offering Circular dated [current date]. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Offering Circular dated [current date] [and the supplement[s] to it dated [date] and [date]] (the **Base Offering Circular**) including the Conditions incorporated by reference in the Base Offering Circular in order to obtain all the relevant information. The Base Offering Circular and this Pricing Supplement are available for inspection during normal business hours at the specified office of the Principal Paying Agent for the time being in London.]

1. Issuer: Bank of Bahrain and Kuwait (B.S.C.)
2. (a) Series Number: []
(b) Tranche Number: []
(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [] below, which is expected to occur on or about []][Not Applicable]
3. Specified Currency or Currencies: []:
4. Aggregate Nominal Amount:
(a) Series: []
(b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []]

6. (a) Specified Denominations: []
[]
- (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): []
7. (a) Issue Date: []
- (b) Interest Commencement Date: [][Issue Date][Not Applicable]
8. Maturity Date: [][The Interest Payment Date falling in or nearest to]]
9. Interest Basis: [[] per cent. Fixed Rate]
[[] +/- [] per cent. Floating Rate]
[Zero coupon]
[Index Linked Interest]
[Dual Currency Interest]
- (see paragraph [14]/[15]/[16] below)
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount]
- [Index Linked Redemption]
- [Dual Currency Redemption]
- [Partly Paid] [Instalment]
11. Change of Interest Basis: [][Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Not Applicable]
- (see paragraph [18]/[19] below)
13. (a) Status of the Notes: [Senior/Subordinated]
- (b) [Date [Board] approval for issuance of [] Notes obtained:

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year up to and including the Maturity Date

- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []] [Not Applicable]
- (e) Day Count Fraction: [30/360][Actual/Actual (ICMA)]
- (f) Determination Date(s): [[] in each year][Not Applicable]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes []
15. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (a) Specified Period(s)/ Specified Interest Payment Dates: [], subject to adjustment in accordance with the Business Day Convention set out in paragraph 15(b) below/, not subject to adjustment, as the Business Day Convention in paragraph 15(b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[Not Applicable]]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination not referencing SOFR, SONIA or €STR/Screen Rate Determination referencing SOFR, SONIA or €STR]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [] (the **Calculation Agent**)
- (f) Screen Rate Determination not referencing SOFR, SONIA or €STR:
- Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
 - Relevant Financial Centre: []
 - Relevant Time: []
- (g) Screen Rate Determination referencing SOFR, SONIA or €STR:

- Reference Rate: [SOFR/SONIA/€STR]
- Interest Determination Date(s): [[]/The date falling [] Business Days prior to the first day of each Interest Period/First day of each Interest Period/The [] [first, second, third etc.] Business Day immediately preceding the Interest Payment Date for each Interest Period (or immediately preceding such earlier date, if any, on which the Notes are due and payable).][*provide details*]/The Interest Payment Date at the end of each Interest Period; provided that the Interest Determination Date with respect to the last Interest Period prior to the Maturity Date or the date fixed for redemption will be the Rate Cut-off Date - *Include this wording for Payment Delay only*]]
- Calculation Method:: [Weighted Average/Compounded Daily/SOFR Index/SONIA Index]
- Observation Method: [Lag/Lock-out/Observation Shift/Payment Delay/Not Applicable]
- Observation Look-Back Period: []/Not Applicable]
- Effective Interest Payment Date: [The date falling [] Business Days following each Interest Payment Date, provided that the Effective Interest Payment Date with respect to the last Applicable Period will be the Maturity Date or, if the Issuer elects to redeem the Notes before the Maturity Date, the date fixed for redemption - *used for Payment Delay only*]/[Not Applicable]
- Rate Cut-off Date: [The date falling [] Business Days prior to the Maturity Date or the date fixed for redemption, as applicable – *used for Payment Delay only*]/[Not Applicable]
- Relevant Number: [insert number being [two] or greater/Not Applicable]
- D: [365/360/[]]
- Relevant Screen Page: []
- Relevant Time: []
- Relevant Financial Centre: []
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (i) Benchmark Replacement fallback: [Condition 5.2(b)(iv)(i) is applicable/Condition 5.2(b)(iv)(ii) is applicable]

- (j) Margin(s): [+/-] [] per cent. per annum
- (k) Minimum Rate of Interest: [] per cent. per annum
- (l) Maximum Rate of Interest: [] per cent. per annum
- (m) Day Count Fraction: [Actual/Actual (ISDA)]
[Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360]
[Bond Basis]
[30E/360]
[Eurobond Basis]
[30E/360 (ISDA)]
16. Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable for Zero Coupon Notes []
- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]
17. Index Linked Interest Note [Applicable/Not Applicable]
- (a) Index/Formula: []
- (b) Calculation Agent []
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): []
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
- (e) Specified Period(s)/Specified Interest Payment Dates: []
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]

- (g) Additional Business Centre(s): []
- (h) Minimum Rate of Interest: [] per cent. per annum
- (i) Maximum Rate of Interest: [] per cent. per annum
- (j) Day Count Fraction: []
18. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
- (a) Rate of Exchange/method of calculating Rate of Exchange: []
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

19. Notice periods for Condition 7.2: Minimum period: [30] days
Maximum period: [60] days
20. Issuer Call: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/Specify other]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [] per Calculation Amount]
- (ii) Maximum Redemption Amount: [] per Calculation Amount]
- (d) Notice periods: Minimum Period: [5] days
Maximum Period: [30] days
21. Clean Up Call: [Applicable/Not Applicable]
- (a) Early Redemption Amount: [[] per Calculation Amount/Specify other]
- (b) Notice Periods: Minimum Period: [30] days
Maximum Period: [60] days

22. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/Specify other]
- (c) Notice periods: Minimum Period: [15] days
Maximum Period: [30] days
23. Final Redemption Amount: [[] per Calculation Amount/Specify other]
24. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [[] per Calculation Amount/Specify other]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]]
- [Registered Notes:
- Registered Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]
26. Additional Financial Centre(s): [][Not Applicable]
27. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment. [][Not Applicable]
29. Details relating to Instalment Notes: [Applicable/Not Applicable]
30. Instalment Amount(s): []

[THIRD PARTY INFORMATION]

[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of **Bank of Bahrain and Kuwait (B.S.C.)**:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to Trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange plc's International Securities Market with effect from [].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange plc's International Securities Market with effect from [].]

- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

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

[Moody's: []]
[Fitch: []]

[Each of [Moody's] [and][Fitch] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

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

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. YIELD

Indication of yield: []

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. OPERATIONAL INFORMATION

- (i) ISIN: []

- (ii) Common Code: []

- (iii) CFI: [[See/[], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

- (iv) FISN: [[See/[], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable]/[]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): []

6. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/[]]
- (iii) Date of [Subscription] Agreement: []
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/[]]
- (v) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
- (vi) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (vii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
- (viii) Singapore Sales to Institutional Investors and Accredited Investors only: [Applicable]/[Not Applicable]
- (Delete this line item where Notes are not offered into Singapore.*

Include this line item where Notes are offered into Singapore. Indicate "Applicable" if Notes are offered to Institutional Investors and Accredited Investors in Singapore only. Indicate "Not Applicable" if Notes are also offered to investors other than Institutional Investors and Accredited Investors in Singapore.)

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by Bank of Bahrain and Kuwait (B.S.C.) (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 7 May 2024 and made between the Issuer, HSBC Bank plc as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), HSBC Bank plc as registrar (the **Registrar**, which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Calculation Agent (if any is specified in the applicable Pricing Supplement), the Registrar and the Paying Agents and other Transfer Agents are together referred to as the **Agents**.

The pricing supplement for this Note (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Pricing Supplement** are, unless otherwise stated, to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes which are repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

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

shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes 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 interest thereon and the date from which interest starts to accrue.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 7 May 2024 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of the Principal Paying Agent for the time being in London. Copies of the applicable Pricing Supplement will be available for viewing during normal business hours at the specified office of the Principal Paying Agent for the time being in London. If the Notes are to be admitted to trading on the London Stock Exchange plc's International Securities Market the applicable Pricing Supplement will be published on the website of the London Stock Exchange plc through a regulatory information service or published in any other manner permitted by the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time). The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

1. **FORM, DENOMINATION AND TITLE**

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

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note is a Senior Note or a Subordinated Note depending on the Status specified in the applicable Pricing Supplement.

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

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and

treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

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

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 the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, 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. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in paragraph 2.3 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of 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 certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations),

authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders 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 mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3. STATUS OF THE NOTES

3.1 Status of the Senior Notes

The Senior Notes and any relevant Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding. The Issuer shall execute such instruments and do such acts as may be required under the laws of the Kingdom of Bahrain (**Bahrain**) to ensure the effectiveness of such ranking following any change in any law or regulation relating thereto which becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Senior Notes and which requires the Issuer to take such action.

3.2 Status of the Subordinated Notes

The Subordinated Notes and, where applicable, the Coupons constitute subordinated obligations of the Issuer and rank *pari passu* and without any preference between themselves. In the event of the compulsory liquidation of the Issuer for the purposes of Article 156 of The Central Bank of Bahrain and Financial Institutions Law, Decree No. 64/2006 (**compulsory liquidation**), the payment obligations of the Issuer under the Subordinated Notes shall rank after unsubordinated and unsecured creditors of the Issuer but *pari passu* with all other subordinated obligations of the Issuer that are not expressed to rank junior or senior to the Subordinated Notes and in priority to the claims of all shareholders of the Issuer (including the holders of all preference shares of the Issuer). The Issuer shall execute such instruments and do such acts as may be required by the laws of Bahrain to ensure the effectiveness of such ranking following any change in any law or regulation relating thereto which becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Subordinated Notes and which requires the Issuer to take such action.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note. No collateral is or will be given for the payment obligations under the Subordinated Notes and any collateral that may have been or may in the future be given in connection with other indebtedness of the Issuer shall not secure the payment obligations of the Subordinated Notes.

4. **NEGATIVE PLEDGE**

This Condition 4 only applies to Senior Notes.

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness or Guarantee of Indebtedness, other than a Permitted Security Interest, without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Approved Modification made by the Noteholders pursuant to Condition 15.

In these Conditions:

Derivative Transaction means any derivative transaction (including, without limitation, any transaction which is (i) a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross currency rate swap transaction, currency option, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, weather index transaction or forward purchase or sale of a security, commodity or other financial instrument or interest (including any option with respect to any of these transactions) or (ii) which is a type of transaction that is similar to any transaction referred to in above that is currently, or in the future becomes, recurrently entered into in the financial markets (including terms and conditions incorporated by reference in such agreement) and which is a forward, swap, future, option or other derivative on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, economic indices or measures of economic risk or value, or other benchmarks against which payments or deliveries are to be made);

Guarantee means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

Indebtedness means any indebtedness of any Person for money borrowed or raised including (without limitation) deposits and any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

Non-recourse Project Financing means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that (i) any Security Interest given by the Issuer or the relevant Material Subsidiary is limited solely to assets of the project, (ii) the Person or Persons providing such financing expressly agrees to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to the Issuer or the relevant Material Subsidiary in respect of any default by any Person under the financing;

Permitted Security Interest means:

- (i) any Security Interest created or outstanding as a result of an Approved Modification made by the Noteholders pursuant to Condition 15;
- (ii) any Security Interest arising by operation of law, provided either that such Security Interest is discharged within 30 days of arising or does not materially impair the business of the Issuer or, as the case may be, Material Subsidiary and has not been enforced against the assets to which it attaches;
- (iii) any Security Interest created by the operation of a reservation of title clause contained in a vendor's or supplier's standard terms and conditions of sale in respect of goods acquired by the Issuer or a Material Subsidiary in the ordinary course of its business;
- (iv) any Security Interest granted by a Material Subsidiary in favour of the Issuer;
- (v) any Security Interest granted by the Issuer or a Material Subsidiary as a part of its entry into a Derivative Transaction, provided that such Derivative Transaction is entered into in the ordinary course of its business;
- (vi) any Security Interest on assets or property existing at the time the Issuer or any Material Subsidiary acquired such assets or property provided that such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property (other than proceeds of such acquired assets or property), provided that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (vii) any Security Interest securing Indebtedness of a Person and/or its Material Subsidiaries existing at the time that such Person is merged into or consolidated with the Issuer or a Material Subsidiary, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer or any Material Subsidiary;
- (viii) any Security Interest arising in the ordinary course of banking transactions (including, without limitation, sale and repurchase transactions and share, loan and bond lending transactions and any netting or set-off arrangements entered into by the Issuer or any Material Subsidiary for the purpose of netting debit and credit balances), provided that the Security Interest is limited to the assets which are the subject of the relevant transaction;
- (ix) any Security Interest created in connection with any Non-recourse Project Financing;
- (x) in addition to any Permitted Security Interest set out in clauses (i) through (ix) above or clause (xi) below, any other Security Interest provided that the aggregate outstanding amount secured by such Security Interest does not, at any time, exceed ten per cent. of the aggregate total assets of the Issuer as shown in its most recent audited consolidated (if then prepared by the Issuer) or non-consolidated (if consolidated financial statements are not then prepared by the Issuer) financial statements prepared in accordance with International Financial Reporting Standards; or

- (xi) any renewal of or substitution for any Security Interest permitted by any of the preceding clauses (i) through (x), provided that with respect to any such Security Interest incurred pursuant to this clause (xi) the principal amount secured has not increased and the Security Interest has not been extended to any additional property (other than the proceeds of such property);

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;

Security Interest means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

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

Nothing in this Condition 4 shall prevent the Issuer or any Subsidiary of the Issuer, as the case may be, from creating or permitting to subsist a Security Interest upon a defined or definable pool of its assets including, but not limited to, receivables (not representing all of the assets of the Issuer or any Subsidiary of the Issuer, as the case may be) (the **Secured Assets**) which is or was created pursuant to any securitisation or like arrangement in accordance with established market practice (whether or not involving itself as the issuer of any issue of asset backed securities) and whereby all payment obligations in respect of the Indebtedness of any Person or under any guarantee of or indemnity in respect of the Indebtedness of any other Person, as the case may be, secured on, or on an interest in, the Secured Assets are to be discharged solely from the Secured Assets (or solely from (i) the Secured Assets and (ii) assets of a Person other than the Issuer or any Subsidiary of the Issuer).

5. INTEREST

5.1 Fixed Rate Notes

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

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

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

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

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

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rates Notes which are Registered Notes in definitive form or the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

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

In these Conditions:

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

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

5.2 Floating Rate Notes

(a) Interest Payment Dates

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

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

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day save in respect of Floating Rate Notes for which SOFR is specified as the Reference Rate in the applicable Pricing Supplement, for which such Interest Payment Date will not be postponed and interest on that payment will not accrue during the period from and after the scheduled final Interest Payment Date; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

For the purposes of these Conditions, **Business Day** means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than the T2 System) specified in the applicable Pricing Supplement;

- (b) if T2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (T2) System (the **T2 System**) is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the T2 System is open.

(b) Rate of Interest

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

- (i) Screen Rate Determination for Floating Rate Notes not referencing SOFR, SONIA or €STR
 - (i) Where Screen Rate Determination not referencing SOFR, SONIA or €STR is specified in the applicable Pricing Supplement for Notes not referencing SOFR, SONIA or €STR as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:
 - (A) the offered quotation; or
 - (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Relevant Time (as defined below) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.
 - (ii) If the Relevant Screen Page is not available or if, in the case of paragraph (i)(A) above, no offered quotation appears or, in the case of paragraph (B) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Principal Paying Agent or the Calculation Agent, as applicable, shall request each of the Reference Banks (the contact details (including individual contacts) at such Reference Banks to be provided to the Principal Paying Agent or the Calculation Agent, as applicable, by the Issuer) to provide the Principal Paying Agent or the Calculation Agent, as applicable, with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent or the Calculation Agent, as applicable, with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin

(if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable.

- (iii) If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent or the Calculation Agent, as applicable, with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent or the Calculation Agent, as applicable, determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent or the Calculation Agent, as applicable, by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the applicable market of the Reference Rate plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent or the Calculation Agent, as applicable, with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent or the Calculation Agent, as applicable, it is quoting to leading banks in the applicable market of the Reference Rate plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph but without prejudice to Condition 5.2(b)(iv), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period).

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

If the Rate of Interest cannot be determined because of the occurrence of a Benchmark Event (or, if applicable, a Benchmark Transition Event and its related Benchmark Replacement Date), the Rate of Interest shall be calculated in accordance with the terms of Condition 5.2(b)(iv).

For the purposes of these Conditions:

Reference Banks means the principal office of four major banks selected by the Issuer in the inter-bank market of the Relevant Financial Centre;

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) Bank Bill Swap Rate (**BBSW**);
- (b) CNH Hong Kong interbank offered rate (**CNH HIBOR**);

- (c) Emirates interbank offered rate (**EIBOR**);
- (d) Euro interbank offered rate (**EURIBOR**);
- (e) Hong Kong interbank offered rate (**HIBOR**);
- (f) Kuala Lumpur interbank offered rate (**KLIBOR**);
- (g) Kuwait interbank offered rate (**KIBOR**);
- (h) Mumbai interbank offered rate (**MIBOR**);
- (i) Prague interbank offered rate (**PRIBOR**);
- (j) Saudi Arabia interbank offered rate (**SAIBOR**);
- (k) Shanghai interbank offered rate (**SHIBOR**);
- (l) Singapore interbank offered rate (**SIBOR**);
- (m) Tokyo interbank offered rate (**TIBOR**);
- (n) Turkish Lira overnight reference rate (**TLREF**);
- (o) SOFR;
- (p) SONIA; and
- (q) €STR;

Relevant Financial Centre shall mean (i) Brussels, in the case of a determination of EURIBOR; (ii) Tokyo, in the case of a determination of TIBOR; or (iii) Hong Kong, in the case of a determination of HIBOR as specified in the applicable Pricing Supplement, or such other financial centre as specified in the applicable Pricing Supplement; and

Relevant Time shall mean (i) in the case of EURIBOR, 11.00 a.m.; (ii) in the case of TIBOR, 11.00 a.m.; or (iii) in the case of HIBOR, 11.00 a.m., in each case in the Relevant Financial Centre, or such other time as specified in the applicable Pricing Supplement.

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

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

- (i) Where the Calculation Method in respect of the relevant Series of Floating Rate Notes is specified in the applicable Pricing Supplement as being "Compounded Daily", the Rate of Interest for each Interest Period will, subject as provided below, be the Compounded Daily Reference Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin, all as determined by the Principal Paying Agent or the Calculation Agent, as applicable, where:

Compounded Daily Reference Rate means, with respect to an Interest Period, the rate of return of a daily compound interest investment in the Specified Currency

(with the applicable Reference Rate (as indicated in the applicable Pricing Supplement and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Principal Paying Agent or the Calculation Agent, as applicable, on the Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{r_i - pBD \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

Applicable Period means,

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

Business Day or **BD**, in this Condition 5.2(b)(ii) means (i) where "SOFR" is specified as the Reference Rate, a U.S. Government Securities Business Day, (ii) where "SONIA" is specified as the Reference Rate in the applicable Pricing Supplement, a London Business Day or (iii) where "€STR" is specified as the Reference Rate in the applicable Pricing Supplement, a day on which the T2 System is open for settlement of payments in euro;

D is the number specified in the applicable Pricing Supplement;

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

da means, for the relevant Applicable Period, the number of Business Days in such Applicable Period;

Effective Interest Payment Date means any date or dates specified as such in the applicable Pricing Supplement;

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

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

i means, for the relevant Applicable Period, a series of whole numbers from one to d_0 , each representing the relevant Business Day in chronological order from, and including, the first Business Day in such Applicable Period;

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

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

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

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

p means, for any Interest Period:

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

r means:

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

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

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

Rate Cut-off Date has the meaning given in the applicable Pricing Supplement;

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

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

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

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

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

- (ii) Where the Calculation Method in respect of the relevant Series of Floating Rate Notes is specified in the applicable Pricing Supplement as being "Weighted Average", the Rate of Interest for each Interest Period will, subject to as provided below, be the Weighted Average Reference Rate (as defined below) plus or minus (as indicated in the applicable Pricing Supplement) the Margin and will be calculated by the Principal Paying Agent or the Calculation Agent, as applicable, on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards, where:

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

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

Reference Day has the meaning set out in paragraph (i) above;

Weighted Average Reference Rate means:

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

Compounded SOFR means:

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

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

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

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

- (a) the SOFR Index value as published by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) as such index appears on the New York Fed's Website at 5.00 p.m. (New York City time) on such U.S. Government Securities Business Day (the **SOFR Determination Time**); or

- (b) if a SOFR Index value does not so appear as specified in paragraph (i) above at the SOFR Determination Time, then:
 - (i) if a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to the then-current Benchmark, Compounded SOFR shall be the SOFR Index Unavailable value; or
 - (ii) if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, Compounded SOFR shall be the rate determined pursuant to Condition 5.2(b)(iv);

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

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

SOFR Index Unavailable means if a SOFR Index_{Start} or SOFR Index_{End} is not published on the associated Interest Determination Date and a Benchmark Transition Event and its related Benchmark Replacement Date have not occurred with respect to the then-current Benchmark, Compounded SOFR means, for the relevant Interest Period for which such index is not available, the rate of return on a daily compounded interest investment calculated in accordance with the formula for SOFR Averages, and definitions required for such formula, published on the New York Fed's Website at <https://www.newyorkfed.org/markets/treasury-repo-reference-ratesinformation>;

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

- (iv) Where "SONIA" is specified as the Reference Rate in the applicable Pricing Supplement, if, in respect of any Business Day, SONIA (as defined in paragraph (i) above) is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such Reference Rate shall be:
 - (A) (i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on the relevant Business Day; plus (ii) the mean of the spread of SONIA to the Bank Rate over the previous five days on which SONIA has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or
 - (B) subject to Condition 5.2(b)(iv), if such Bank Rate is not available, the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors),

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

- (v) Where "SOFR" is specified as the Reference Rate in the applicable Pricing Supplement, if, in respect of any Business Day, SOFR (as defined in paragraph (i) above), is not available, subject to Condition 5.2(b)(iv), such Reference Rate shall be the SOFR for the first preceding Business Day on which the SOFR was published on the New York Fed's Website (as defined in paragraph (i) above) and "r" shall be interpreted accordingly;
- (vi) Where "€STR" is specified as the Reference Rate in the applicable Pricing Supplement, if, in respect of any Business Day, €STR (as defined in paragraph (i) above), is not available, subject to Condition 5.2(b)(iv), such Reference Rate shall be the €STR for the first preceding Business Day on which €STR was published on the European Central Bank's Website (as defined in paragraph (i) above) and "r" shall be interpreted accordingly; and
- (vii) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 5.2(b)(iv), the Rate of Interest shall be that determined (i) as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Series of Notes become due and payable in accordance with Condition 7 or Condition 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

- (viii) For the purposes of this Condition 5.2(b)(ii):

If "Payment Delay" is specified in the applicable Pricing Supplement as being applicable, all references in these Conditions to interest on the Notes being payable on an Interest Payment Date shall be read as references to interest on the Notes being payable on an Effective Interest Payment Date instead.

- (iii) Screen Rate Determination for Floating Rate Notes where in the applicable Pricing Supplement the Reference Rate is specified as being SONIA and the relevant Calculation Method is specified as being "SONIA Index"

Where Screen Rate Determination Referencing SOFR, SONIA or €STR is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Reference Rate specified in the applicable Pricing Supplement is SONIA, and the Calculation Method specified in the applicable Pricing Supplement is "SONIA Index", the Rate of Interest for each Interest Period will, subject as provided below, be the Compounded Daily SONIA Rate (as defined below) plus or minus (as specified in the applicable Pricing

Supplement) the Margin (if any), all as determined and calculated by the Principal Paying Agent.

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

Compounded Daily SONIA Rate =

$$\left(\frac{\text{SONIA Compounded Index}_{\text{End}}}{\text{SONIA Compounded Index}_{\text{Start}}} - 1 \right) \times \frac{365}{d}$$

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

d is the number of calendar days from (and including) the day in relation to which SONIA Compounded Index_{Start} is determined to (but excluding) the day in relation to which SONIA Compounded Index_{End} is determined;

Relevant Number is as specified in the applicable Pricing Supplement (or, if no such number is specified, five);

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

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

- (a) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions (unless the Principal Paying Agent or the Calculation Agent, as applicable, has been notified of any Successor Rate or Alternative Reference Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 5.2(b)(iv), if applicable), the Rate of Interest shall be determined in accordance with Condition 5.2(b)(ii)(iv).
- (b) If the Notes become due and payable in accordance with Condition 10, the final Rate of Interest shall be calculated for the Interest Period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in Condition 5.4.
- (iv) Benchmark Replacement
 - (i) Independent Adviser

Notwithstanding the other provisions of this Condition 5.2(b)(iv)(i), but subject, in the case of Notes linked to SONIA, to Condition 5.2(b)(ii)(iv)(A) or 5.2(b)(iii), as applicable, failing precedence if the Issuer, following consultation with the Principal

Paying Agent or the Calculation Agent, as applicable, determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Pricing Supplement when any Rate of Interest (or the relevant component part thereof) applicable to the Notes for any Interest Period remains to be determined by such Reference Rate, then the following provisions shall apply (other than where in the applicable Pricing Supplement "Condition 5.2(b)(iv)(ii) is applicable" is specified as the Benchmark Replacement fallback):

- (A) the Issuer shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **IA Determination Cut-Off Date**), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case and if applicable, an Adjustment Spread for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes. The Independent Adviser appointed pursuant to this Condition 5.2(b)(iv)(i) shall act and make all determinations pursuant to this Condition 5.2(b)(iv)(i) in good faith and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, neither the Independent Adviser nor the Issuer shall have any liability whatsoever to the Principal Paying Agent, the Paying Agents, the Noteholders, the Receipholders or the Couponholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.2(b)(iv)(i);
- (B) if (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by the Issuer fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 5.2(b)(iv)(i) prior to the relevant IA Determination Cut-Off Date, then the Issuer (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and/or, in either case, an Adjustment Spread itself for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 5.2(b)(iv)(i) applying *mutatis mutandis* to allow such determinations to be made by the Issuer without consultation with the Independent Adviser);
- (C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods in respect of such Notes (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(b)(iv)(i));
- (D) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be, provided however, that if the Independent Adviser (following consultation with the Issuer), or the Issuer (acting in good faith and in a commercially reasonable manner), fails to determine the Adjustment Spread in accordance with this Condition 5.2(b)(iv)(i) prior to the relevant Interest Determination Date,

then the Successor Rate or Alternative Reference Rate, as determined in accordance with this Condition 5.2(b)(iv)(i), will apply without an Adjustment Spread;

- (E) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 5.2(b)(iv)(i) and the Independent Adviser (following consultation with the Issuer) or the Issuer (acting in good faith and in a commercially reasonable manner), as applicable, determines: (A) that amendments to these Conditions (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Interest Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**); and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Issuer and subject to delivery of a notice in accordance with Condition 5.2(b)(iv)(i)(F), and the certificate in accordance with this Condition 5.2(b)(iv)(i)(F)(E): (x) the Issuer shall vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Agents shall (at the Issuer's expense), without any requirement for the consent or sanction of the Noteholders, be obliged to concur with the Issuer in effecting such Benchmark Amendments.

Prior to any such Benchmark Amendments taking effect, the Issuer shall provide a certificate signed by two Authorised Signatories of the Issuer to the Principal Paying Agent, certifying that such Benchmark Amendments are: (x) in the Issuer's reasonable opinion (following consultation with the Independent Adviser), necessary to ensure the proper operation of the Successor Rate or Alternative Reference Rate (as applicable) and, in either case, any applicable Adjustment Spread; and (y) in each case, have been drafted solely to such effect, and the Agents shall be entitled to rely on such certificate without further enquiry or liability to any person. For the avoidance of doubt, no Agent shall be liable to the Noteholders or any other person for so acting or relying on such certificate, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Noteholder or person;

- (F) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Agents (or the Calculation Agent, if applicable) and, in accordance with Condition 14, the Noteholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any) in each case as determined in accordance with the provisions of this Condition 5.2(b)(iv)(i); and
- (G) if, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or the relevant component thereof) on the immediately following Interest Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Rate of Interest (or the relevant component part thereof) shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or

Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period). For the avoidance of doubt, this Condition 5.2(b)(iv)(i)(G) shall apply to the relevant immediately following Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 5.2(b)(iv)(i).

For the purposes of these Conditions:

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

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

Alternative Reference Rate means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Issuer) determines, in accordance with this Condition 5.2(b)(iv)(i), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes and of a comparable duration to the relevant Interest Period or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

Benchmark Event means: (i) the relevant Reference Rate ceasing to be published as a result of such benchmark ceasing to be calculated or administered or ceasing to exist for at least five Business Days; or (ii) a public statement by the administrator of the relevant Reference Rate that it has ceased or that it will cease, by a specified future date, publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will

continue publication of the relevant Reference Rate); or (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will, by a specified future date, be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which, by a specified future date, the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or (v) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such Reference Rate is or will be (or is or will be deemed by such supervisor to be) by a specified future date, no longer representative of an underlying market or (vi) it has become unlawful for the Issuer, the Principal Paying Agent or the Calculation Agent, as applicable, or any other Paying Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate, provided that, where the relevant Benchmark Event is a public statement within paragraphs (ii), (iii), (iv) and (v) above and the relevant specified future date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such specified future date;

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

Independent Adviser means an independent financial institution of international repute or an independent adviser with appropriate expertise appointed by the Issuer at the Issuer's expense;

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

Successor Rate means the rate that the Independent Adviser (in consultation with the Issuer) or the Issuer, as applicable, determines is a successor to or replacement of the relevant Reference Rate which is formally recommended by any Relevant Nominating Body.

(ii) ARRC

This Condition 5.2(b)(iv)(ii) shall apply, in the case of Notes for which the Specified Currency specified in the applicable Pricing Supplement is U.S. dollars and the Reference Rate specified in the applicable Pricing Supplement is SOFR, if in the applicable Pricing Supplement "Condition 5.2(b)(iv)(ii) is applicable" is specified as the Benchmark Replacement fallback.

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

Any determination, decision or election that may be made by the Issuer pursuant to this Condition 5.2(b)(iv)(ii), 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 Issuer (acting in good faith and in commercially reasonable manner); and
- (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

The Issuer shall promptly, following the determination of any Benchmark Replacement Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, give notice to the Agents and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect. No later than notifying the Noteholders of the same, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two authorised signatories of the Issuer:

- (A) 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 5.2(b)(iv)(ii); and
- (B) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

Such certificate shall be made available for inspection by the Noteholders during normal business hours at the specified office of the Principal Paying Agent.

For the purpose of this Condition 5.2(b)(iv)(ii):

Benchmark means, initially, SOFR; provided that if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark, then **Benchmark** shall mean the applicable Benchmark Replacement;

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

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

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

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

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

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

- (a) in the case of paragraph (a) or (b) of the definition of "Benchmark Transition Event", the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or
- (b) in the case of paragraph (c) of the definition of "Benchmark Transition Event", the date of the public statement or publication of information referenced therein.
- (c) For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

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

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

court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

- (c) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

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

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

Reference Time with respect to any determination of the Benchmark means (i) if the Benchmark is SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not SOFR, the time determined by the Issuer 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.

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

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

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

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

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

The Principal Paying Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

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

- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

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

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

- Y₁** is the year, expressed as a number, in which the first day of the Interest Period falls;
- Y₂** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M₁** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M₂** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D₁** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and
- D₂** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

- Y₁** is the year, expressed as a number, in which the first day of the Interest Period falls;
- Y₂** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M₁** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M₂** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D₁** is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and
- D₂** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

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

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

where:

- Y₁** is the year, expressed as a number, in which the first day of the Interest Period falls;
- Y₂** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M₁** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M₂** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D₁** is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and
- D₂** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(e) Linear Interpolation

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

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 (including any certificate provided by the Issuer in accordance with Condition 5.2(b)(iv)(i)(E)), by the Principal Paying Agent or the Calculation Agent, as applicable, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent, as applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Notes other than Fixed Rate Notes and Floating Rate Notes

The rate or amount of interest payable in respect of Notes other than Fixed Rate Notes and Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 5.2 shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.4 Accrual of interest

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

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

6.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below and save as provided in Condition 6.6)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

6.3 Payments in respect of Bearer Global Notes

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

6.4 Specific provisions in relation to payments in respect of certain types of Notes

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with Condition 6.3 above. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with Condition 6.3 above. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

6.5 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of

Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the nominal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

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

6.6 General provisions applicable to payments

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

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

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

6.7 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant

place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
 - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
 - (ii) in each Additional Financial Centre (other than the T2 System) specified in the applicable Pricing Supplement;
- (b) if the T2 System is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which the T2 System is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the T2 System is open.

6.8 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 8;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts; and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

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

7.2 Redemption for tax reasons

Subject to Condition 7.6, the Notes may (subject, in the case of Subordinated Notes, to the prior approval of the Central Bank of Bahrain (the **Regulator**) where required) be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum

period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent to make available at its specified office to Noteholders: (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

7.4 Redemption at the option of the Issuer (Clean Up Call)

If Clean Up Call is specified as being applicable in the applicable Pricing Supplement, and 75 per cent. or more of the initial aggregate principal amount of the Notes issued have been redeemed and/or purchased and cancelled pursuant to this Condition 7, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes then

outstanding on the date of redemption at the Early Redemption Amount together, if appropriate, with interest accrued to (but excluding) the date of redemption.

7.5 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 7.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.5 and instead to declare such Note forthwith due and payable pursuant to Condition 10 (if, in the case of a Subordinated Note, it is then entitled to do so under the terms of Condition 10.2).

7.6 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10:

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.7 Specific redemption provisions applicable to certain types of Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 7.2, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.8 Purchases

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

7.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes which are purchased pursuant to Condition 7.8 above and surrendered for cancellation (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

7.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3, 7.4 or 7.5 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of

such Zero Coupon Note shall be the amount calculated as provided in Condition **Error! Reference source not found.** as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

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

- (a) presented for payment in a Tax Jurisdiction; or
- (b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.7).

Notwithstanding any other provision contained herein, any amounts to be paid by the Issuer on the Notes, Receipts and Coupons will be paid net of any withholding or deduction imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a **FATCA Withholding Tax**), and neither the Issuer nor any other person will be required to pay additional amounts on account of any FATCA Withholding Tax.

As used herein:

- (i) **Code** means the U.S. Internal Revenue Code of 1986;
- (ii) **Tax Jurisdiction** means Bahrain or any political subdivision or any authority thereof or therein having power to tax; and
- (iii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. **PRESCRIPTION**

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. **EVENTS OF DEFAULT**

10.1 **Events of Default relating to Senior Notes**

This Condition 10.1 only applies to Senior Notes.

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

- (a) **Non Payment:** if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) **Breach of Obligations:** if the Issuer fails to perform or observe any of its other obligations under the Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of written notice requiring the same to be remedied; or
- (c) **Cross Default:** if (i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Indebtedness becomes due and payable prior to its stated maturity by reason of default (however described) or (iii) the Issuer or any of its Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any Guarantee of any Indebtedness, provided that each such event shall not constitute an Event of Default unless the aggregate amount of all such Indebtedness, either alone or when aggregated with all other Indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than U.S.\$10,000,000 (or its U.S. Dollar Equivalent); or
- (d) **Unsatisfied Judgments:** if one or more judgments or orders for the payment of any sum in excess of U.S.\$10,000,000 (or its U.S. Dollar Equivalent) is rendered against the Issuer or any of its Subsidiaries and continues unsatisfied, unstayed and unappealed (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days) for a period of 30 days after the date thereof; or
- (e) **Liquidation and other events:**
 - (i) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries, save in connection with a Permitted Reorganisation; or
 - (ii) if the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save in connection with a Permitted Reorganisation, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (iii) if (A) court or other formal proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by the Issuer or relevant Material Subsidiary, as the case may be), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, save in each case in connection with a Permitted Reorganisation or (B) an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (C) in any case as mentioned in (A) or (B) above (other than the appointment of an administrator) is not discharged within 45 days; or
- (iv) if the Issuer or any of its Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save in connection with a Permitted Reorganisation; or
- (v) if any event occurs which under the laws of Bahrain or any other jurisdiction in which the Issuer has operations has an analogous effect to any of the events referred to in paragraphs (e) to (h) above; or
- (f) **Illegality:** if at any time it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under or in respect of the Notes or any of the obligations of the Issuer thereunder are not or cease to be legal, valid, binding or enforceable; or
- (g) **Nationality etc.:** if, by or under the authority of any government, (A) the management of the Issuer or any of its Subsidiaries is wholly or substantially displaced or the authority of the Issuer or any Subsidiary in the conduct of its business is wholly or substantially curtailed or (B) all or a majority of the issued share capital of the Issuer or any Subsidiary or the whole or a substantial part of its revenues or assets are seized, nationalised, expropriated or compulsorily acquired,

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

For the purposes of these Conditions:

- (i) **a Material Subsidiary** is a Subsidiary of the Issuer the book value of the assets of which exceeds ten per cent. of the book value of the consolidated assets of the Issuer and its Subsidiaries, taken as a whole, or the revenues of which exceed ten per cent. of the consolidated revenues of the Issuer and its Subsidiaries, taken as a whole and, for these purposes:
 - (i) the book value of the assets and the revenues of each Subsidiary which is, or might be, a Subsidiary shall be determined by reference to its then most recently audited

annual financial statements (consolidated if the same are prepared) or, if none, its then most recent annual management accounts; and

- (ii) the book value of the consolidated assets and the consolidated revenues of the Issuer and its Subsidiaries, taken as a whole, shall be determined by reference to the Issuer's then most recently audited consolidated annual financial statements;

all as more fully set out in the Agency Agreement. A report by two Directors of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or through any particular period a Subsidiary shall (in the absence of manifest or proven error) be conclusive and binding on the parties;

(ii) **Permitted Reorganisation** means:

- (i) any disposal by any Subsidiary (including, but not limited to, on its solvent winding up) of the whole or a substantial part of its business, undertaking or assets to the Issuer or any wholly owned Subsidiary of the Issuer;
- (ii) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of the Issuer;
- (iii) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Approved Modification made by the Noteholders pursuant to Condition 15; or
- (iv) any restructuring, merger, reorganisation (whether by way of amalgamation, consolidation, division, separation, or transformation, as these terms may be construed under applicable Bahraini law) or other business combination or a sale, assignment, conveyance, transfer of business or another disposition of all or substantially all of the properties or assets of the Issuer or the Group, in each case with, or to, as the case may be, National Bank of Bahrain B.S.C., in a single transaction or a series of related transactions (a **Merger**), subject to (A) the surviving or resulting entity or the transferee being National Bank of Bahrain B.S.C. and (B) National Bank of Bahrain B.S.C. expressly assuming in writing all obligations of the Issuer under the Notes; and

- (iii) **U.S. Dollar Equivalent** means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with the applicable foreign currency as quoted by Reuters at approximately 11:00 a.m. (New York time) on the date not more than two Business Days prior to the date of determination.

10.2 Events of Default relating to Subordinated Notes

This Condition 10.2 only applies to Subordinated Notes.

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

- (a) **Non-Payment:** if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) **Liquidation and other events:** if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save in connection with a Permitted Reorganisation, or administration of the Issuer is assumed by the Central Bank of Bahrain under its statutory powers,

then, in the case of Condition 10.2(a), the holder of such Note may, at its discretion, and subject to any applicable laws, without further notice, institute proceedings for the compulsory liquidation of the Issuer and/or prove in any compulsory liquidation of the Issuer but may take no other action in respect of such default, and, in the case of Condition 10.2(b), the holder of such Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be forthwith due and repayable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind and/or prove in the compulsory liquidation of the Issuer.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

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

12. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Pricing Supplement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and, in the case of Registered Notes, a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent with a specified office in a jurisdiction within Europe.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.6. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon

sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. **NOTICES**

All notices required to be given to the holders of Bearer Notes pursuant to these Conditions will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices required to be given to the holders of Registered Notes pursuant to these Conditions will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices required to be given by any Noteholder pursuant to these Conditions shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. **MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

The Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the

business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than three-fourths in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-quarter in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of all the Noteholders or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

The Issuer may, in connection with a Merger described in paragraph (iv) of the definition of "Permitted Reorganisation" in Condition 10.1, without the consent of the Noteholders, Receiptholders or Couponholders, be substituted by National Bank of Bahrain B.S.C. (the **Substitute**) as principal debtor under the Notes, Receipts and Coupons, provided that no payment in respect of the Notes, Receipts and Coupons is at the relevant time due and unpaid. The substitution shall be effected in accordance with the provisions of the Agency Agreement.

Upon the execution of the Deed Poll (as defined in the Agency Agreement), the Substitute shall be deemed to be named in the Notes, Receipts and Coupons as the principal debtor in place of the Issuer and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Deed Poll shall operate to release the Issuer from all of its obligations in respect of the Notes, Receipts and Coupons.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note 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.

18. **GOVERNING LAW AND DISPUTE RESOLUTION**

18.1 **Governing law**

The Agency Agreement, the Deed of Covenant, the Notes (except for Condition 3.2), the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes (including the remaining provisions of this Condition 18) and the Coupons are governed by, and shall be construed in accordance with, English law except for Condition 3.2 which shall be governed by, and be construed in accordance with, the laws of Bahrain.

18.2 **Arbitration**

Subject to Condition 18.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes and/or the Coupons (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 the Notes and/or the Coupons) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the London Court of International Arbitration (**LCIA**) Arbitration rules (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition. For these purposes:

- (a) the seat of arbitration shall be London;
- (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 claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court (as defined in the Rules); and
- (c) the language of the arbitration shall be English.

18.3 **Option to litigate**

Notwithstanding Condition 18.2 above, any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) in the event no arbitration has commenced,

require that a Dispute be heard by a court of law. If any Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18.4 and, subject as provided below, any arbitration commenced under Condition 18.2 in respect of that Dispute will be terminated. Each party to the terminated arbitration will bear its own costs in relation thereto.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by

the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (ii) his entitlement to be paid his proper fees and disbursements; and
- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

18.4 Jurisdiction of the English courts

In the event that a notice pursuant to Condition 18.3 is issued, the following provisions shall apply:

- (a) subject to Condition 18.4(c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
- (b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 18.4 is for the benefit of the Noteholders only. As a result, and notwithstanding Condition 18.4(a) above, any Noteholder may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Noteholders may take concurrent Proceedings in any number of jurisdictions.

18.5 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.6 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts, made provision for arbitration and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit.

SUMMARY OF FINANCIAL INFORMATION

The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the other information included elsewhere in this Base Offering Circular.

The following table sets forth selected financial information of BBK as at and for the years ended 31 December 2023 and 2022. The statement of profit and loss and statement of financial position data extracted from the Financial Statements have been presented, for convenience only, in United States dollars using an exchange rate of U.S.\$1 = BHD0.376.

	Year ended / as at 31 December			
	2023		2022	
	<i>BHD million</i>	<i>U.S.\$ million</i>	<i>BHD million</i>	<i>U.S.\$ million</i>
Statement of profit or loss data				
Net interest and similar income.....	133.4	354.8	102.5	272.6
Total other income ⁽¹⁾	20.5	54.5	35.7	94.9
Total operating expenses	68.7	182.7	64.5	171.5
Net profit for the year (attributable to owners of BBK)	74.5	198.1	64.4	171.3
Statement of financial position data				
Total assets	3,901.9	10,377.4	3,753.9	9,983.8
Loans and advances to customers.....	1,588.3	4,224.2	1,614.0	4,292.6
Investment securities ⁽²⁾	961.3	2,556.6	976.5	2,597.1
Customers' current, savings and other deposits	2,130.0	5,664.9	2,116.6	5,629.3
Term borrowings	301.6	802.1	263.9	701.9
Total equity	613.9	1,632.7	599.0	1,593.1

Notes:

- (1) Consisting of net fees and commission, other income and share of (loss) / profit or loss from associates and joint ventures.
- (2) Includes investment securities and investments in associates and joint ventures.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

The table below shows the Group's consolidated statement of financial position data as at 31 December 2023 and 2022.

	As at 31 December	
	2023	2022
	<i>(BHD' million)</i>	
Assets		
Cash and balances with central banks.....	549.9	416.9
Treasury bills	389.2	277.9
Deposits and amounts due from banks and other financial institutions.....	245.8	276.6
Loans and advances to customers.....	1,588.3	1,614.0
Investment securities	910.1	914.2
Interest receivable, derivative and other assets.....	129.6	154.5
Investments in associates and joint ventures	51.2	62.3
Premises and equipment	37.8	37.5
Total assets	3,901.9	3,753.9
Liabilities		
Deposits and amounts due to banks and other financial institutions	406.2	289.4
Borrowings under repurchase agreement	326.9	377.4
Term borrowings.....	301.6	263.9
Customers' current, savings and other deposits	2,130.0	2,116.6
Interest payable, derivative and other liabilities	123.3	107.6
Total liabilities	3,288.0	3,154.9
Equity		
Share capital	173.0	164.8
Treasury stock.....	(4.1)	(4.7)
Share premium.....	105.6	105.6
Statutory reserve.....	86.0	78.5
General reserve	64.2	64.2
Cumulative changes in fair values	24.7	14.8
Foreign currency translation reserve.....	(15.5)	(15.3)
Retained earnings	131.9	128.9
Proposed appropriations	45.3	59.5
Attributable to the owners of the Bank.....	611.1	596.3
Non-controlling interests	2.8	2.7
Total equity	613.9	599.0

	As at 31 December	
	2023	2022
	<i>(BHD' million)</i>	
Total liabilities and equity	3,901.9	3,753.9

Consolidated Statement of Profit or Loss Data

The table below shows the Group's consolidated statement of profit or loss data for the years ended 31 December 2023 and 31 December 2022.

	For the years ended 31 December	
	2023	2022
	<i>(BHD' million)</i>	
Operating income		
Interest and similar income.....	237.0	152.3
Interest and similar expense.....	(103.6)	(49.8)
Net interest and similar income.....	133.4	102.5
Fee and commission income – net.....	14.4	18.6
Investment and other income.....	16.3	15.8
Total operating income.....	164.1	136.9
Operating expenses.....		
Staff costs	(39.6)	(37.3)
Other expenses.....	(29.1)	(27.2)
Total operating expenses	(68.7)	(64.5)
Net provisions and credit losses	(9.9)	(8.0)
Net operating income.....	85.5	64.4
Share of (loss) / profit from associates and joint ventures	(10.2)	1.3
Profit for the year before tax	75.3	65.7
Tax expense	(0.2)	(0.7)
Net profit for the year.....	75.1	65.0
Profit attributable to owners of the Bank	74.5	64.4
Profit attributable to non-controlling interests.....	0.6	0.6
	75.1	65.0
Basic and diluted earnings per share (BHD).....	0.043	0.037

Consolidated Statement of Other Comprehensive Income Data

The table below shows the Group's consolidated statement of other comprehensive income data for the years ended 31 December 2023 and 31 December 2022.

	For the years ended 31 December	
	2023	2022
	<i>(BHD' million)</i>	
Net profit for the year	75.1	65.0
Other comprehensive income:		
<i>Items that will not be reclassified (or recycled) subsequently to profit or loss</i>		
Net change in fair value of equity investments measured at fair value through other comprehensive income	3.1	(2.6)
<i>Items that are or may be reclassified (or recycled) subsequently to profit or loss</i>		
<i>Movement in translation reserve:</i>		
Unrealised loss on exchange currency translation adjustments on foreign subsidiaries	(0.2)	(3.1)
<i>Movement in hedging reserve:</i>		
Effective portion of changes in fair value cash flow hedges	—	1.2
<i>Movement in fair value reserve:</i>		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	9.9	27.0
Net amount transferred to profit or loss	(2.9)	(2.4)
Other comprehensive income for the year	9.9	20.1
Total comprehensive income for the year	85.0	85.1
Attributable to:		
Owners of the Bank	84.4	84.5
Non-controlling interests	0.6	0.6
	85.0	85.1

Consolidated Statement of Cash Flow Data

The table below summarises the Group's consolidated statement of cash flow data for the years ended 31 December 2023 and 31 December 2022.

	For the years ended 31 December	
	2023	2022
	<i>(BHD' million)</i>	
Net cash flows from / (used in) operating activities	124.2	(42.5)
Net cash flows from investing activities	9.6	88.7
Net cash flows used in financing activities	(32.4)	(12.6)
Foreign currency translation adjustments – net	(0.9)	(1.4)
Cash and cash equivalents at the beginning of the year	599.1	566.9
Cash and cash equivalents at the end of the year	699.6	599.1

Selected Ratios

The table below shows selected consolidated ratios of the Group as at and for the years ended 31 December 2023 and 31 December 2022.

	As at/for the years ended 31 December	
	2023	2022
Cost to income ratio ⁽¹⁾	44.64%	46.67%
Return on average assets ⁽²⁾	1.91%	1.70%
Return on average equity ⁽³⁾	12.67%	11.69%
Profit per employee (BHD) ⁽⁴⁾	53.95	49.73
Capital adequacy ratio ⁽⁵⁾	28.09%	27.25%
Total equity to total assets ratio ⁽⁶⁾	15.73%	15.96%
Debt to equity ratio ⁽⁷⁾	49.13%	44.06%
Loans and advances to total assets ratio ⁽⁸⁾	40.71%	43.00%
Investments excluding treasury bills to total assets ratio ⁽⁹⁾	24.64%	26.01%
Number of employees	1,381	1,295
Net NPL (net of provisions)/loans and advances ⁽¹⁰⁾	0.98%	1.02%
Specific NPL coverage ratio ⁽¹¹⁾	68.74%	71.58%
Specific and collateral NPL coverage ratio ⁽¹²⁾	109.62%	127.90%
Loans and advances/Deposits ⁽¹³⁾	74.57%	76.25%
LCR ⁽¹⁴⁾	292.55%	301.43%
NSFR ⁽¹⁵⁾	137.65%	138.30%

Notes:

- (1) Total operating expenses divided by total income (which includes net interest and similar income, net fees and commissions income, investment and other income and share of (loss) / profit from associates and joint ventures).
- (2) Net profit for the year attributable to the owners of BBK divided by average total assets for the year, with average total assets for the year calculated as the sum of total assets at the end of each month divided by 12.
- (3) Net profit for the year attributable to the owners of BBK divided by average total equity attributable to the owners of BBK for the year, with average total equity attributable to the owners of BBK for the year calculated as the sum of total equity attributable to the owners of BBK at the end of each month divided by 12.
- (4) Net profit for the year attributable to the owners of BBK divided by the number of employees at the end of the relevant year.
- (5) Total capital base divided by total risk weighted exposure.
- (6) Total equity divided by total assets.
- (7) Term borrowings divided by total equity.
- (8) Net loans and advances to customers (calculated as gross loans and advances to customers less ECL) divided by total assets.
- (9) Investment securities plus investments in associates and joint ventures divided by total assets.
- (10) Total NPLs less ECL on stage III loans and advances to customers divided by net loans and advances to customers (calculated as gross loans and advances to customers less ECL).
- (11) Total specific provisions (ECL on stage III loans and advances to customers) divided by total NPLs.
- (12) Total specific provision (ECL on stage III loans and advances to customers) plus collateral (consisting of cash, securities and real estate that the Group holds relating to stage III loans and advances to customers) divided by total NPLs.
- (13) Net loans and advances to customers (calculated as gross loans and advances to customers less ECL) divided by total customers' current, savings and other deposits.
- (14) Calculated in accordance with the CBB regulations. Represents total high-quality liquid assets divided by expected net cash outflows for the next 30 days.
- (15) Calculated in accordance with the CBB regulations. Represents total available stable funding divided by total required stable funding.

SELECTED STATISTICAL INFORMATION

Liabilities

The following table sets out the breakdown of liabilities for the Group as at 31 December 2023 and 31 December 2022.

	As at 31 December	
	2023	2022
	<i>(BHD' million)</i>	
Deposits and amounts due to banks and other financial institutions	406.2	289.4
Borrowings under repurchase agreement	326.9	377.4
Term borrowings.....	301.6	263.9
Customers' current, savings and other deposits	2,130.0	2,116.6
Interest payable, derivative and other liabilities	123.3	107.6
Total liabilities	3,288.0	3,154.9

Loans and Advances to Customers

The tables below show an industry classification of the Group's total loans and advances to customers as at 31 December 2023 and 31 December 2022.

	As at 31 December	
	2023	2022
	<i>(BHD' million)</i>	
Trading and manufacturing.....	417.8	425.9
Banks and other financial institutions.....	115.0	98.5
Construction and real estate.....	283.6	290.8
Government and public sector	123.7	132.1
Individuals	568.7	559.9
Others	79.5	106.8
Loans and advances to customers	1,588.3	1,614.0

Credit Commitments and Contingent Liabilities

Credit commitments and contingent items include commitments to extend credit, standby letters of credit, acceptances and guarantees, which are structured to meet customer requirements. The table below shows the principal amount outstanding of the Group's credit commitments and contingent liabilities as at 31 December 2023 and 31 December 2022.

	As at 31 December	
	2023	2022
	<i>(BHD' million)</i>	
<i>Contingencies</i>		
Letters of Credit.....	27.9	24.8
Guarantees	251.4	190.2
	279.3	215.0
<i>Commitments</i>		
Undrawn loan commitments	171.7	103.2
Forward foreign exchange contracts	158.2	190.5
Interest rate swaps	624.3	691.1
Total	1,233.5	1,199.8

A table showing the contractual expiry by maturity of the Group's credit commitments and contingent items as at 31 December 2022 and 31 December 2023 is set out in note 29 to the 2023 Financial Statements.

Related Party Transactions

Related parties represent major shareholders, associates and joint ventures, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The table below shows the balances as at 31 December 2023 and 31 December 2022 as well as the income and expenses for 2023 and 2022 in respect of related party transactions included in note 26 to the 2023 Financial Statements.

As at and for the year ended 31 December 2023	Major Shareholders	Associates and Joint Ventures	Directors and Key Management Personnel	Total
	<i>(BHD' million)</i>			
Balances				
Loans and advances to customers.....	—	15.8	2.3	18.1
Customers' current, savings and other deposits	35.3	1.9	8.9	46.1
Investments in associates and joint ventures	—	51.2	—	51.2
Income and expenses				
Interest income	—	1.0	—	1.0
Interest expense	1.2	—	0.4	1.6

As at and for the year ended 31 December 2023	Major Shareholders	Associates and Joint Ventures	Directors and Key Management Personnel	Total
<i>(BHD' million)</i>				
Share of loss from associates and joint ventures	—	(10.2)	—	(10.2)

As at and for the year ended 31 December 2022	Major Shareholders	Associates and Joint Ventures	Directors and Key Management Personnel	Total
<i>(BHD' million)</i>				
Balances				
Loans and advances to customers.....	—	2.5	4.5	7.0
Customers' current, savings and other deposits	29.6	1.8	11.4	42.8
Investments in associates and joint ventures	—	62.3	—	62.3
Income and expenses				
Interest income	—	0.3	—	0.3
Interest expense	2.0	0.1	0.2	2.3
Share of profit from associates and joint ventures	—	1.3	—	1.3

DESCRIPTION OF THE ISSUER

Overview

BBK was incorporated on 16 March 1971, pursuant to an Amiri Decree issued by H.H. Sheikh Isa Bin Salman Al Khalifa in his capacity as the then Ruler of Bahrain and Dependencies, and registered with the Ministry of Industry and Commerce under Commercial Registration number 1234 on 16 March 1971. BBK operates in Bahrain under a conventional retail banking licence under Volume 1 issued by the CBB. This licence allows BBK to operate as a full-service bank to both retail and commercial customers. BBK's registered address is 43 Government Avenue, PO Box 597, Manama, Kingdom of Bahrain and its telephone number is +973 17223 388.

BBK began operations in 1972 with capital of BHD1.0 million. BBK provides a full range of retail and commercial banking, corporate finance, discretionary fund management, foreign exchange, derivatives and financial advisory services and trade finance in the markets in which it operates. BBK has 22 branches in Bahrain, a branch in Kuwait, four branches in India (Hyderabad, Mumbai, Aluva and New Delhi) and representative offices in Dubai (UAE) and Istanbul (Turkey).

As at 31 December 2023, BBK's total assets were BHD3,901.9 million (U.S.\$10,377.4 million). As at the same date, its capital adequacy ratio (calculated according to CBB methodology and under Basel III) was 28.09 per cent. and its tier 1 capital adequacy ratio was 26.99 per cent., well above the minimum levels of 14.0 per cent. and 12.5 per cent. (for DSIBs), respectively, set by the CBB. For the year ended 31 December 2023, BBK's total operating income was BHD164.1 million (U.S.\$436.4 million) and its net profit for the year (attributable to owners of BBK) was BHD74.5 million (U.S.\$198.1 million).

History

BBK was incorporated in 1971 as a joint venture between Bahraini and Kuwaiti investors, with each nationality holding 50.0 per cent. of the shares. BBK opened its first offshore branch in Kuwait in April 1978, and was the first foreign bank permitted to operate in that country. BBK opened its first branch in India in Mumbai in 1986 and its second branch there in Hyderabad in 1995. Further branches were opened in Aluva and New Delhi in 2013 and 2014, respectively, in order to support the expansion of the BBK franchise in India following an additional capital infusion of U.S.\$45.0 million. The purpose of the additional capital was to support new lending which had previously been constrained. In 1997, BBK opened a representative office in Dubai in the UAE to identify lending opportunities in the UAE which are then entered into and booked through the Bahrain office. The Dubai office focuses on bilateral finance and on building strong customer relationships. In December 2016, BBK opened a representative office in Istanbul, Turkey to assist GCC customers in Turkey and Turkish customers in the GCC with the referral of customers to the respective head office departments. BBK aims to provide a wide range of banking products to Turkey-based customers, both on a bilateral as well as on a syndicated basis.

Capital Structure

As at 31 December 2023, BBK's authorised share capital was BHD 250.0 million (comprised of 2,500,000,000 shares with a nominal value of BHD0.1 each) and the number of shares issued and fully paid up was 1,730,086,010. BBK's shares are listed on the Bahrain Bourse. BBK's shareholders and their shareholdings as at 31 December 2023 were as follows:

Shareholder	%
Social Insurance Organization.....	32.97
Kuwait Investment Authority (KIA).....	19.20

Shareholder	%
Fincorp W.L.L	26.19
Citizens of Bahrain and others.....	21.64

As at 31 December 2023, BBK had a reported total equity attributable to the owners of the bank of BHD611.1 million and 52.17 per cent. of BBK's shares were owned by Bahraini and Kuwaiti government-owned entities (the Social Insurance Organization and Kuwait Investment Authority) (the **KIA**)), a further 26.19 per cent. were owned by Al Salam Bank B.S.C. (through Fincorp W.L.L.), and the balance of shares were held by professional investors and private individuals. BBK's shares have been listed on the Bahrain Bourse since June 1989.

The Social Insurance Organization is an amalgamation of the Pension Fund Commission and the General Organisation for Social Insurance, both of which were major shareholders of BBK before they merged in 2008.

The KIA is the oldest sovereign wealth fund in the world. The KIA traces its roots to the Kuwait Investment Board, which was established in 1953, eight years before Kuwait's independence in 1961. In 1982, the KIA was created by Law No. 47 as an autonomous governmental body responsible for the management of the assets of the country. The KIA's mission is to achieve a long-term investment return on the financial reserves entrusted by Kuwait to the KIA. Throughout its history, the KIA has been a stable and responsible shareholder and owner. The KIA pursues corporate governance activities based on industry best practices and the highest international standards of shareholder responsibility.

Fincorp W.L.L. is an investment vehicle established by Al Salam Bank B.S.C. for the purposes of holding shares in BBK. Al Salam Bank B.S.C. was established on 19 January 2006 in Bahrain, is regulated and supervised by the Central Bank of Bahrain and has an Islamic retail banking licence. Al Salam Bank B.S.C. offers Shari'a compliant financial products through its network of branches and ATMs. In addition to its retail banking services, Al Salam Bank B.S.C. also provides corporate banking, private banking, asset management, international transaction banking and treasury services.

In 2023, BBK won the following awards:

- "Best Transaction Banking Implementation: Best Adoption of Tools & Governance" by IBS Intelligence;
- "Outstanding Digital CX Strategy" by Digital Banker;
- "Compliance and Banking Management" award by the International Excellence Foundation;
- "Best Retail Bank Bahrain 2023" by the World Economic Magazine; and
- "Best Corporate Governance Banking Bahrain" by the Global Business Magazine.

Strategy

BBK's core strategic objective is to achieve steady growth and maintain consistent and sustainable profitability. BBK aims to achieve a leadership position in Bahrain and other markets by catering for individual needs of its existing and future generation customers.

BBK aims to achieve this objective through its 2022-2024 strategy which focuses on the following key pillars:

1. **Customer Centricity:** BBK aims to understand and prioritise the needs of its customers and design solutions that resonate with them. The customer-centric strategy is adapted with the intention of

providing superior customer satisfaction and building stable and long-term relationships. For example, BBK uses data analytics tools to create a personalised customer experience.

2. **Corporate Growth:** BBK aims to ensure a responsible and long-term development via both organic (growth of the customer base, roll-out of new products and expansion into new markets) and inorganic growth (strategic acquisitions and partnerships). BBK continues to assess opportunities for local and international mergers and acquisitions. BBK has recently enhanced the offering to its corporate clients through a comprehensive digitalization of its new accounts onboarding processes, payments, liquidity, reconciliation and trade finance comprehensively. The Retail Division is also tapping into BBK customers' lifestyle needs through several digital initiatives such as Buy-Now-Pay-Later, digital onboarding, and BBKPLUS "Digital Branches".
3. **Digital Transformation:** BBK is focused on its digital capabilities to personalise and enhance the customer experience, expedite services, strengthen controls, enhance efficiency, unlock new opportunities and expand its reach. For example, BBK has recently partnered with one of the leading providers of credit process automation systems with the aim of digitising BBK's credit processing. This collaboration is expected to streamline BBK's credit assessment and approval processes.
4. **Banking Ecosystem:** BBK is focused on building a dynamic banking ecosystem that swiftly adapts to internal and external shifts. In order to achieve this objective, BBK endeavours to remain fully aligned with, capitalise on the expertise of and leverage the services of, its subsidiaries.
5. **Operational Excellence:** BBK strives for impactful and efficient operations. BBK aims to streamline its processes, optimise available resources, leverage data-driven insights, drive informed decision making, embrace innovative means and foster a culture of continuous improvement. In order to achieve this strategic objective, BBK has rolled out a number of initiatives, including culture, leadership and mentoring programmes and business process re-engineering). In 2023, BBK delivered 44,723 training hours to its 643 employees, or 69.6 training hours per employee. BBK also launched the Digital Academy in partnership with the Bahrain Institute of Banking and Finance, the premier local training and education institution for the banking industry. BBK has invested in a state-of-the-art robotic process automation (RPA) platform and has automated resource-intensive processes in place. BBK established the RPA department to also handle the ongoing process automation and re-engineering strategy. In addition, BBK is automating all branches to achieve savings on headcounts, establish paperless processes and encourage efficient turnaround times.

Group Structure

BBK is the parent company within the Group. As at 31 December 2023, BBK's subsidiaries, associates and joint ventures were as follows:

Subsidiaries	Country	Holding (per cent.)
CrediMax B.S.C. (c)	Bahrain	100.00
Invita Company W.L.L.	Bahrain	100.00
Global Payment Services W.L.L. (through CrediMax B.S.C. (c))	Bahrain	70.00
973LABS W.L.L. (through CrediMax B.S.C. (c) (60%) and Invita Company W.L.L. (40%))	Bahrain	100.00

Associates and Joint Ventures

Bahrain Commercial Facilities Company B.S.C.	Bahrain	23.03
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The Benefit Company B.S.C. (c)	Bahrain	22.00
BBK Geojit Securities K.S.C.	Kuwait	40.00
Bahrain Liquidity Fund	Bahrain	23.54
Magnum Partners Holding Limited	Jersey	49.96
Evoque Holdings Jersey Limited	Jersey	24.99
LSE Jersey Holdings Limited Partnership	Jersey	45.00
Invita Kuwait K.S.C.C. (through Invita Company W.L.L.)	Kuwait	40.00

- CrediMax is a card issuer and acquirer based in Bahrain and is one of the few local acquirers who provide point-of-sale terminals and manage local merchant relationships. It issued its first credit card in July 1991 and now holds a leading position in the Bahraini credit card market.
- Invita Company W.L.L. is a business services consultancy offering a range of outsourcing services such as call centres, customer relationship management and business consultancy.
- Global Payment Services W.L.L. offers credit card management solutions.
- 973LABS W.L.L. is incorporated in Bahrain and is engaged in computer consultancy and computer facilities management activities.
- Bahrain Commercial Facilities Company B.S.C. is incorporated in Bahrain and is engaged in consumer financing and insurance, dealing in real estate and automobiles.
- The Benefit Company B.S.C. (c) is incorporated in Bahrain and is engaged in ancillary services providing payment systems and other related financial services to commercial banks and their customers in Bahrain.
- BBK Geojit Securities K.S.C. is a joint venture between BBK, JZ Associates Kuwait and Geojit BNP Paribas (a large financial services company in India with over 500 branches) established in April 2012. The joint venture provides a platform that allows non-resident Indian investors in Kuwait to invest directly in Indian equities and mutual funds.
- Bahrain Liquidity Fund is an investment vehicle established in Bahrain to enhance liquidity in the market and to close the valuation gap between securities listed on the Bahrain Bourse and their regional peers.
- Magnum Partners Holding Limited is a joint venture company incorporated in Jersey to indirectly acquire real estate investments in the Netherlands.
- Evoque Holdings Jersey Limited is a joint venture company incorporated in Jersey to indirectly acquire real estate investment in Germany.
- LSE Jersey Holdings Limited Partnership is a joint venture company incorporated in Jersey to facilitate the indirect real estate investment in the United Kingdom.
- Invita Kuwait K.S.C.C. is indirectly owned by the Group through Invita Company W.L.L., is incorporated in Kuwait and is engaged in business processing and outsourcing services.

Business Activities

Overview

For accounting purposes, the Group's business activities are classified within four business segments. Set out below is a summary of certain financial information for each of these segments as at and for the years ended 31 December 2023 and 2022:

As at and for the year ended 31 December 2023					
	Retail banking	Corporate banking	International banking	Investment, treasury and other activities	Total
	<i>BHD' million</i>				
Operating income before results from associates and joint ventures.....	66.3	41.0	18.9	37.9	164.1
Net provisions and credit losses.....	(1.8)	(8.3)	1.1	(0.9)	(9.9)
Segment result.....	26.6	17.4	7.6	33.7	85.3
Share of loss from associates and joint ventures	—	—	—	(10.2)	(10.2)
Net profit for the year					75.1
Net profit attributable to non-controlling interests					(0.6)
Net profit attributable to the owners of the Bank.....					74.5
Segment assets	811.5	675.6	457.0	1,820.3	3,764.4
Investment in associates and joint ventures.....	—	—	—	51.2	51.2
Common assets	—	—	—	—	86.3
Total assets					3,901.9
Segment liabilities.....	1,123.3	853.3	497.3	769.6	3,243.5
Common liabilities.....	—	—	—	—	44.5
Total liabilities					3,288.0

As at and for the year ended 31 December 2022					
	Retail banking	Corporate banking	International banking	Investment, treasury and other activities	Total
	<i>BHD' million</i>				
Operating income before results from associates and joint ventures.....	48.6	27.1	17.8	43.4	136.9
Net provisions and credit losses.....	(4.8)	(6.1)	3.2	(0.3)	(8.0)
Segment result.....	11.3	6.6	8.0	37.8	63.7
Share of profit from associates and joint ventures	—	—	—	1.3	1.3
Net profit for the year					65.0
Net profit attributable to non-controlling interests					(0.6)
Net profit attributable to the owners of the Bank.....					64.4
Segment assets	818.8	676.0	467.5	1,630.3	3,592.6
Investment in associates and joint ventures.....	—	—	—	62.3	62.3
Common assets	—	—	—	—	99.0
Total assets					3,753.9
Segment liabilities.....	1,133.3	820.7	465.5	699.6	3,119.1
Common liabilities.....	—	—	—	—	35.8
Total liabilities					3,154.9

Operationally, the Group's business is divided into the following four main divisions:

- **Retail Banking Division:** this division principally handles individual customers through depository and lending relationships. BBK provides consumer finance loans, overdrafts, credit card facilities and individual account services such as cash management and payments. Such services are provided digitally or through BBK's network of branches.
- **Corporate Banking Division:** this division principally handles loans and other credit facilities and deposit and current accounts for the Group's corporate and institutional customers in Bahrain. It also includes the Group's SME business.
- **Treasury and Investments Division:** this division principally provides money market, trading and treasury services for the Group's customers and also manages the Group's investment portfolio, funding operations and liquidity requirements. The investment activities involve handling investments in both the local and international markets and providing investment advisory and fund management services.
- **International Banking Division:** this division principally handles loans and other credit facilities, deposit and current accounts for international corporate and institutional customers. This division also encompasses all of BBK's overseas branches and representative offices under one centralised unit.

Retail Banking Division (the RBD)

The RBD plays a leading role in BBK's drive to achieve its vision to be the premier regional financial services enterprise by offering high-quality products and services, innovation, technology and "lifelong" customer relationships for individuals.

BBK's 22 branches (seven financial malls, 12 branches and three BBK Lite branches) cover the main commercial and residential areas of Bahrain, providing customers with the following range of products and services:

- fixed-time deposit accounts;
- current accounts;
- savings accounts;
- interest-bearing accounts;
- monthly savings accounts;
- salary accounts;
- children's accounts;
- prize draw accounts (including gift certificates);
- "High Net Worth" premium banking services (Al Wajaha);
- consumer loans;
- car loans;
- mortgage loans;
- overdrafts;

- alternative banking channels and eServices including:
 - online banking;
 - BBK Mobile application;
 - telebanking;
 - auto-teller machines (**ATMs**);
 - depository machines (accepts cash and cheques);
 - debit card issuance machines;
 - bank certificate issuance machine;
 - interactive teller machines (**ITMs**); and
 - eStatements;
- Over-the-Counter and remittance services;
- full range of insurance products; and
- full range of card options (debit, credit, pre-paid, gift and corporate).

The financial mall concept allows BBK to service a wider segment of customers, giving them the benefit of conducting their financial transactions in modern and spacious surroundings. Partners in funds transfer, insurance and credit cards give the financial malls an extra dimension, linking consumer needs with banking services and preferential personal finance. Customers can benefit from Al Wajaha banking and transactional banking facilities as well as arrange consumer, auto, and mortgage loans, and conduct business with CrediMax and Secura Insurance.

As at 31 December 2023, BBK had 38 ATMs (including 36 smart ATMs), 29 cash dispensers, nine drive-thru cash dispensers, five cash deposit machines, seven corporate deposit machines, 16 debit card issuance machines, 12 bank certificate machines and seven ITMs. BBK also has a contact centre which is available 24 hours a day, seven days a week.

The RBD continued its investment in BBK's branch network and ATM infrastructure with new and enhanced ATMs offering both cash dispensing and cash and cheque deposit functionality. In 2012, BBK launched new services to cater to customers with special needs to improve their banking experience.

As at 31 December 2023, the RBD invested in enhancing its customer experience, upgrading its distribution network as well as investing in technology and solutions to help BBK gain a competitive advantage by providing improved products and an improved experience to its customers, such as with the renovation of the BBK Mobile app and online banking to enable contactless payments via digital wallets. BBK's growth policy will adopt a proactive approach, focusing on enhancements to Al Wajaha Banking, market segmentation, expanding sales generation and marketing activities while pursuing cross-selling opportunities within the RBD and with other BBK divisions and subsidiaries to increase both business and spending from existing customers and to increase total market share.

BBK Lite is a RBD initiative launched in 2018 that provides banking services to the blue-collar segment of the expatriate workforce in Bahrain. BBK commenced this initiative following a government directive to facilitate access for this largely under-banked segment. As at the date of this Base Offering Circular, BBK has three BBK

Lite branches. These branches are strategically located in areas convenient to the targeted workforce, offering extended opening hours and six days a week banking services. Each branch offers a wide range of cashless banking services and is equipped with a dedicated smart ATM that enables cash deposits and withdrawals. Salary accounts were specifically designed to suit this segment and to offer reduced banking fees and payments to directly compete with the incumbent exchange houses. Visa branded debit cards that can be used at any ATM locally and internationally are offered as well as micro-financing products.

Corporate Banking Division (the CBD)

The CBD has relationships with key corporate customers in Bahrain. The CBD provides customers with specific financing alternatives and assists them in the analysis of those options. The CBD recommends financing options that best serve the business requirements of its customers. The CBD team of professionals possesses the experience and industry knowledge that enables BBK to maintain its position as one of the leading banks in Bahrain.

BBK is focused on developing its trade finance business. BBK has formed a dedicated front-office transaction team, introduced new trade finance products and further expanded its portfolio to account for the requirements of its customers. In addition, BBK has launched a digital client-facing platform which operates as an integral part of the payments, reconciliation and liquidity management transaction banking services aiming to offer BBK's customers an efficient and transparent banking experience.

The CBD provides its customers with a full range of banking products and services in conjunction with BBK's other divisions and subsidiaries, including, but not limited to, corporate account services, working capital and project finance, real estate and contracting finance, cash management services, trade finance, syndicated and club loans, in addition to treasury services.

With the aim to provide customers with latest digital products, BBK launched "BBK Business", BBK's corporate digital onboarding platform geared towards serving corporations and Small and Medium-sized Enterprises (SMEs) by providing SMEs with access to a diverse range of banking services, including business accounts.

Specialised teams have been formed within the CBD to focus on particular industries representing segments of the economy. As such, the business portfolio of the CBD is divided among the following seven departments:

- manufacturing and trade;
- government affairs;
- contracting and building materials;
- credit advisory services;
- real estate services and others;
- Islamic business development; and
- SMEs.

Treasury and Investments Division (the TID)

The TID consists of the following three departments:

Treasury Department

The Treasury Department is responsible for managing the wholesale funding and liquidity needs of BBK. It also carries out any hedging activity that is required to ensure that BBK operates within the risk limits that are laid down in its Risk Policy Manual.

The Treasury Department manages BBK's short-term funding and liquidity on a day-to-day basis through its access to the money markets. The General Manager (Treasury and Investments) is responsible for any medium-term funding which includes, among other things, both the use of this Programme for senior note issuances, term loans and repo funding. There is currently one outstanding senior note issue.

The Treasury Department is also responsible for the diversification of funding sources and the management of funding costs throughout BBK. In addition, it ensures that all internal and external regulations, ratios and limits are adhered to on an ongoing basis.

The Treasury Department also provides a range of treasury services for BBK's corporate customers for the purpose of interest rate and foreign exchange hedging.

Investment Department

The Investment Department is responsible for managing BBK's investment portfolio, which is largely comprised of fixed income securities but also includes investments in equities, private equity and real estate funds.

The Investment Department comprises three sections:

- Investments – fixed income; and
- Investments – equities and managed funds

The Investment Department invests on behalf of BBK and manages BBK's fixed income portfolio, equities and managed funds. An annual investment strategy and asset allocation is presented for approval to the Board and each investment proposal is reviewed and approved by the relevant approving authority. The process for approving investments is clearly defined in BBK's investment policy.

The value of BBK's investment securities portfolio (which includes government and other bonds, equities and managed funds) as at 31 December 2023 was BHD910.1 million, compared to BHD914.2 million as at 31 December 2022. As at 31 December 2023, government and other bonds made up 92.42 per cent. of BBK's gross investment securities portfolio, while equities and managed funds accounted for the remaining 7.58 per cent. As at 31 December 2023, the breakdown of BBK's investment securities portfolio by industry was as follows: the government and public sector constituted 66.40 per cent.; banks and other financial institutions constituted 14.39 per cent.; trading and manufacturing constituted 13.04 per cent.; construction and real estate constituted 1.44 per cent.; and the remaining 4.72 per cent. was allocated across other industries. As at 31 December 2023, 76.94 per cent. of BBK's investment securities portfolio was invested in the GCC, 9.71 per cent. of the portfolio was invested in Europe, 8.67 per cent. of the portfolio was invested in Asia while the remaining 4.68 per cent. of the portfolio was invested in other regions.

Private Banking and Wealth Management (BBK Privé)

BBK Privé provides a 360-degree relationship for high net-worth individual clients, including products and services to support the banking and lifestyle needs of such clients. On the private banking side, a dedicated

private banker is assigned to each client to cover offerings including deposit-taking and the extension of commercial loans. On the wealth management side, a specialised wealth manager offers investment, portfolio management and trading execution services (through the brokerage desk) to clients whereby the strategic focus is to increase engagement with BBK's existing customer base and expand the fee-based aspects of the business.

International Banking Division

The International Banking division manages BBK's overseas branches and representative offices in India, Kuwait, Turkey and the UAE, as well as the Offshore Banking Department (as defined below).

India

BBK has had a commercial banking licence to operate in India since 1986 and operates through its four existing branches in Mumbai, Hyderabad, Aluva and New Delhi. BBK's business in India (**BBK India**) provides a wide range of corporate banking, transaction and treasury services to large and mid-tier customers across industry sectors. BBK India also benefits from the large trade and commerce-related activities between the GCC states and India and intends to leverage its local branch presence to further BBK India's business aspirations in the country by focusing on building the existing consulate business as a driver of expansion in India.

In the retail banking domain, BBK India offers a range of lending as well as wealth management products to suit the needs of its local retail customers. BBK India has relationships with leading life and general insurance companies in India and, by marketing their products, BBK strengthens its retail client relationships and revenues. BBK India is supported by BBK's Non-resident Indian (NRI) teams based in Bahrain and Kuwait. Through capital injections by BBK of U.S.\$30 million in 2011 and U.S.\$15 million in June 2014, BBK India is well placed to serve its growing customer base in India for the foreseeable future.

Kuwait

BBK commenced operations in Kuwait when it established a branch in the country in 1978. The Group offers the full range of its products to both corporate and high net-worth retail customers in Kuwait through dedicated relationship managers based at its Kuwait branch. BBK intends to continue to grow its business in Kuwait by focusing on its key corporate customers, in particular, and by offering new products developed by the Group, tailored to the Kuwaiti market.

Turkey

BBK's representative office in Istanbul, Turkey (**BBK Turkey**) is regulated by the Banking Regulation and Supervision Agency in Turkey. BBK Turkey was established in December 2016 to assist GCC customers based in Turkey and Turkish customers based in the GCC by referring customers to the respective head office departments. The banking products offered to Turkish customers include working capital financing, non-funded working capital facilities, term loans, project financing and structured loans, which are extended on both on a bilateral and syndicated basis.

UAE

BBK's representative office in the UAE (**BBK UAE**) operates from its office in Dubai under a licence from the Central Bank of the UAE. Currently, BBK UAE sources business opportunities and provides market intelligence on various clients from the UAE. The nature of products currently offered by BBK UAE include working capital financing, funded and non-funded working capital facilities, term loans, project financing and structured loans, and these facilities are provided both on a bilateral and syndicated basis.

*Offshore Banking Department (the **OBD**)*

The OBD offers a wide range of products and services to medium-sized and large corporates as well as to banks and other financial institutions through a relationship management approach. Customers have access to a range of facilities including working capital, project, contract and corporate financing.

The OBD has credit exposures across a range of industry sectors including, but not limited to, oil, gas, petrochemicals, power and energy, telecommunications and infrastructure, contracting, manufacturing, and trade and services. Credit can be offered on a bilateral or syndicated basis as well as via conventional or *Shari'a*-compliant facilities.

OBD's ongoing focus remains on the relationship management of corporate entities in the GCC where BBK has no onshore presence and on utilising BBK's presence in India to finance cross-border operations and facilitate trade finance activities between the MENA region and India. OBD also manages credit exposures in other emerging markets, such as Indonesia, the Philippines, Morocco, South Africa and Egypt.

*Financial Institutions Group (the **FIG**)*

Financial institutions, both domestic and overseas, are offered a range of deposit-based products, including current accounts, call accounts, term deposits, chequing accounts (for domestic customers only), electronic funds transfer services (including automatic salary payment facilities) and foreign exchange services. Deposit accounts can be in a range of currencies, but the majority are denominated in U.S. dollars or Bahraini dinars. The FIG is also responsible for the relationships with financial institutions, including but not limited to agency services and the facilitation of trade services.

In addition to managing NOSTRO and VOSTRO accounts, the FIG is also responsible for establishing bank and country credit limits for BBK's head office and the overseas branches in India and Kuwait.

Remedial Management Department (the REMD)

The REMD is structured into two units:

- the retail remedial unit (the **Retail Remedial Unit**); and
- the corporate remedial unit (the **Corporate Remedial Unit**).

Retail Remedial Unit

The Retail Remedial Unit is tasked with reviewing and recovering past-due payments in relation to loans provided by the Retail Banking Division. Such loans fall into three main product categories:

- mortgage loans;
- car loans; and
- consumer loans.

Each overdue payment is allocated to a collection agent in the Retail Remedial Unit. The agents proactively follow up with customers to attempt to recover overdue instalments as soon as they become past-due to reduce the possibility of any loans acquiring a non-performing status. Where a customer is unable to pay the full amount due on a loan, due to changed employment or financial status, the Retail Remedial Unit recommends rescheduling the loan in line with the customer's repayment capacity. In addition, rescheduling requests for tenor extension beyond seven years (usually as a result of retiring customers or fall in income for a variety of reasons) are referred to the Retail Remedial Department.

Despite the above measures, if the account becomes non-performing, the Retail Remedial Unit may take other remedial action, such as visits by BBK representatives or by presenting dishonoured cheques to the relevant authorities. The Retail Remedial Unit may transfer the case to an outsourced collection agency to follow up with the client locally or internationally. If these efforts do not remedy the situation, the case is often referred for legal action, at which point external legal counsel is appointed and the Retail Remedial Unit, in cooperation with the Legal Affairs Department (which is part of the Risk, Credit and Compliance department and reports to the Chief Risk Officer), follows up with external legal counsel in an attempt to expedite any court proceedings. These actions continue until the dues are fully recovered, a partial settlement is agreed, or until BBK agrees to write off the amount as unrecoverable.

Corporate Remedial Unit

The Corporate Remedial Unit handles all NPLs of the CBD, with the objective of recovering or reducing BBK's exposure to the extent possible and improving overall asset quality. Initially, efforts are made to improve the status of the account, often through a restructuring of the credit facility. The restructuring may include one or more of the following steps: (i) restructuring or rescheduling of the credit facility and ring-fencing or controlling the receivables; (ii) strengthening legal documentation; (iii) the enhancement of securitisation or guarantees; (iv) shareholder capital injection; (v) the liquidation of non-income generating assets; (vi) organisation restructuring and headcount optimisation; and (vii) the discontinuation of unprofitable business lines within the client's group.

In the event that the client adheres to the proposed restructuring and meets the agreed payments on time, the exposure may subsequently be upgraded to "performing" status. The account being upgraded to such "performing" status is subject to meeting the CBB's guidelines for reclassifying exposures from "non-performing" to "performing" once the client repayment behaviour stabilises following a cooling-off period. The mandated cooling-off period for corporate exposures is six months where repayment is monthly / quarterly and 12 months where repayment is semi-annually / yearly.

If a viable restructuring is not possible, the team will also explore the possibility of reaching an amicable settlement with the client. In the event that an amicable settlement is not feasible, a recovery process through legal proceedings will commence. BBK has a panel of lawyers who represent BBK in a legal case and follow the litigation strategy determined by BBK, and their performance is monitored by the REMD in conjunction with the Legal Affairs Department. These actions continue until the dues are fully recovered, a partial settlement is agreed, or until BBK agrees to write off the amount as unrecoverable.

BBK complies with IFRS 9, and, therefore, an ECL is assigned to stage one and two clients that fall under the performing loans category, and specific provisions are assigned to stage three clients that fall under the non-performing loans category. A client is generally classified as non-performing once the number of days past-due on an account exceeds 90 days and sufficient specific provision is assigned by BBK in respect of that account. A provision committee is held on a monthly basis where the provision requirements for the applicable exposures are reviewed and assessed.

Apart from the operative functions described above, the REMD creates a management information report which provides an overview of non-performing assets across BBK's business, including its international offices. The management information report and account strategies for NPL exposures is discussed in the monthly NPL meeting which is attended by the BBK's executive management and the relevant department heads.

The REMD outlines strategies to reduce NPL levels and monitors the performance of assets via account management credit proposals which are prepared by the Remedial Unit (where required) and are approved by credit authorities in accordance with BBK's policies and procedures.

The Retail Remedial Unit and the Corporate Remedial Unit report to the Head of Credit Assessment & Recovery who reports directly to the chief executive of BBK (the **Group Chief Executive**). The Head of Credit

Assessment & Recovery coordinates with BBK's finance department in liaising with the CBB as well as external auditors in matters related to NPL management.

Compliance

Since January 2004, BBK has had established separate compliance (**Compliance**) and Anti-Money Laundering (**AML**) functions. The scope of the Compliance and AML functions include regulatory compliance, compliance assurance, fraud management, data privacy and financial crime. The Head of Compliance functions as a money laundering reporting officer (**MLRO**) and reports to the Audit and Compliance Committee of the Board. BBK has a defined group compliance framework for identifying, managing and reporting compliance risk. The Group's Compliance framework is articulated within the Board-approved Group Compliance Charter which governs the responsibilities and authorities of Compliance. The annual activities of Compliance are also handled as specified under the annual Group Compliance plan approved by the Audit and Compliance Committee of the Board.

Compliance acts as the focal point for BBK's implementation of the regulatory requirements issued by the CBB. The established Compliance framework is consistent with the Basel Committee's guidelines on Compliance and Compliance Function in Banks, CBB requirements stipulated under the High Level Controls (HC) Module of the CBB Rulebook, and best market practice. Compliance ensures strict adherence to all regulatory requirements applicable to BBK as issued by the CBB or other applicable regulatory authorities in the relevant jurisdictions of operation, the Bahrain Bourse Company and any other relevant competent authorities. BBK's subsidiary CrediMax and overseas branches in India and Kuwait have designated compliance officers and MLROs in order to ensure the implementation of any applicable regulatory requirements and simultaneously meet the applicable requirements of the Group Compliance framework (a more conservative approach is adopted for any differences between host and home regulations in overseas branches), with periodic reporting to Group Compliance. The Compliance function at overseas branches and subsidiaries are subject to ongoing oversight by the Group Compliance function through various compliance activities including compliance testing, monitoring, reporting and risk assessment.

BBK therefore adheres to, and has established procedures to follow, the regulatory and legal requirements of the CBB's Rulebook Volumes 1, 6 and 7 applicable to conventional retail banks, listed licensees and collective investment undertakings (**CIUs**), CBB Law, Bahrain Bourse's laws and resolutions, the Commercial Companies Law 2001, Bahrain Personal Data Privacy Law (**PDPL**), the Labour Law and the Corporate Governance Code of the Bahrain Ministry of Commerce and Industry. In relation to CrediMax, the Rulebook Volume 5 provisions for financing companies is applicable. In India and Kuwait, the regulatory requirements of the Reserve Bank of India and the Central Bank of Kuwait are strictly complied with. Compliance also co-ordinates the implementation of proper disclosure standards and adherence to best regulatory practices. Compliance with the applicable regulatory requirements is monitored through different compliance assurance activities including compliance testing, gap assessment and monitoring, which are conducted in accordance with an established risk-based plan approved by the Audit and Compliance Committee.

Compliance is a control function and is independent of the business lines, with full transparency and reporting to the Audit and Compliance Committee of the Board.

Compliance is also subject to periodic internal audit reviews as well as independent review by the CBB every five years.

The governance of the Group is the direct responsibility of the Board and remains under continuous review in order to enhance compliance levels in line with applicable regulatory and international standards.

BBK has a documented risk based AML programme, including periodic awareness training for employees, record-keeping, annual independent audit, KYC documentation and a designated MLRO and deputy MLRO.

The Compliance Officer, MLRO and deputy MLRO are 'approved' functions which require the CBB's prior approval of the appointment.

The MLRO is responsible, among other matters, for ensuring that suspicious transactions are identified and reported in accordance with the Group's AML policies and procedures to the designated authorities as per regulatory requirements under the Financial Crime (FC) and AML Modules of the CBB Rulebook. BBK's AML team updates the Group's AML policies and procedures for BBK's activities on an annual basis, presented for approval to the Board. It also reviews processes and products from an AML and compliance perspective. BBK has implemented a risk-based automated system for monitoring transactions and customers, which generates rule-based and behavioural violations. All customers and offshore payments are screened against applicable sanctions, politically exposed persons (PEPs) and internal lists. Customers are risk-rated based on their profile and account management history. Unusual or inconsistent transactions and activities are reported to the CBB and the Financial Intelligence National Centre.

The Group has strict risk-based customer due diligence policies and procedures, and business units are precluded from establishing a new business relationship until all of the relevant parties to the relationship have been identified, screened and the documentation is appropriately completed and verified. BBK has also established a programme for periodic awareness training for staff and has implemented other initiatives mandated by the AML regulations of the CBB. BBK's AML measures are reviewed annually by BBK's independent external auditor and BBK's report is submitted to the CBB on an annual basis. BBK is committed to combatting money laundering and the financing of terrorism and complies with all AML regulations and guidelines issued by the CBB. Bahrain is a member of the MENA Financial Action Task Force (the FATF), which is responsible for reviewing AML/CFT (Combatting the Financing of Terrorism) standards in the MENA region in accordance with the FATF recommendations on combating money laundering and the financing of terrorism.

BBK has deployed a fraud monitoring automated platform for payments and cards and has an established 24/7 fraud monitoring team supervised by the designated fraud officer, as part of the fraud management and reporting framework.

BBK has also established a robust data protection framework consistent with the provisions of the PDPL.

In August 2013, Bahrain agreed to adopt the IGA Model 1 framework for FATCA and, under instructions from the CBB, banks were requested to register with the US Internal Revenue Service. BBK registered on 28 April 2014 as a deemed compliant "foreign financial institution". The first FATCA reporting was effected in 2017.

In a directive published on 30 January 2017 in connection with the Government's imminent accession to the Convention on Mutual Administrative Assistance in Tax Matters and the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account information, the Government adopted the Wider Approach under the Common Reporting Standard (CRS), which requires all licensed financial institutions in Bahrain to perform customer due diligence procedures on all accounts to identify account holders that are resident in reportable foreign tax jurisdictions. The first CRS reporting via the CBB's Automatic Exchange of Information system was effected in July 2018.

Risk Management

Overview

In common with other financial institutions, the Group faces a range of risks which are inherent in its business and operations including: (i) credit risk; (ii) market risk (including interest rate risk, currency risk and equity price risk); (iii) liquidity risk; (iv) legal and operational risk and (v) information security risk.

The Group recognises that efficient and timely management of the risks involved in the Group's activities is critical for its financial soundness and profitability. Risk management involves identifying, measuring, monitoring and managing risks on a regular basis. The objective of risk management is to increase shareholder value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Risk and Credit Management Division (the **RCMD**) regularly reviews BBK's risk management strategy, risk policy framework, risk management systems, models and processes, and adopts appropriate measures to enhance the risk management framework of the Group.

The RCMD is responsible for establishing relevant risk policies, procedures and exposure concentration limits to mitigate risks inherent in new and existing products, activities, geographies and sectors. The RCMD is also responsible for framing the key components of the risk management framework, including BBK's risk management strategy, risk appetite framework, the Internal Capital Adequacy Assessment Process (the **ICAAP**), the Internal Liquidity Adequacy Assessment Process (**ILAAP**), BBK's stress testing framework and impairment assessment and provisioning as per the IFRS. The bank's risk management strategy is a key document which analyses various risk components and provides specific views and directions. The ICAAP/ILAAP is used to review the impact of various risks under Pillar II and recommends the extent of the additional capital/liquidity buffer which is required to meet contingencies arising from these risks.

The policies described above are approved by the Board based on recommendations of the Board Risk Committee. The Board Risk Committee has oversight of BBK's risk management functions. The Board and the Risk Committee are supported by various executive management committees, including, but not limited to, the Risk Management Committee, the Country Risk Committee, the Provision Committee, the Management Credit Committee, the Operational Risk Management Committee and the Asset and Liability Management Committee.

BBK has implemented, where applicable, the Basel Committee guidelines, as revised from time to time, so as to adopt international best practices based on materiality, and as prescribed by the CBB Rulebook. The Group's internal audit function reviews BBK's adherence to risk policies and procedures, and also adherence to the Basel Committee guidelines as prescribed by the CBB Rulebook. In addition, the Group's Compliance function ensures that BBK's policies are in compliance with requirements of the CBB Rulebook. BBK instructs external consultants to review its models from time to time, such as the Expected Credit Loss model, stress testing, ICAAP framework and models, as required by the CBB or as mandated within the bank.

BBK has put in place a robust and independent credit approval mechanism. Credit and investment proposals are approved through a three-signature process including review by a designated credit officer or a designated investment officer who is independent of the business team and ultimately reports to the Group Chief Risk Officer. Credit proposals are approved after a thorough assessment of the borrower or counterparty, including the purpose, structure of the credit and source of repayment. BBK has a tiered approval authority level matrix depending on the extent of risk, comprising individuals with proven credit and investment credentials, the Management Credit Committee (the **MCC**), the Executive Committee of the Board and the Board. The Credit Administration Department (**CAD**) within the RCMD also reviews credit and investment applications independently and ensures that the risk policies and terms of approval are adhered to. The CAD also monitors compliance with sanctioned limits, documentation, security creation, timely renewal of limits, excess and overdue positions.

BBK has put in place a suitable process for monitoring exposure concentration on an enterprise-wide basis, such as compliance with maximum exposure norms, connected party limits and limits for specific industries, countries and institutions. The concentration limits with respect to these are set forth in the Group's risk policy and are reviewed regularly by RCMD. The Group's risk management function is given significant importance by the Board.

BBK also has a defined a risk assessment process for introducing new products. New products are first approved by the Products Committee before they are reviewed and approved subsequently by the Risk Management Committee and the Board, while exposure to new regions and countries is undertaken only with the approval of

the Country Risk Committee (the **CRC**) as well as the Board. Geographic, product and sector risks are continuously overseen for effective risk management by the RCMD. The RCMD also establishes systems and processes for monitoring market risk and operational risk. The CRC continuously reviews countries to which the Group has or proposes to have exposure.

The RCMD functions independently from the business team and reports directly to the Risk Committee via the Group Chief Risk Officer.

Credit Risk

Credit risk is the risk that a customer of the Group will fail to meet its obligations in accordance with the agreed terms and in doing so will cause the Group to incur a financial loss. The Group is exposed to credit risk through its lending and investing activities, and when it acts as intermediary on behalf of customers or other third parties or undertakes contingent exposure through, for example, the issue of guarantees, letters of credit and underwriting commitments. Concentrations of credit risk arise when a number of customers are engaged in similar business activities, or activities in the same geographical region, or belong to a common group with large exposure or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions (see also "*Selected Financial Information*").

The Group devises specific risk strategies relating to each of its business segments depending on whether the exposure is to corporates, individuals or financial institutions through various verticals such as corporate lending, retail lending, institutional lending, offshore lending and investments.

The Group's primary exposure to credit risk arises through its loans and advances to customers. The amount of credit exposure in this regard is a function of carrying assets on the Group's consolidated statement of financial position. In addition, the Group is exposed to off-balance sheet credit risk through the contingent liabilities assumed by it.

The Group is also exposed to credit risk on various other financial assets, including debt investments. Credit exposure classification in respect of these instruments is guided by accounting guidelines under IFRS. The Group's derivative contracts (mainly interest rate swaps used to hedge interest rate risk in BBK's fixed income portfolio) are generally entered into with other financial institutions and are collateralised, thereby minimising the credit risk on this portfolio.

The Group, like other financial institutions, undertakes short-term lending in the inter-bank market. The Group has policies and procedures in place to manage the risks involved with inter-bank exposure. The limits on lending to each financial institution are reviewed annually and are approved by the Board. These limits are assigned to each financial institution based on internal and external credit ratings and country ratings based on parameters defined in the Group's risk policy.

In general, the Group attempts to control credit risk by having a comprehensive policy framework, grading exposures appropriately, stipulating approval authorities based on exposure and grade, monitoring credit exposures at individual and portfolio levels, continually assessing the creditworthiness of counterparties through periodic and/or annual reviews, diversifying asset portfolios to avoid undesirable concentrations of risks (for example, concentrations in a particular obligor, sector, geographic area, product or market) and by obtaining security when appropriate. BBK also manages external risks by prescribing concentration limits for countries and banks based on their rating and internal category. In addition to monitoring credit limits, the Group seeks to manage its credit exposure by entering into set-off and related arrangements with counterparties in appropriate circumstances and by limiting the duration of exposure. The Group's portfolio and credit exposures are managed in accordance with its risk policy, which applies both quantitative and qualitative guidelines, with an emphasis on avoiding undesirable concentrations or aggregations of risk. The Group's risk policies are reviewed by the

Risk Management Committee as well as the Board Risk Committee and the Board on an ongoing basis, ranging from an annual review to a review every three years.

BBK has adopted a comprehensive investment policy with appropriate investment limits based on external ratings and geographic risk as well as adequate risk controls, approval authorities and valuation norms. The credit quality of financial assets is managed by the Group using internal and external credit risk ratings.

In assessing its credit exposure, the Group's customers are currently categorised into one of 10 categories with grades 1 to 8 being performing grades and grades 9 and 10 being non-performing. Grades 1 and 2 represent very strong credit, grades 3 and 4 represent strong credit, grades 5 and 6 represent satisfactory credit and grades 7 and 8 represent credit with concern. BBK has in place necessary risk management systems to calculate various components of expected credit loss in line with IFRS 9 guidelines.

BBK has put in place adequate monitoring mechanisms to manage credit risk within its portfolio. Concentration of large exposures, the level of lower grade performing assets within the loan portfolio and portfolio grade movements are regularly reviewed. High risk performing assets (grades 7 and 8) are more closely monitored by the business units through monthly and quarterly reports. The high risk performing and non-performing assets, sectoral exposures and closely-monitored sectors are constantly reviewed by the RCMD.

Retail exposures are currently graded on a scale of 1 to 10 based on the number of days past due, with grades 1 to 8 denoting performing accounts (1 being at the superior end of the scale) and grades 9 and 10 denoting non-performing accounts.

In the case of debt instruments, the rating method comprises 19 rating levels, mapped to external credit ratings of rating agencies (AAA to A- have a grade of 1 to 7 representing high grade, BBB+ to B- have a grade of 8 to 16 representing standard grade and CCC+ to CCC- have a grade of 17 to 19 representing substandard grade).

Approval of credit exposure to individual customers or groups of customers is controlled through a tiered hierarchy of delegated approval authorities (which are more stringent for new relationships), based on the amount that the client seeks to borrow and the risk rating of that client. The maximum exposure limit to a counterparty or group of related counterparties is 15 per cent. of the Group's capital base.

The Group's risk policy requires collateral, preferably in the form of financial securities, cash collateral or legal charges over the customer's assets (including real estate assets), to mitigate credit risks which cannot be supported on an unsecured basis or are associated with customers which are assessed by BBK as belonging to higher risk categories. These are further supported by personal or corporate guarantees and assignments, to the extent required. Any collateral given must be tangible, liquid and legally valid under applicable law. The Group's risk policy also requires every exposure to be screened to determine whether it is of a speculative nature. Collateral is valued periodically as in accordance with BBK's policy and, where necessary, additional collateral may be sought.

Responsibility for the day-to-day management of existing credit exposure is delegated to the relevant business unit. The Enterprise Risk Department and the CAD, both being part of the RCMD, also independently monitor excesses over limits, past-due accounts and expired credit accounts and escalate any exceptions for correction. BBK also conducts portfolio level reviews of exceptions wherever considered necessary.

A breakdown of the Group's loans and advances to customers, as at 31 December 2023 and 31 December 2022, is set out in the table below.

31 December 2023	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
<i>BHD' million</i>				
Loans and advances to customers (at amortised cost)				
Commercial loans and overdrafts	733.6	234.8	38.3	1,006.7
Consumer loans	620.8	20.4	11.6	652.8
Gross Loans	1,354.4	255.2	49.9	1,659.5
Less: Expected credit losses	(5.4)	(31.5)	(34.3)	(71.2)
Net Carrying amount	1,349.0	223.7	15.6	1,588.3

31 December 2022	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit-impaired	Stage 3: Lifetime ECL credit-impaired	Total
<i>BHD' million</i>				
Loans and advances to customers (at amortised cost)				
Commercial loans and overdrafts	710.6	275.4	47.4	1,033.4
Consumer loans	628.9	20.6	10.3	659.8
Gross Loans	1,339.5	296.0	57.7	1,693.2
Less: Expected credit losses	(6.7)	(31.2)	(41.3)	(79.2)
Net Carrying amount	1,332.8	264.8	16.4	1,614.0

The following tables set out the movements in the Group's ECL during the years ended 31 December 2023 and 31 December 2022.

2023	Commercial loans and overdrafts	Consumer loans	Total
<i>BHD' million</i>			
Balance at 1 January	63.5	15.7	79.2
Net remeasurement of loss allowance	6.6	2.3	8.9
Amounts written off during the year	(20.6)	(3.3)	(23.9)
Foreign exchange and other movements	7.0	—	7.0
Balance at 31 December	56.5	14.7	71.2

2022	Commercial loans and overdrafts	Consumer loans	Total
		<i>BHD' million</i>	
Balance at 1 January	80.0	11.3	91.3
Net remeasurement of loss allowance	5.4	5.5	10.9
Amounts written off during the year.....	(22.3)	(1.1)	(23.4)
Foreign exchange and other movements	0.4	—	0.4
Balance at 31 December	<u>63.5</u>	<u>15.7</u>	<u>79.2</u>

Critical NPLs and core credits under concern are monitored by the REMD and the Credit Advisory Unit, which specialise in handling such assets and making intensive recovery efforts. The non-performing assets (NPAs) portfolio is monitored by the NPL Monitoring Committee and the Provision Committee on a monthly basis. All credits, including NPLs, are assigned a rating in accordance with the defined criteria mentioned in the Group's risk policy. All lending relationships are reviewed at least once a year, and more frequently in the case of assets identified as carrying higher risk. It is the Group's policy to ensure that provisions for credit loss are maintained at an adequate level. For loans and advances considered by management to be individually significant, specific provision is made for the impairment loss calculated in accordance with IFRS 9, taking into account the estimated discounted value of future cash flows. For the remaining accounts, which are individually not significant, specific provision is made based on historical trends, the current economic environment and the grade of the account. Net individual exposures of less than BHD100,000 are considered as not significant and the extent of provision made for such loans which are classified as grade 9 and grade 10 is 50 per cent. and 100 per cent., respectively, of the exposure, net of any security held by BBK. All provisions are made in accordance with IFRS and are approved by the Provision Committee (which comprises members of the Executive Management) and also by the Audit and Compliance Committee of the Board. BBK also allocates provisions towards expected credit loss on the performing loans portfolio based on IFRS 9 and CBB directives. A comprehensive write-off policy is in place, as well as a stress testing methodology encompassing loans and advances (including off-balance sheet exposures) and investments. The methodology facilitates the estimation of the impact of stress parameters (for example, through the use of "what-if" scenarios with probability weightings assigned to different economic forecast scenarios and ratings downgrades) on BBK's capital adequacy ratio.

The inputs, assumptions and techniques used for estimating impairment under IFRS 9 are detailed in note 3.3(g) to the 2023 Financial Statements.

The Group ceases to accrue income on any loan on which a reasonable doubt exists as to the collection of unpaid interest or fees and in any event when a loan is more than 90 days past due, the loan is downgraded to a non-performing category. An age analysis of NPLs on which interest is not being accrued is set out in the 2023 Financial Statements.

It is the Group's policy to write off impaired assets only after reasonable restructuring and collection efforts have taken place and where the possibility of any further recovery is considered to be remote. Accordingly, BBK has well-structured guidelines for the management of distressed assets as well as NPAs before any write-off. All write-offs require specific approval in accordance with the Group's risk policy, with any write-offs above BHD500,000 requiring the approval of a Board committee.

Non-performing loans

As at 31 December 2023, gross loans and advances to customers which were classified as credit impaired amounted to BHD49.9 million. Specific provisions carried for these loans amounted to BHD34.3 million and

the value of collateral held for these loans amounted to BHD20.4 million. In comparison, as at 31 December 2022, gross loans and advances to customers which were classified as credit impaired amounted to BHD57.7 million. Specific provisions carried for these loans amounted to BHD41.3 million and the value of collateral held for these loans amounted to BHD32.5 million. NPLs as a percentage of gross loans and advances to customers were 3.01 per cent. as at 31 December 2023 and 3.41 per cent. as at 31 December 2022. The decrease in NPLs during the year ended 31 December 2023 was mainly related to settlements of impaired loans and advances with a number of customers.

The table below presents asset quality details for the years 2022 to 2023.

	As at and for the year ended 31 December	
	2023	2022
	<i>BHD million (unless otherwise stated)</i>	
Gross NPLs.....	49.9	57.7
Gross loans and advances to customers.....	1,659.5	1,693.2
Less: Expected credit losses	(71.2)	(79.2)
Net loans and advances to customers (Net Loans)	1,588.3	1,614.0
Customers' current, savings and other deposits (Deposits) ..	2,130.0	2,116.6
Net NPL (net of provisions)/ loans and advances (%) ⁽¹⁾	0.98%	1.02%
Specific NPL coverage ratio (%) ⁽²⁾	68.74%	71.58%
Specific and collateral NPL coverage ratio (%) ⁽³⁾	109.62%	127.90%
Loans and advances/Deposits (%) ⁽⁴⁾	74.57%	76.25%

Notes:

- (1) Total NPLs less ECL on stage III loans and advances to customers divided by net loans and advances to customers (calculated as gross loans and advances to customers less ECL).
- (2) Total specific provisions (ECL on stage III loans and advances to customers) divided by total NPLs.
- (3) Total specific provision (ECL on stage III loans and advances to customers) plus collateral (consisting of cash, securities and real estate that the Group holds relating to stage III loans and advances to customers) divided by total NPLs.
- (4) Net loans and advances to customers (calculated as gross loans and advances to customers less ECL) divided by total customers' current, savings and other deposits.

Market Risk

Market risk is defined as the risk of losses in the Group's on- or off-balance sheet positions arising from movements in interest rates, foreign exchange rates and equity prices.

The Group has established policies for conducting its investments (including trading investments) and foreign exchange business and derivatives which stipulate limits for these activities. These policies are amended regularly to meet the requirements of BBK's business units, but only after appropriate risk assessment and control is undertaken by the Risk Management Committee. In addition, investments must be made in accordance with defined investment criteria which aim to ensure that the investments are of a satisfactory quality and liquidity.

The Group uses a range of measures to monitor market risk through daily and monthly risk reports. The daily value at risk (**VaR**) report and forex risk report are made available to executive management. Interest rate risk reports are also reviewed periodically by the Asset and Liability Management Committee (the **ALMC**). The principal risk measures used are as follows:

- *VaR* - the Group uses Variance – Co-variance methodology to estimate the VaR by considering market factors such as volatilities and correlations. The VaR calculation is conducted over a 10-day holding period with a 99 per cent. confidence level. The Group's Market Risk / Treasury Middle Office department reporting to the RCMD conducts back-testing to ensure that the VaR model and assumptions used for computing VaR numbers are reliable.
- *Stress Testing* - the Group conducts regular stress testing periodically to identify potential market risk events or factors that could have a significant impact on the trading and investment positions. This involves evaluating stressed VaR for the trading position and conducting a scenario analysis for the investment book.
- *Basis Point Value (BPV)* - BPV is the sensitivity measure for all interest rate products and positions in both the trading and the banking book.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the value of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group utilises interest rate and duration gap analysis to assess the impact of interest rate shocks on both net interest income and the economic value of equity. The Group manages this risk by reviewing the re-pricing nature of assets and liabilities in ALMC meetings.

The Board has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods, maximum earnings at risk, and maximum economic value of equity impact. Positions are monitored, and hedging strategies are used to ensure positions are maintained within the limits established by the Board. The Group uses interest rate swaps to hedge against the interest rate risk arising from specifically identified fixed interest rate assets, the majority of which are hedged. See note 36 to the 2023 Financial Statements for further information.

While day-to-day management of interest rate risk is the responsibility of the Head of Treasury, the ALMC also regularly reviews interest rate risk reports.

Currency risk

The Group's functional currency is the Bahraini dinar. As the Bahraini dinar is pegged to the U.S. dollar, positions in U.S. dollars are not considered to represent a significant currency risk. The Board has established limits for currency position exposures. These positions are monitored on a daily basis to ensure that they are maintained within established limits. The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. It is important to note that with the exception of the Kuwaiti dinar, all other GCC currencies are pegged to the U.S. dollar.

The table below shows the Group's significant net exposures in foreign currencies as at each of 31 December 2023 and 2022.

	<u>2023</u>	<u>2022</u>
	<i>BHD million equivalent long (short)</i>	
U.S. dollars	164.7	165.2
Euro	0.3	0.3
GCC currencies (excluding Kuwaiti dinars).....	15.4	11.5
Kuwaiti dinars	7.0	6.5
Others	0.2	0.2

Equity price risk

Equity price risk arises from changes in the fair value of investments. The Group revalues its equity investments in accordance with IFRS and makes appropriate fair value adjustments in accordance with international financial reporting standards. The Group manages equity price risk through continuous monitoring of its investment portfolio.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or deterioration in the Group's credit quality which may adversely impact certain sources of funding. Liquidity risk management seeks to ensure that, even under adverse conditions, the Group has access to the funds necessary to cover customer needs, maturing liabilities and the capital requirements of its operations. Liquidity risk arises in the general funding of the Group's financing, trading and investment activities and in the management of its positions. This risk involves both the risk of inability to fund the portfolio of assets at appropriate maturities and the risk of being unable to liquidate a position in a timely manner, on reasonable terms. BBK has a detailed and comprehensive liquidity risk policy and procedure.

The Group maintains liquid assets at prudent levels to ensure that cash can quickly be made available to meet its obligations, even under adverse conditions. In order to further address liquidity risk, management have diversified the Group's funding sources, assets are managed with liquidity in mind and liquidity positions are closely monitored. In addition, the Group maintains various statutory deposits with central banks and has established relationships with banks and other financial institutions to ensure access to liquidity.

The day-to-day management of liquidity within the framework of the Group's liquidity risk policy is the responsibility of the Head of Treasury, who monitors the sources and maturities of assets and liabilities closely and ensures that limits stipulated by the ALMC are complied with. The ALMC oversees the liquidity risk through a monthly review. The Group uses a maturity ladder (time bucket) approach for managing its liquidity with the relevant ratios and time bucket limits on the maturity ladder approved by ALMC, as well as LCR, NSFR and other key liquidity ratios. The Group also draws up contingency plans to ensure liquidity, even in extraordinary circumstances, along with conducting the ILAAP to determine if further liquidity buffers are needed.

It is the Group's policy to maintain high quality liquid assets such as placements with central banks, treasury bills and government bonds, to ensure that funds are available to meet maturing liabilities, undrawn facilities and deposit withdrawals. A substantial proportion of the Group's deposits are retail, current, savings and fixed

term deposits which, though payable on demand or at short notice, have traditionally formed part of a stable deposit base and a core source of funding.

A summary of the maturity profile of the Group's liabilities (based on contractual undiscounted repayment arrangements) as at 31 December in each of 2022 and 2023 is set out in note 39 to the 2023 Financial Statements.

BBK is in compliance with the CBB Liquidity Risk Management Regulations which require banks to compute the LCR and NSFR. BBK maintains a comfortable liquidity position and its LCR and NSFR are well above the minimum required threshold.

Derivatives

The Group enters into derivative transactions in order to hedge its interest rate exposure as part of its asset and liability management activities in respect of specific financial instruments.

The positive and negative fair values of the Group's derivative financial instruments as at 31 December in each of 2022 and 2023 are set out in note 28 to the 2023 Financial Statements.

Legal and Operational Risk

Legal risk is the risk of losses occurring due to legal or regulatory action that invalidates or otherwise precludes performance by the Group or its counterparty under the terms of its contractual agreements. The Group seeks to mitigate this risk through the use of properly reviewed standardised documentation and appropriate legal advice in relation to its non-standard documentation.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group has clearly-defined standard operational procedures for each of its products and services and advanced computer systems which enable it to run its operations with speed and accuracy.

BBK has put in place a detailed operational risk management framework, systems and operational risk management policy (approved by the Board). The framework includes comprehensive risk profiling of all products and services in order to identify key risk events, key control standards and key risk indicators with the objectives of strengthening operational risk monitoring. BBK also carries out risk and control self-assessment and also analyses operational loss data to enhance the control environment. A software system has been implemented for these purposes. BBK has a dedicated Operational Risk Management Department within RCMD. BBK has also created an Operational Risk Management Committee for reviewing the operational risk management process and identifying operational risks and controls on an ongoing basis. BBK's Operational Risk Management Committee is comprised of individuals from executive and senior management and reviews operational risk issues.

The Group's internal audit department reviews the reliability, adequacy and effectiveness of the Group's governance, risk management and internal control systems. The Group's internal audit department operates independently of the Group's other units and reports directly to the Board through the Audit and Compliance Committee, which is responsible for implementing and monitoring internal controls. This set-up is aimed at ensuring that senior management establishes and maintains effective internal control systems, procedures and processes as well as the timely resolution of internal audit findings. The Audit and Compliance Committee conducts regular reviews of all business areas of the Group and reports control deficiencies and failures to comply with policies and procedures.

BBK also has contingency plans in case of any failure of its computer systems. Regular back-ups are made for all important data sets which are stored outside BBK's premises. This ensures that, in case of any system failure, the Group will be in a position to continue its operations without the loss of critical data or business

transactions. As part of the disaster recovery plan, BBK has established a disaster recovery site from which it can operate during an emergency.

Information Security / Cyber Security

BBK has adopted international standards of information security to ensure that the highest protection of customer data and banking systems is seamlessly delivered in the customer experience. BBK maintains security compliance and certifications for the ISO 27001, PCI-DSS and PCI-PIN security standards. Furthermore, BBK is in compliance with the SWIFT Customer Security Program (CSP), which mandates annual attestations of security measures in line with SWIFT standards. These efforts ensure that BBK is well positioned to defend itself against cyberattacks, safeguard the integrity of financial transactions, protect the confidentiality of customer data and maintain the trust of its customers and of both the local and global banking community.

Capital Adequacy

The Group's total regulatory capital base is comprised of Tier 1 capital (**T1 capital**) and Tier 2 capital (**T2 capital**). T1 capital is further divided into Common Equity Tier 1 capital (**CET1 capital**) and Additional Tier 1 capital (**AT1 capital**). CET1 capital consists of: (a) issued and fully paid common shares, (b) disclosed reserves including: (i) general reserves; (ii) legal/statutory reserves; (iii) share premium; (iv) fair value reserves arising from fair valuing financial instruments; and (v) retained earnings or losses (including net profit or loss for the reporting period, whether reviewed or audited); and (c) regulatory adjustments applied in the calculation of CET1 capital. AT1 capital consists of: (a) instruments issued by BBK that meet the criteria for recognition as AT1 capital, and (b) regulatory adjustments applied in the calculation of AT1 capital. T2 capital consists solely of ECL reserves for stage 1 and stage 2 exposures.

The CBB is BBK's principal regulator that sets and monitors its capital requirements on both a consolidated and an individual basis. BBK applies the Basel framework in the measurement of its capital adequacy, and in its capital management strategy and risk management framework. The CBB's Basel III capital rules and guidelines became effective on 1 January 2015 as the common framework for the implementation of the Basel III capital adequacy framework for banks incorporated in Bahrain. The CBB's minimum required total capital adequacy ratio (including the capital conservation buffer (the **CCB**)) was increased from 12 per cent. to 12.5 per cent., compared to 10.5 per cent. recommended by the Basel Committee. Moreover, there are new limits and minimum levels that have been introduced by the CBB under Basel III, such as a minimum CET1 capital ratio of 9 per cent. (including the CCB) and a minimum T1 capital ratio of 10.5 per cent. (including the CCB). BBK has been designated as a DSIB by the CBB. Consequently, the CBB requires BBK to maintain an effective minimum total capital adequacy ratio above 14 per cent. and a minimum T1 capital ratio of 12.5 per cent., in each case including 1.5 per cent. as a DSIB buffer. For regulatory purposes, BBK follows the "Standardised Approach" in the case of credit risk, the "Basic Indicator Approach" in the case of operational risk, the "Internal Model Approach" based on a value-at-risk (**VaR**) model (for its branches in the Kingdom of Bahrain and the State of Kuwait) and the "Standardised Approach" (for its branches in the Republic of India) in the case of market risk.

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, while always meeting minimum regulatory ratio requirements.

BBK has adopted its ICAAP and uses a risk adjusted return on capital model in its decision-making process.

Details of risk asset ratios, total credit risk weighted exposures, total capital base and market risk weighted exposures as at each of 31 December 2022 and 2023, calculated in accordance with guidelines approved by the CBB, are set out in the table below.

	As at 31 December	
	2023	2022
	<i>(BHD' million)</i>	
Capital Base:		
CET1 capital	611.3	603.4
Tier 2 capital.....	24.9	25.3
Total capital base (a)	636.2	628.7
Credit risk weighted exposure	1,995.9	2,024.6
Operational risk weighted exposure	227.7	240.1
Market risk weighted exposure.....	41.6	42.4
Total risk weighted exposure (b)	2,265.2	2,307.1
Tier 1 capital adequacy	26.99%	26.15%
Total capital adequacy ((a)/(b) * 100)	28.09%	27.25%
Minimum requirement (CBB) under Basel III	14.0%	14.0%

Domestic Systemically Important Banks

In November 2011, the Basel Committee released a paper which contained a methodology for identifying global systemically important banks and recommended that supervisors identify DSIBs and impose additional supervisory measures upon them to ensure domestic financial stability.

In 2012, following this recommendation, the CBB used the Basel methodology to identify DSIBs in Bahrain. In May 2013, the CBB notified BBK that it had been named a DSIB given its substantial market share across all local banking products. The CBB notified BBK that, from 2014, it would be subject to an annual inspection by the CBB or by appointed experts. In addition, BBK, along with other DSIBs in Bahrain, is required to have quarterly prudential meetings with the CBB.

In July 2018, the CBB published its final rules concerning DSIBs. The rules require that banks which are categorised as DSIBs hold an additional 1.5 per cent. in capital which has resulted in such banks being required to increase their minimum capital adequacy ratios from 12.5 per cent. to 14.0 per cent.

Investments

The Group's investment securities are all currently classified as either fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVTOCI) and amortised cost. FVTOCI securities are periodically re-measured at fair value where it can be reliably identified. FVTPL securities are reported at fair value and investments carried at amortised cost by the Group are stated at amortised cost, adjusted for effective hedges, less provision for impairment.

The investment securities held by the Group as at each of 31 December 2023 and 2022 were as set out in the table below:

	FVTPL	FVTOCI	Amortised cost	As at 31 December 2023	As at 31 December 2022
			(BHD' million)		
Quoted investments					
Government bonds	—	383.0	36.6	419.6	413.6
Other bonds.....	—	228.1	7.2	235.3	239.7
Equities	—	37.7	—	37.7	41.3
	<u>—</u>	<u>648.8</u>	<u>43.8</u>	<u>692.6</u>	<u>694.6</u>
Unquoted investments					
Government bonds	—	—	186.6	186.6	186.0
Other bonds.....	—	1.7	—	1.7	3.9
Equities	—	30.5	—	30.5	29.3
Managed funds.....	1.0	—	—	1.0	1.1
	<u>1.0</u>	<u>32.2</u>	<u>186.6</u>	<u>219.8</u>	<u>220.3</u>
Total gross investments	<u>1.0</u>	<u>681.0</u>	<u>230.4</u>	<u>912.4</u>	<u>914.9</u>
Less: Expected credit losses	—	(2.3)	—	(2.3)	(0.7)
Balance as at 31 December 2023	<u>1.0</u>	<u>678.7</u>	<u>230.4</u>	<u>910.1</u>	<u>—</u>
Balance as at 31 December 2022	<u>1.1</u>	<u>680.2</u>	<u>232.9</u>	<u>—</u>	<u>914.2</u>

Information Technology

BBK's IT services continue to work closely with the business and support divisions both to provide cutting edge services to BBK's customers, and to help introduce efficiencies in BBK's internal operations with the help of technology.

IT improvements have continued with the implementation of key initiatives set out in BBK's three-year IT strategic plan which governs the strategic direction of BBK's IT services based on BBK's corporate strategy. The technology team has established multiple cost-saving initiatives to improve cost-to-income ratios.

IT initiatives in recent years have included projects covering the areas of financial technology, business strategy, operational enhancements, evergreening and compliance requirements. To enable collaboration among the various stakeholders during meetings of the Board, upgrades to the relevant IT systems are discussed with the Board as they are progressed. In 2023, BBK launched a sophisticated digital onboarding platform for business customers (branded as "BBK Business"), as well as an updated digital onboarding platform for retail customers (including integration with the national eKYC platform). BBK also invested in the RPA platform, and automated multiple processes to enhance operational efficiency. From an infrastructure perspective, BBK has continued on its path of technology consolidation and upgrades by investing in server infrastructure (thereby enabling more efficient utilisation of physical server resources), as well as enhanced centralised storage. In addition, BBK continues to make significant investments in upgrading its security infrastructure to enhance the overall security posture of BBK and ensure safe and reliable service to its customers.

Emphasising the need for an effective security and business continuity programme, BBK has successfully completed the certification process for both ISO 27001 and ISO 22301, as well as PCI-DSS. All aspects of business continuity and disaster recovery plans are updated and exercised annually with all critical systems at the alternative continuity centre, including multiple real-time failover exercises.

Property

BBK's principal fixed assets include its head office building in Manama, its branch buildings in Kuwait and India, CrediMax's building, and several branch buildings and offices within Bahrain.

Legal Proceedings

There are currently a number of routine legal suits pending against the Group aggregating BHD1.4 million as at 31 December 2023. Based on the opinion of the Group's legal advisers, management believes that no significant liability is likely to arise from these suits. However, on a conservative basis, the Group has made a provision of BHD0.2 million for the legal proceedings.

Competition

Bahrain is a financial centre in the Middle East and its financial sector is considered to be one of the most advanced in the region. A large number of financial institutions, including retail banks, investment houses, brokerage firms and insurers, operate in Bahrain, offering a wide range of sophisticated products and services and employing a significant portion of the local work force. In particular, Bahrain's commercial banking sector is a mature and well-regulated sector that over many years has contributed to economic growth and society in general in Bahrain.

The banking and financial sector in Bahrain has undergone substantial transformation over the past few years, fuelled by a strong urge to innovate. On the one hand, traditional and Shari'a-compliant financial institutions have faced increased competition from non-traditional players, especially in the realm of retail digital payment services. Simultaneously, this evolving ecosystem has opened numerous fresh opportunities for larger banking groups, such as BBK, to position themselves as pivotal service centres within this transformative landscape. BBK's robust infrastructure and an array of publicly exposed application programming interfaces (**APIs**) support smooth integration with government departments, large Bahraini companies, and FinTech providers, resulting in cost-effective data aggregation and electronic payment gateway services.

In the retail banking market, BBK competes with conventional and Shari'a-compliant banks, neo-banks and new non-traditional suppliers. BBK's market share, however, still stands above the competition due to several key strengths. BBK consistently enhances its digital banking features, ensuring a seamless experience for customers. This includes user-friendly interfaces, efficient digital services, and innovative solutions, including full straight-through processing and retrieving of customer identity and other regulatory data, a process known as e-KYC. BBK is also the first bank to offer fully digital consumer loan products, making it a preferred choice for individuals seeking financing. Whether it is personal loans, auto loans, Buy-Now-Pay-Later or other credit facilities, BBK remains innovative and price competitive. BBK also supports global digital wallets that make contactless payments more manageable and secure while removing the risk that comes with using physical cards. BBK credit and debit cards were the first in the market to be supported by Apple, Samsung, Garmin and Fitbit devices and wearables.

In the sphere of corporate banking in Bahrain, BBK faces competition mainly from both local and international banks operating within the country. BBK possesses in-depth knowledge of the local market dynamics and business culture. This understanding allows BBK to tailor the corporate services to meet the specific needs of Bahraini businesses. Over time, BBK has cultivated long-standing relationships with a diverse array of enterprises, including large corporations, medium-sized companies, and small businesses. These connections serve as a foundation for collaboration and mutual benefit. BBK effectively utilises its corporate relationships to

create cross-selling opportunities across various product areas. These include treasury solutions, brokerage services, alternative assets distribution and transactional banking services, including all sorts of corporate straight to processing payments, receivable reconciliation, liquidity management, digital documentary trade finance and open account services.

Even in day-to-day in-person banking services, BBK competes over and beyond traditional ways. BBK has pioneered virtual branches equipped with smart interactive machines, which seamlessly handle day-to-day banking tasks, from depositing cheques and cash, paying bills, issuing and printing cards in seconds to providing instant statements and certificates through identity recognition.

Similarly, CrediMax, a wholly owned subsidiary, continues to maintain a dominant presence in Bahrain, offering card issuing, acquiring and processing services to third-party card issuers. CrediMax's strategic initiatives are successfully attracting more retail, SME and corporate clients to the Group. The franchise has been focusing on expanding into cross-border markets.

BBK competes with local and international providers on wealth management for priority and private client offerings. BBK has its premium banking division, Al Wajaha, and its private banking franchise, BBK Privé. Both offer exclusive services with 360-degree bespoke solutions, providing a range of investment, banking, and lifestyle provisions specific to the various needs of affluent customers.

BBK actively competes in international markets, where it faces competition from incorporated banks and offshore banks that likewise target specific foreign jurisdictions. To achieve this, BBK leverages its Bahrain-based offshore banking team, which operates in conjunction with fully licensed branches in India and Kuwait as well as representative offices in UAE and Turkey. The objective is to capture local business, facilitate trade finance corridors, streamline remittances and foster strong links for businesses and retail customers residing across the countries where BBK operates.

Finally, Invita Company W.L.L., another fully owned subsidiary, is the leading provider of business process outsourcing (BPO) and digital transformation solutions. Apart from being the largest multilingual call centre in Bahrain, Invita Company W.L.L. has recently honed its focus on RPA services, which encompass AI-enabled chatbots, streamlined workflow management, and efficient document and content management systems.

BBK has a material share in all aspects of Bahrain's banking market and is considered by the CBB to be systemically important, as reflected in its status as a DSIB.

Recent Developments

In February 2024, the Board of Directors of BBK (the **Board**) took a decision to conduct a feasibility study of the NBB Merger and to start the selection process for legal and financial consultants in connection with the NBB Merger. As at the date of this Base Offering Circular, BBK has not taken any formal decision to pursue the NBB Merger. There can be no assurance that the NBB Merger will or will not proceed nor can any assurance be given as to the form or terms of the NBB Merger, if implemented, would take.

Management and Employees

The Board is responsible for the overall direction, supervision and control of the Group. The Board has delegated responsibility for overall executive management to BBK's executive management body (**Executive Management**) under the leadership of the Group Chief Executive.

The principal role of the Board is to oversee implementation of the Group's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures. The Board meets regularly (at least four times a year) and is required to have 10 members.

Each director holds his position for three years, after which time he must present himself to the general meeting of shareholders for re-appointment. A majority of the directors of BBK are required to attend a board meeting in order for it to be quorate.

Decisions of the Board are, with limited exceptions, made by majority votes of those present (in-person or by proxy) at the meeting. The Board and Executive Management have delegated certain powers to committees, as described below.

Board

The members of the Board are:

Tariq Jalil Al Saffar

Board Member

Chairman of the Board

Chairman of Nomination, Remuneration and Governance Committee

Member of the Independent Directors' Committee

Qualification:

Bachelor's degree in business marketing and entrepreneurship. Diploma from Columbia University in leadership development program.

Experience:

Over 24 years' experience in investment and business and experience starting-up businesses in various sectors.

Director since 28 March 2023 (Independent).

Title	Company	Jurisdiction
Board member - Executive Director	Mohamed Ebrahim Al Saffar Company (MES)	Kingdom of Bahrain
Executive Director	AbuDawood AlSaffar Company (ASCO)	Kingdom of Bahrain
Board member - Non-Executive Director	Bahrain Economic Development Board (EDB)	Kingdom of Bahrain
Chairman - Executive Director	Harbour Investment Holding Company (HIH)	Kingdom of Bahrain
Board member – CEO	Bahrain International Circuit (BIC)	Kingdom of Bahrain
Chairman – Executive Director	Payment International Enterprise B.S.C (PIE) (Licensed by CBB)	Kingdom of Bahrain
Chairman – Executive Director	KKT MENA and KKT Bahrain	Kingdom of Bahrain

Chairman - Non-Executive Director	Arabian Taxi	Kingdom of Bahrain
Board member - Executive Director	Al Dana Amphitheatre	Kingdom of Bahrain
Member	Shura Council	Kingdom of Bahrain
Chairman	Flooss Bahrain BSC (Licensed by CBB)	Kingdom of Bahrain
Board Member – Executive Director	TAS Holding Co W.L.L.	Kingdom of Bahrain
Board Member – Executive Director	Tasola Securities Co W.L.L.	Kingdom of Bahrain

Khalid Hussain Taqi

Deputy Chairman

Member of Executive Committee

Qualification:

Master's degree in science, finance, DePaul University, Chicago, United States of America.

Experience:

16 years' experience in the financial sector.

Director since 28 March 2023 (Non-executive).

Title	Company	Jurisdiction
Managing Director - Local Impact Investments	Mumtalakat	Kingdom of Bahrain
(Since January 2024)		
Independent Director	Beyon	Kingdom of Bahrain
Independent Director	Bnet	Kingdom of Bahrain
Chief Investment Officer	Osool Asset Management B.S.C (c)	Kingdom of Bahrain

Aref Haider Rahimi

Board Member

Member of Executive Committee

Member of the Independent Directors' Committee

Qualification:

Certified Public Accountant, Board of Accountancy, Oregon United States of America.

Experience:

Over 31 years' experience in financial services.

Director since 22 August 2022 (Independent).

Title	Company	Jurisdiction
Chairman	Bahrain International Circuit Company W.L.L	Kingdom of Bahrain
Chairman	BIC Holding Company B.S.C. (Closed)	Kingdom of Bahrain
Chairman	Gulf Aluminium Rolling Mill Co. B.S.C. Closed (GARMCO)	Kingdom of Bahrain
Committee Member	Supreme Judicial Council – Ministry of Justice, Islamic Affairs and Waqf The Committee for Stalled Real Estate	Kingdom of Bahrain
Managing Partner	Masar Professional Services W.L.L	Kingdom of Bahrain

Khalid Nasser Al Shamsi*Board Member*

Member of Risk Committee

Member of Audit and Compliance Committee

Member of Nomination, Remuneration and Governance Committee

Member of the Independent Directors' Committee

Qualification:

Bachelor's degree (magna cum laude) in Accounting and International Business. Executive graduate from Harvard Business School, UC Berkeley Haas School of Business and INSEAD Business School.

Experience:

Over 22 years' experience in the financial and investments sectors.

Director since 28 March 2023 (Independent).

Title	Company	Jurisdiction
Managing Director	Vision Line Consulting W.L.L.	Bahrain

Dr. Ghaneya Mohsen Al Derazi

Board Member

Member of Executive Committee

Member of Independent Directors' Committee

Qualification:

Doctorate of Business Administration, Durham University, United Kingdom.

Experience:

Over 25 years' experience in the banking industry.

Director since 27 March 2024 (Independent).

Title	Company	Jurisdiction
Chief Executive Officer & Founder	Brands Outlet Village, Shams Media UAE	UAE

Munther A.Aziz Al Kooheji

Board Member

Member of Risk Committee

Member of Audit and Compliance Committee

Member of the Independent Directors' Committee

Qualification:

Bachelor of Science in Engineering & Industrial Management from The University of Texas in Austin, United States of America.

Experience:

Over 31 years' experience in investment banking and wealth management.

Director since 27 March 2024 (Independent).

Title	Company	Jurisdiction
Founder and Executive Director	Delta Industrial Supplies Co W.L.L	Bahrain

Nour Nael Al Jassim

Board Member

Member of Executive Committee

Qualification:

Bachelor's degree in accounting and finance, Kuwait University, State of Kuwait.

Experience:

Over 15 years' experience in the investment sector and risk management.

Director since 24 March 2020 (Non-executive).

Title	Company	Jurisdiction
Manager Fixed Income and Portfolios Division	Kuwait Investment Authority (KIA)	Kuwait

Naser Khalid Al Raee

Board Member

Member of Audit and Compliance Committee

Qualifications:

Certified Internal Auditor, Certification in Risk Management Assurance, Institute of Internal Auditors, United States of America. Bachelor of Business Administration in Finance Concentration, University of Texas, United States of America.

Experience:

Over 14 years' experience in the audit and risk management assurance and advisory field with variety of industry exposure including the banking and investment sector.

Nominated by: Social Insurance Organization (SIO).

Director since 2 May 2023 (Non-executive).

Title	Company	Jurisdiction
Deputy Chief Risk Officer	Osool Asset Management B.S.C. (c)	Bahrain

Dana Aqeel Raees

Board Member

Deputy Chairperson of Nomination, Remuneration and Governance Committee

Qualifications:

Admitted as a non-practicing solicitor in the Senior Courts of England and Wales since 1 April 2010. Postgraduate Legal Qualification (LPC), University of Law (UK). Bachelor of Laws, University of Warwick (UK)

Experience:

Over 18 years' experience in legal and financial sectors.

Director since 28 March 2023 (Non-executive).

Nominated by: Social Insurance Organization (SIO).

Title	Company	Jurisdiction
Board Member / Executive Director	SICO B.S.C (CLOSED)	Kingdom of Bahrain
Executive Director – Legal	Osool Asset Management B.S.C. (C)	Kingdom of Bahrain

Khaled Mohamed Alasfour

Board Member

Member of Risk Committee

Qualification:

CFA Charter holder, Bachelor in Accounting, Finance, Kuwait University, State of Kuwait.

Experience:

Over 15 years' experience in the alternative investments.

Nominated by Kuwait Investment Authority (KIA).

Director since 17 October 2023 (Non-executive).

Title	Company	Jurisdiction
Senior Investment Manager	Kuwait Investment Authority (KIA)	State of Kuwait

The business address of each member of the Board and Executive Management is 43 Government Avenue, P.O. Box 597, Manama, Kingdom of Bahrain. No member of the Board has any actual or potential conflict of interest between his duties to BBK and his private interests and/or other duties.

BBK's code of conduct covers the conduct of the Board. The code of conduct binds signatories to the highest standards of professionalism and due diligence in the performance of their duties. It also covers conflicts of interest, disclosure and the confidentiality of insider information. Board members are bound by specific regulations relating to insider trading and are required to disclose details of their shareholdings in BBK.

Certain directors are shareholders of BBK. The table below sets out the number of shares and bonds held by each director and his related parties as at each of 31 December 2023 and 31 December 2022:

The number of securities held by Directors was as follows:

Name of Director	Type of shares	31 December 2023	31 December 2022	Bonds
Murad Ali Murad ⁽¹⁾	Ordinary	1,798,827	1,713,169	—
Mohamed Abdulrahman Hussain ⁽²⁾	Ordinary	237,991	226,659	—
Dana Aqeel Raees.....	Ordinary	35,590	—	—

Notes:

- (1) Murad Ali Murad resigned from the Board in February 2024.
- (2) Mohamed Abdulrahman Hussain resigned from the Board in March 2024.

Related parties:

1. Al Janabeya Company W.L.L. (a family company owned by Murad Ali Murad and his family) owns 1,622,360 shares and is related to Murad Ali Murad.

Certain members of the Board, their families and companies of which they are principal owners are customers of the Group in the ordinary course of business. The transactions with these parties were made on substantially the same terms, including interest, as comparable transactions with unrelated parties and did not involve more than a normal amount of risk.

Material contracts and loans involving directors

The table below sets out material contracts and loans involving directors as at 31 December 2023:

Name of Director	Relationship with Director	Purpose of loan	Amount of loan	Interest rate	Terms of payment of interest	Repayment of the principal	Security
Murad Ali Murad ⁽¹⁾	Chairman	Personal banking needs	BHD400,000	Fixed deposit rate over 1% p.a.	On demand	On demand	100% cash collateral

Notes:

- (1) Murad Ali Murad resigned from the Board in February 2024.
- (2) The materiality threshold for such disclosures is considered equal to or above BHD100,000.
- (3) Two Board members hold BBK Credit Cards with a total limit of BHD45,000 and outstanding amounts at 31 December 2023 of BHD15,346.332
- (4) Five Board members hold CrediMax Credit cards with a total limit of BHD111,400 and outstanding amounts at 31 December 2023 of BHD7,223

Management

The Executive Management of the Group consists of the following members:

Abdulrahman Ali Saif

Group Chief Executive

PhD in Economics, University of Leicester, United Kingdom (1992).

41 years' banking experience. Joined BBK in 2008.

Hassan Ahmed Abouzeid

Group Chief IT and Chief Operations Officer

BSc in Architectural Engineering, Ain Shams University, Egypt (1987).

34 years' banking experience. Joined BBK in 2019.

Abhik Goswami

Group Chief Risk Officer

Risk and Credit Management

Bachelor of Technology (Hons) in Mechanical Engineering, Indian Institute of Technology Kharagpur (1990).

Financial Risk Manager (FRM), The Global Association of Risk Professionals, USA (2002). Chartered

Financial Analyst (CFA), CFA Institute, USA (2004).

31 years' banking experience. Joined BBK in 2021.

Mohamed Ahmed Al Rayes

General Manager

Treasury and Investment

Master of Business in Finance, University of Otago, New Zealand (2008).

16 years' banking experience. Joined BBK in 2013.

Raj Kumar Dugar

General Manager

Internal Audit

ACA, Institute of Chartered Accountants of India (1987).

34 years' banking experience, of which 23 years have been spent in internal audit. Joined BBK in 2000.

Hassaan Mohammed Burshaid

Group Chief Human Resources and Administration Officer

Human Resources and Administration Group

MSC in Human Resources Management, De Paul University, United States of America (2006).

29 years' experience in the field of human resources. Joined BBK in 1998.

Mohammed Abdulla Isa

Group Chief Financial Officer

Financial Planning and Control Group

Certified Public Accountant (CPA), American Institute of Certified Public Accountants – Delaware State Board of Accountancy (2001).

32 years' finance experience. Joined BBK in 2001.

Nadeem A. Aziz Al Kooheji

General Manager

Corporate Banking

BA in Finance and International Business, University of Texas, Austin, United States of America (1988).
12 years' audit and 26 years' banking experience. Joined BBK in 1999.

Ahmed Abqulqader Taqi

General Manager

Retail Banking

Master of Business Administration (MBA) – University of Glamorgan, United Kingdom (2012).).

22 years' banking experience. Joined BBK in 2014.

Salman AbdulAziz Al Hasan

General Manager

International Banking and Overseas Branches

Master of Science in Finance, Depaul University – The Charles H. Keilstadt, Graduate School of Business (2013)

21 years' banking experience. Joined BBK in 2013.

Simone Carminati

Chief Business Development

Master in International Relations, University of Kent, United Kingdom (1998).

31 years' experience, including 15 years' experience in banking. Joined BBK in 2014.

Nadeen Nabeel Al Shirawi

Head of Group Compliance and MLRO

Master of Science in Development Studies, London School of Economics, and Political Science, University of London, United Kingdom (2002).

20 years' experience, including 16 years' experience compliance and anti-money laundering. Joined BBK in 2008.

Layla Hasan Radhi

Acting Manager of Credit Assessment and Recovery

Master of Science, Finance (Islamic Finance Concentration), DePaul University, USA (2011). Master of Science, Management Information Systems – Fulbright Scholar, University of Nevada Las Vegas, USA (2007).

16 years' banking experience. Joined BBK in 2021.

No member of the Executive Management of the Group has any actual or potential conflict of interest between his duties to BBK and his private interests and/or duties.

Board Committees

BBK has the following Board committees:

Executive Committee

This committee reviews, approves and directs executive management on all matters raised with the Board, such as business plans, donations, credit or investment applications and such other proposals within its authority and the periodical review of BBK's achievements.

The members of the Executive Committee are as follows:

- Aref Haider Rahimi – Member (Independent)
- Khalid Hussain Taqi – Member (Non-executive)
- Dr. Ghaneya Mohsen Al Derazi – Member (Independent)
- Nour Nael Al Jassim – Member (Non-executive)

Audit and Compliance Committee

This committee is principally responsible for:

- reviewing the internal audit programme and internal control system, considering the major findings of each internal audit review and investigations and responses to ensure that BBK complies with both its internal policies and procedures and CBB requirements;
- ensuring co-ordination between the internal and external auditors;
- monitoring trading activities of key persons and ensuring the prohibition of the abuse of inside information and disclosure requirements;
- approving and periodically reviewing the internal audit charter document (the **Internal Audit Charter**), which defines the purpose, authority, responsibilities and other aspects of internal audit activity; and
- providing the Internal Audit Charter upon request from internal and external stakeholders.

The members of the Audit and Compliance Committee are as follows:

- Khalid Nasser Al Shamsi – Member (Independent)
- Naser Khalid Al Raee – Member (Non-executive)
- Munther A. Aziz Al Kooheji – Member (Independent)

Nomination, Remuneration and Governance Committee

This committee is principally responsible for:

- determining and agreeing with the Board the framework or broad policy for the compensation of the directors and Executive Management and making recommendations on policies relating to the recruitment, retention and termination of Executive Management;
- recommending to the Board the form and amount of the compensation for all directors;
- determining the policy for the disclosure of directors' and executive management's compensation;
- ensuring that contractual terms on termination, and any payments made, are fair to the individual and BBK, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- reviewing and recommending to the Board employee compensation budgets, benefits, equity programmes and any changes in employee benefit structure throughout the Group;

- establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee; and
- ensuring the adoption of sound corporate governance practices that are consistent with the corporate governance code of Bahrain and its regulatory requirements, and also reflect best practice, and making recommendations to the Board as appropriate.

The members of the Nomination, Remuneration and Governance Committee are as follows:

- Tariq Jalil Al Saffar – Chairman (Independent)
- Khalid Nasser Al Shamsi – Member (Independent)
- Dana Aqeel Raees – Deputy Chairperson (Non-executive)

Risk Committee

This committee is responsible for reviewing and recommending risk policies to the Board for their approval. The committee also examines and monitors risks to BBK's business and operations and directs management appropriately.

The members of the Risk Committee are as follows:

- Khalid Nasser Al Shamsi – Member (Independent)
- Munther A. Aziz Al Kooheji – Member (Independent)
- Khaled Mohamed Alasfour – Member (Non-executive)

Independent Directors Committee

This committee meets at least once a year and is responsible for discussing the agenda items of upcoming board meetings and providing independent views on certain issues, particularly those pertaining to the interests of minority shareholders.

The members of the Independent Directors Committee are as follows:

- Aref Haider Rahimi – Member (Independent)
- Khalid Nasser Al Shamsi – Member (Independent)
- Tariq Jalil Al Saffar – Member (Independent)
- Munther A. Aziz Al Kooheji – Member (Independent)
- Dr. Ghaneya Mohsen Al Derazi – Member (Independent)

Executive Management Committees

BBK has the following executive management committees:

Asset and Liability Management Committee

This committee is responsible for enhancing shareholder value by establishing policies and guidelines for the overall management of the Group's balance sheet and its associated risks.

Senior Human Resources Committee

This committee is responsible for optimising the use of human resources in the Group through the establishment of appropriate policies, procedures and guidelines for the management of human resources.

Strategy Review Committee

This committee is responsible for reviewing and monitoring progress on BBK's strategic initiatives.

Provision Committee

This committee reviews and decides on the Group's provisioning requirements for loans and advances and for investments.

Risk Management Committee

This committee is responsible for the identification, measurement, monitoring and control of risk and for the establishment of risk policies and procedures.

Management Credit Committee

This committee reviews and approves credit and investment proposals up to a certain limit on a case by case basis. It also reviews and recommends any proposals requiring Executive Committee or Board approval.

Country Risk Committee

This committee periodically reviews BBK's strategies with respect to countries in which BBK has exposure or plans to undertake exposure. The strategies are approved by the Risk Management Committee and communicated to the Risk Committee.

Economic Crisis Management Committee

This committee periodically reviews risks based on macroeconomic developments and the likely impact on BBK, including recovery and resolution plan triggers.

Properties Management Committee

This committee reviews and recommends property-related policies, manages liquidation processes of acquired properties and monitors compliance with internal policies and regulations.

Compliance Committee

This committee monitors compliance with the regulations and guidelines of the CBB and other regulatory bodies.

Customer Experience Committee

This committee monitors customer feedback, complaints and suggestions across all channels, including in-branch, social media, call centre, website and mobile, with the aim of identifying key business drivers and improving customer satisfaction and loyalty.

Infosec Management Committee

This committee oversees the information and cyber security risks, information security strategy and the security programme implementation with the aim of protecting the confidentiality, integrity and availability of BBK's system data and complying with the regulatory requirements and security standards.

IT Steering Committee

This committee is responsible for directing, reviewing and approving information technology strategic plans, overseeing major initiatives, prioritising initiatives across BBK as a whole and the review and assessment of BBK's technology on an ongoing basis.

Sustainability Management Committee

This committee implements policies, strategies, and programmes related to sustainability, sets and reviews key performance indicators on key sustainability topics and ensures their incorporation in BBK's strategies, captures material issues affecting the business from an unexpected risks and opportunities perspective, and provides data and information to support the production of an annual sustainability report.

Employees

As at 31 December 2023, the Group employed 1,381 members of staff.

BBK's human resources policies aim to ensure that the Group's staffing requirements are met through the recruitment and development of talented individuals and the implementation of tailored training and development programmes, performance appraisal and reward systems.

The Group strongly believes in fostering excellent relationships with its employees and enhancing staff retention through its training and rewards systems. These include an employee stock option plan and an annual performance-based bonus as well as other standard staff benefits.

BBK focuses on its employees' development and career growth through the introduction of regular and ongoing programmes pertaining to succession planning and talent management initiatives. These programmes are essential for BBK's strategic human capital development.

SELECTED FINANCIAL INFORMATION

Liabilities

As at 31 December 2023, the aggregate amount of the Group's liabilities totalled BHD3,288.0 million, including customers' current, savings and other deposits of BHD2,130.0 million and deposits and amounts due to banks and other financial institutions of BHD406.2 million.

The following table sets out the total liabilities for the Group as at 31 December 2023 and 31 December 2022.

	31 December 2023	31 December 2022
	<i>(BHD' million)</i>	
Deposits and amounts due to banks and other financial institutions	406.2	289.4
Borrowings under repurchase agreement	326.9	377.4
Term borrowings	301.6	263.9
Customers' current, savings and other deposits	2,130.0	2,116.6
Interest payable, derivative and other liabilities	123.3	107.6
Total Liabilities	3,288.0	3,154.9

The Group's principal liability is its customers' current, saving and other deposits which, as at 31 December 2023, accounted for 64.78 per cent. of its total liabilities. The other major liability is deposits and amounts due to banks and other financial institutions which, as at 31 December 2023, accounted for 12.35 per cent. of its total liabilities.

The following table sets out the term borrowings obtained by the Group for general financing purposes and outstanding as at 31 December 2023 and 31 December 2022.

Amount of Facility	Rate of Interest	Maturity Year	As at 31 December 2023	As at 31 December 2022
<i>BHD' million</i>			<i>BHD 'million</i>	
188.5	5.5% (fixed)	2024	188.5	188.5
113.1	SOFR + 1.40% / SOFR + 1.85%	2024 / 2025	113.1	75.4
			301.6	263.9

Please refer to note 27 to the 2023 Financial Statements for the maturity analysis of the Group's assets and liabilities as at 31 December 2022 and 31 December 2023.

Geographic and Industry Distribution Profile

The distribution of the Group's assets, liabilities and off-balance sheet items by geographic region and industry sector was as follows:

	As at 31 December 2023			As at 31 December 2022		
	Assets	Liabilities	Credit commitments and contingencies	Assets	Liabilities	Credit commitments and contingencies
	<i>(BHD' million)</i>					
Geographic region:						
GCC Countries	3,380.7	2,711.0	784.7	3,170.3	2,654.8	617.7
North America.....	89.8	8.2	10.5	108.8	7.9	1.0

Europe	195.1	416.2	393.2	227.9	343.3	462.2
Asia.....	176.4	132.7	44.3	180.0	130.4	87.8
Others	59.9	19.9	0.8	66.9	18.5	31.1
Total.....	3,901.9	3,288.0	1,233.5	3,753.9	3,154.9	1,199.8
Industry sector:						
Trading and manufacturing.....	536.5	199.2	170.5	517.8	178.7	150.1
Banks and other financial institutions.....	553.6	990.1	821.9	587.6	934.6	895.4
Construction and real estate	309.8	53.0	140.7	320.5	47.3	129.8
Government and public sector.....	1,642.5	309.2	71.4	1,397.5	270.6	0.3
Individuals	568.9	1,203.1	5.0	559.9	1,201.5	0.2
Others	290.6	533.4	24.0	370.6	522.2	24.0
Total.....	3,901.9	3,288.0	1,233.5	3,753.9	3,154.9	1,199.8

BBK's operations are conducted principally in the GCC region, which, as at 31 December 2023, accounted for 86.64 per cent. of the Group's assets and 82.45 per cent. of the Group's liabilities.

Distribution of Loans and Advances to Customers

The following table sets out the allocation by industrial sector of the Group's portfolio of loans and advances to customers as at 31 December 2023 and 31 December 2022.

	As at 31 December	
	2023	2022
	(BHD' million)	
Trading and manufacturing.....	417.8	425.9
Banks and other financial institutions.....	115.0	98.5
Construction and real estate.....	283.6	290.8
Government and public sector.....	123.7	132.1
Individuals	568.7	559.9
Others	79.5	106.8
Loans and advances to customers	1,588.3	1,614.0

The following table sets out the allocation by type of the Group's portfolio of loans and advances to customers as at 31 December 2023 and 31 December 2022.

	As at 31 December	
	2023	2022
	(BHD' million)	
Commercial loans and overdrafts	1,006.7	1,033.4
Consumer loans	652.8	659.8
Total gross loans and advances to customers.....	1,659.5	1,693.2
Less: Expected credit losses	(71.2)	(79.2)
Total net loans and advances to customers.....	1,588.3	1,614.0

Lease Commitment

The Group has entered into commercial leases on premises. Future minimum lease payments under non-cancellable operating leases as at 31 December 2023 and 31 December 2022 are as follows:

	As at 31 December	
	2023	2022
	<i>(BHD' million)</i>	
Within one year	0.1	—
After one year but not more than five years	1.26	2.23
More than five years	2.65	2.94
Total	4.04	5.17

Related Party Balances and Transactions

Related parties represent major shareholders, associates and joint ventures, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and the terms of these transactions are approved by the Group's management. As at 31 December 2023, all the loans and advances to related parties were performing and subject to ECL allowances.

Controllers of the bank, who include shareholders holding at least 10 per cent. of BBK's share capital and shareholders that can exercise a significant influence on BBK's management, are not permitted to borrow from BBK. The maximum aggregate exposure that BBK may incur to all connected parties is 25 per cent. of BBK's consolidated capital base.

The CBB imposes strict policies in relation to lending to employees, including obtaining prior regulatory approval for certain transactions. BBK has implemented CBB limits on lending to directors, senior management and relatives of staff members through credit policies approved by the Board.

The amounts outstanding as at 31 December 2023 and 31 December 2022 in respect of transactions entered into by the Group with related parties were as follows:

	As at 31 December	
	2023	2022
	<i>BHD' million</i>	
Loans and advances to customers	18.1	7.0
Investments in associates and joint ventures	51.2	62.3
Customers' current, savings and other deposits	46.1	42.8

Note:

This is a summary table. See note 26 to the 2023 Financial Statements for further details.

The income and expenses in respect of related parties included in the Group's consolidated statement of profit or loss for the years ended 31 December 2023 and 31 December 2022 were as follows:

	Major shareholders	Associates and joint ventures	Directors and key management personnel	Total
	<i>BHD' million</i>			
2023				
Interest income	—	1.0	—	1.0
Interest expense	1.2	—	0.4	1.6
Share of loss from associates and joint ventures.....	—	(10.2)	—	(10.2)
2022				
Interest income	—	0.3	—	0.3
Interest expense	2.0	0.1	0.2	2.3
Share of profit from associates and joint ventures	—	1.3	—	1.3

Note:

This is a summary table. See note 26 to the 2023 Financial Statements for further details.

Financial Review

This section provides a review of the Group's financial performance for 2023 that focuses on the consolidated operating results and the consolidated statement of financial position of BBK including its overseas branches, its principal subsidiaries, joint ventures, associates and the indirect investment in associates through subsidiaries.

The Financial Statements have been prepared and are presented in accordance with the IFRS, the Bahrain Commercial Companies Law, the CBB and Financial Institutions Law, the CBB Rulebook and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse and the terms of BBK's memorandum and articles of association.

Operating results

The Group's total operating income (including share of (loss) / profit from associates and joint ventures) for the year ended 31 December 2023 was BHD153.9 million, an increase of 11.36 per cent. as compared to BHD138.2 million for the year ended 31 December 2022. The increase in the Group's total operating income in 2023 was primarily as a result of the increase in net interest and similar income.

The Group's total operating expenses was BHD68.7 million for the year ended 31 December 2023, an increase of 6.51 per cent. as compared to BHD64.5 million for the year ended 31 December 2022.

The Group's net provisions and credit losses was BHD9.9 million for the year ended 31 December 2023, an increase of 23.75 per cent. as compared to BHD8.0 million for the year ended 31 December 2022.

Reflecting the above factors, the Group's net profit for the year attributable to the owners of BBK for the year ended 31 December 2023 was BHD74.5 million, an increase of 15.68 per cent., as compared to BHD64.4 million for the year ended 31 December 2022.

Net interest and similar income

Net interest and similar income increased by 30.15 per cent., from BHD102.5 million for the year ended 31 December 2022 to BHD133.4 million for the year ended 31 December 2023. This increase was primarily attributable to the effective balance sheet management and liquidity positioning towards market conditions and interest rates.

Total other income

Total other income is comprised of fees and commission income, net and investment and other income, which are earned from business activities such as dealing in foreign currencies, investment in funds other than fixed-income funds, the sale of corporate banking and retail banking services, investment trading and share of (loss) / profit in associates and joint ventures.

Total other income generated during the year ended 31 December 2023 was BHD20.5 million, as compared to BHD35.7 million for the year ended 31 December 2022. Fees and commission income, net, being the main component of total other income, was BHD14.4 million for the year ended 31 December 2023, as compared to BHD18.6 million for the year ended 31 December 2022, while investment and other income was BHD16.3 million for the year ended 31 December 2023, as compared to BHD15.8 million for the year ended 31 December 2022. The decrease in fee and commission income, net, was primarily attributable to the reduction of fees and charges on local businesses to ease the impact of the challenging economic environment brought about by COVID-19. The increase in investment and other income was primarily attributable to the increase in realised gain on sale of investment securities which, in turn, was a result of the implementation of the Group's investment strategy.

Total operating expenses

Due to the continuous investment in human capital resources and technologies, BBK's total operating expenses increased by 6.51 per cent., from BHD64.5 million for the year ended 31 December 2022 to BHD68.7 million for the year ended 31 December 2023. Staff costs for the year ended 31 December 2023 increased by 6.17 per cent. to BHD39.6 million, as compared to BHD37.3 million for the year ended 31 December 2022. Other operating expenses for the year ended 31 December 2023 increased by 6.99 per cent. to BHD29.1 million, as compared to BHD27.2 million for the year ended 31 December 2022. Nevertheless, BBK's prudent cost control policy and strong revenue-generating capability saw it reduce its cost to income ratio to 44.64 per cent. for the year ended 31 December 2023, as compared to 46.67 per cent. for the year ended 31 December 2022.

Net provisions and credit losses

BBK has adopted IFRS 9 with respect to accounting for the impairment of financial assets. IFRS 9 replaces the incurred loss model in IAS 39 with an ECL model. The Group applies a three-stage approach to measuring expected credit losses on financial assets carried at amortised cost and debt instruments classified as FVTOCI. Assets migrate through three stages based on the change in credit quality since their initial recognition. This approach of provisioning for the impairment of BBK's financial assets is intended to provide more accurate estimates of the impairment in the value of assets.

The Group's net provisions and credit losses for the year ended 31 December 2023 was BHD9.9 million, an increase of 23.75 per cent. as compared to BHD8.0 million for the year ended 31 December 2022. This increase was primarily attributable to movement of certain of the Group's investment securities from Stage 1 to Stage 2, which, in turn, was as a result of the Group's proactive risk management strategy.

Financial position

The Group maintained its sound financial position and comfortable liquidity as it continued to achieve a good balance between both advances and deposits. As at 31 December 2023, the Group's loans and advances to deposits ratio was 74.57 per cent., compared to 76.25 per cent. as at 31 December 2022.

The Group is strongly capitalised and generated good levels of capital during the year ended 31 December 2023, with a capital adequacy ratio of 28.09 per cent. as at 31 December 2023 as compared to 27.25 per cent. as at 31 December 2022.

Assets

As at 31 December 2023, the Group's total assets increased to BHD3,901.9 million from BHD3,753.9 million as at 31 December 2022. This increase in total assets can be attributed to the increase in cash balances with central banks and treasury bills. Loans and advances to customers decreased by 1.59 per cent. to BHD1,588.3 million as at 31 December 2023 from BHD1,614.0 million as at 31 December 2022. The investment securities portfolio of the Group is classified into the following three categories: FVTPL, FVTOCI and "Investments stated at amortised costs". As at 31 December 2023, gross FVTOCI investments accounted for 74.64 per cent., gross investments stated at amortised cost accounted for 25.25 per cent. and FVTPL investments amounted for 0.11 per cent. of the Group's gross investment securities portfolio. As at 31 December 2023, quoted bonds and equities constituted 75.91 per cent. of total gross investments, compared with 75.92 per cent. as at 31 December 2022.

The Group's total investment securities decreased by BHD4.1 million or 0.45 per cent. to BHD910.1 million as at 31 December 2023 from BHD914.2 million as at 31 December 2022. The investment securities portfolio is dominated by regional governments' bonds and sukuk and is substantially hedged against exposure to interest rate risk.

Investment in associates and joint ventures represents the Group's interest in a number of associates and joint ventures (see "*Description of the Issuer — Group Structure*"). The carrying value of these investments represents the Group's share of the net assets of these companies.

Liabilities

Customers' current, saving and other deposits include the balances of interest-bearing and non-interest-bearing accounts due to customers on demand, and term deposits with differing maturity dates, in various currencies and at varying rates of interest. Customers' current, savings and other deposits increased by 0.63 per cent. from BHD2,116.6 million as at 31 December 2022 to BHD2,130.0 million as at 31 December 2023.

Deposits and amounts due to banks and other financial institutions increased by BHD116.8 million or 40.36 per cent. compared to BHD289.4 million as at 31 December 2022 and stood at BHD406.2 million as at 31 December 2023. Borrowings under repurchase agreements decreased by BHD50.5 million or 13.38 per cent. to BHD326.9 million as at 31 December 2023 compared to BHD377.4 million as at 31 December 2022.

Interest payable and other liabilities consist of accrued interest payable on interest-bearing deposits, accrued expenses and provisions.

Capital adequacy

BBK implemented the Basel III framework for the calculation of capital adequacy in January 2015, in accordance with CBB guidelines.

Total equity was BHD613.9 million as at 31 December 2023, compared to BHD599.0 million as at 31 December 2022. While there was growth in risk weighted assets, the Group maintained a capital adequacy ratio of 28.09 per cent. for 2023, compared to 27.25 per cent. for 2022, well above the CBB's minimum regulatory requirement of 14 per cent. (for DSIBs). The Group's tier 1 capital adequacy ratio for 2023 was 26.99 per cent., compared to 26.15 per cent. in 2022, well above the CBB's minimum regulatory requirement of 12.5 per cent. (for DSIBs).

The Group intends to maintain strong capitalisation to support its future strategic plans through the adoption of a dynamic profit retention policy. BBK's growth over the years reflects a sustained culture of superior performance, widespread participation in both local and international markets and excellent customer service, all of which has enabled BBK to sustain the momentum it has built over such period.

KINGDOM OF BAHRAIN BANKING SECTOR AND REGULATION

Role of the Central Bank of Bahrain

The CBB is an independent public sector organisation established on 6 September 2006 and constituted under its own law, the Central Bank of Bahrain and Financial Institutions Law of 2006. The CBB is responsible for maintaining monetary and financial stability in Bahrain. It succeeded the Bahrain Monetary Agency (the **BMA**), which had previously carried out central banking and regulatory functions since its establishment in 1973 (shortly after Bahrain secured full independence from the United Kingdom).

The CBB inherited the BMA's wide range of responsibilities. The CBB implements Bahrain's monetary and foreign exchange rate policies, manages the government's reserves and debt issuances, issues the national currency and oversees payments and settlement systems. It is also the sole regulator of Bahrain's financial sector, covering the full range of banking, insurance, investment business and capital markets activities. The CBB performs the role of financial agent to the government, a role which principally entails advising the government in relation to financial matters generally, as well as administering government debt.

The CBB is also responsible for regulating conduct in Bahrain's capital markets. In 2002, the legislative and regulatory authority and supervision of the Bahrain Bourse was transferred from the Ministry of Commerce to the CBB, which regulates and supervises all of the Bahrain Bourse's activities. The CBB is not directly accountable to the National Assembly and is independent of the government but is accountable to the Minister of Finance. There are seven members of the board of directors of the CBB, including an independent chairman, each of whom is appointed by royal decree. The governor of the CBB serves for a five-year term.

In each of May, June, July, September, November and December 2022 and February, March, May and July 2023, the CBB raised interest rates concurrently with rate rises by the U.S. Federal Reserve, in an attempt to ease inflationary pressures.

Monetary and Exchange Rate Policy

Bahrain's monetary and exchange rate policy was previously managed by the BMA pursuant to the Bahrain Monetary Agency Law (Law No. 23 of 1973) and is now managed by the CBB. The objective of Bahrain's monetary policy is to facilitate the fixed exchange rate regime. In 2001, the BMA formally pegged the Bahraini Dinar to the U.S. dollar at a rate of BHD0.376 = U.S.\$1.00. This rate had in fact been used in practice since 1980, even though, in principle, the Bahraini Dinar had been pegged to the IMF's special drawing rights. This policy is consistent with Bahrain's current and capital accounts and fits in with the regional framework of U.S. dollar-pegged exchange rates as the pricing of oil and gas is in U.S. dollars. The currencies of all GCC countries (except Kuwait) are formally pegged to the U.S. dollar.

The CBB Monetary Policy Committee (**MPC**) meets on a weekly basis throughout the year to closely evaluate economic and financial developments, monitor liquidity conditions in order to provide recommendations for monetary policy instruments and set interest rates on facilities offered by the CBB to the banking sector. With its regular meetings and recommendations submitted to H.E. the governor, the MPC played a vital role in the CBB's efforts to mitigate the effects of the global financial crisis and COVID-19 on Bahrain.

Money Supply

The following table sets out an analysis of Bahrain's domestic liquidity as at the dates indicated.

	As at 31 December				%
	2020	2021	2022	2023	Change 2022-2023
		(U.S.\$ millions) ⁽¹⁾			(%)
Currency in circulation ⁽²⁾	1,577.0	1,484.2	1,347.2	1,414.6	5.0
M1 ⁽³⁾	7,768.8	8,576.4	8,147.2	7,535.4	(7.5)
M2 ⁽⁴⁾	34,148.9	35,812.4	37,193.6	39,069.0	5.0
M3 ⁽⁵⁾	37,636.3	39,585.7	40,253.8	42,463.5	5.5

Source: CBB

Notes:

- (1) Using the fixed conversion rate of BHD0.376 = U.S.\$1.00.
- (2) These figures exclude money held by banks.
- (3) Currency in circulation plus private demand deposits.
- (4) M1 plus private sector savings and time deposits.
- (5) M2 plus government deposits.

The following table sets out an analysis of Bahrain's M1, M2 and M3 money supply as at the dates indicated.

	As at 31 December									
	2019		2020		2021		2022		2023	
	(U.S.\$ millions) ⁽¹⁾	(%) ⁽⁵⁾	(U.S.\$ millions) ⁽¹⁾	(%) ⁽⁵⁾	(U.S.\$ millions) ⁽¹⁾	(%) ⁽⁵⁾	(U.S.\$ millions) ⁽¹⁾	(%) ⁽⁵⁾	(U.S.\$ millions) ⁽¹⁾	(%) ⁽⁵⁾
M1	6,986.3	(1.3)	7,768.8	11.2	8,576.4	10.4	8,147.2	(5.0)	7,535.4	(7.5)
Total private sector deposits ⁽²⁾	30,630.5	11.6	32,571.9	6.3	34,328.4	5.4	35,846.4	4.4	37,654.5	5.0
M2	32,053.6	11.1	34,148.9	6.5	35,812.4	4.9	37,193.6	3.9	39,069.0	5.0
Time and savings deposits	22,708.9	15.0	23,827.2	4.9	23,817.7	(0.0)	26,807.7	12.6	29,123.8	8.6
General government deposits ⁽³⁾	4,307.8	(8.8)	3,487.4	(19.0)	3,773.4	8.2	3,060.2	(18.9)	3,394.6	10.9
M3	36,361.4	8.3	37,636.3	3.5	39,585.7	5.2	40,253.8	1.7	42,463.5	5.5
Net foreign assets ⁽⁴⁾	796.9	—	(1,581.4)	—	(60.8)	—	(3,179.3)	—	(4,217.0)	—
Domestic assets	35,564.5	2.7	39,217.8	10.3	39,646.6	1.1	43,433.0	9.6	46,680.7	7.5

Source: CBB

Notes:

- (1) Using the fixed conversion rate of BHD0.376 = U.S.\$1.00.
- (2) Includes demand deposits, as well as time and savings deposits
- (3) Includes general government deposits with both the CBB and the retail banks
- (4) Includes net foreign assets held by both the CBB and the retail banks
- (5) Year on year percentage change

Money supply growth has been stimulated by a growth in savings. Broad money (M2) growth was mainly due to increases in private sector deposits in both domestic and foreign currency.

As at 31 December 2023, M3 increased by U.S.\$2,209.7 million, or 5.5 per cent., from U.S.\$ 40,253.8 million as at 31 December 2022 to U.S.\$ 42,463.5 million as at 31 December 2023. General government deposits (with both the CBB and retail banks) increased by U.S.\$ 334.4 million, or 10.9 per cent., from U.S.\$ 3,060.2 million as at 31 December 2022 to U.S.\$ 3,394.6 million as at 31 December 2023. Government deposits accounted for

8.0 per cent. of M3 as at 31 December 2023. The increase in M3 was mainly due to an increase in domestic assets. Between 31 December 2022 and 31 December 2023, total domestic assets increased by U.S.\$3,247.7 million, or 7.5 per cent., to U.S.\$ 46,680.7 million and net foreign assets (held by both the CBB and retail banks) decreased by U.S.\$1037.7 million to U.S.\$ (4,217.0) million, representing net foreign liabilities.

Foreign Direct Investment

Bahrain benefits from its reputation as a favourable business environment. Bahrain generally has had a stable economic history. In 2021 and 2022, 68.6 per cent. and 68.7 per cent., respectively, of its financial sector employees were Bahraini citizens, which demonstrates a level of local talent and a relative lack of reliance on the need to attract foreign expatriate workers from abroad. In 2022, the banking sector contributed to 50.1 per cent. of the total employment in the financial sector and 77.3 per cent. of employees in the banking sector were Bahraini citizens, as compared to 77.2 per cent. in 2021.

The cost of conducting business in Bahrain is relatively low when compared to other countries in the MENA region. There are also significant and established wholesale banking, insurance and reinsurance and fund management industries (including industries ancillary to these, such as audit firms) and an efficient and robust legal and regulatory framework.

The table below sets out Bahrain's foreign direct investment positions at the end of the years indicated.

	2020	2021	2022	Q32023 ⁽¹⁾
		(U.S.\$ millions)		
Direct Investment (net)	(12,748)	(14,478)	(14,481)	(14,453)
Outward FDI flow	18,942	19,006.6	20,954.5	21,754.5
Inward FDI flow	31,705.1	33,484.3	35,435.6	36,207.7

Source: CBB

Note:

(1) Preliminary Data.

Bahrain's net international investment position, comprised of its outstanding international assets and liabilities, amounted to U.S.\$21,748.1 million as at 30 September 2023, as compared to U.S.\$28,142.3 million and U.S.\$23,419.1 million as at 31 December in each of 2022 and 2021, respectively.

The Economic Development Board (the **EDB**) promotes foreign direct investment in Bahrain in order to further diversify its economy and encourage productivity-driven growth. Bahrain is a regional pioneer of diversification in the GCC context and derives more than 80 per cent. of its GDP from the non-oil sector, with its financial services sector particularly benefitting from foreign direct investment. The EDB is an independent public-sector organisation constituted under its own law which is headed by the Crown Prince and consists of seven ministers and seven prominent business leaders. In recent years, the principal source of foreign direct investment has been reinvested earnings by Bahrain's significant offshore banking sector.

Bahrain's inward foreign direct investment position increased to U.S.\$36.2 billion as at 30 September 2023, compared to U.S.\$ 35.4 billion in 2022. The financial services industry attracts significant foreign direct investment in Bahrain, and a number of international financial institutions have offices in Bahrain. Bahrain's strong regulatory environment provides a base for all types of banking and financial services. A number of Islamic finance global oversight bodies are also located in Bahrain. See "*Islamic Banks*". Additionally, manufacturing, professional and industrial services, as well as logistics, have also attracted foreign investment in Bahrain. Bahrain's central location and attractive lifestyle, supply of skilled labour, as well as bilateral trade and economic agreements, make it an attractive location for foreign investments in the above sectors.

The Banking Sector

Prior to 2006, the BMA categorised its licensed banking institutions as: (i) full commercial banks; (ii) offshore banking units; or (iii) investment banks. Within each of these categories an institution could choose to subscribe to a conventional or an Islamic framework. As a result, six different types of banking institutions existed. In 2006, the categories of offshore banking unit and investment banks were effectively merged into a single new category, now described as wholesale banking. The category of full commercial banks was also renamed as retail banks. The ability to subscribe to either a conventional or an Islamic framework was retained. As a result, four types of banking institutions are now in existence.

The aggregate balance sheet of the banking system was U.S.\$ 204,906.8 million as at 31 December 2019, U.S.\$ 207,353.5 million as at 31 December 2020, U.S.\$ 217,501.6 million as at 31 December 2021, U.S.\$ 224,094.6 million as at 31 December 2022 and U.S.\$ 238,528.1 million as at 31 December 2023.

The table below sets out the annual aggregate balance sheet of all banking institutions in Bahrain (including conventional and Islamic banks).

	As at 31 December				
	2019	2020	2021	2022	2023
	<i>(U.S.\$ millions)⁽¹⁾</i>				
Wholesale Banks					
Assets	110,838.2	113,078.8	118,102.7	122,372.8	131,451.8
Domestic	15,466.1	15,821.1	17,232.3	17,918.9	20,602.1
Foreign	95,372.1	97,257.7	100,870.4	104,453.9	110,849.7
Liabilities	110,838.2	113,078.8	118,102.7	122,372.8	131,451.8
Domestic	11,864.2	12,721.2	13,487.8	15,729.6	13,852.0
Foreign	98,974.3	100,357.6	104,614.9	106,643.2	117,599.8
Retail Banks					
Assets	94,068.6	94,274.8	99,399.0	101,721.9	107,076.3
Domestic	53,049.4	55,690.8	58,846.3	63,517.1	68,224.3
Foreign	41,019.2	38,584.0	40,552.7	38,204.8	38,852.0
Liabilities	94,068.7	94,274.8	99,399.0	101,721.9	107,076.3
Domestic	50,445.8	52,156.0	54,872.9	56,603.6	59,975.7
Foreign	43,622.8	42,118.9	44,526.0	45,118.3	47,100.4
Total assets	<u>204,906.8</u>	<u>207,353.5</u>	<u>217,501.6</u>	<u>224,094.6</u>	<u>238,528.1</u>

Source: CBB

Note:

(1) Using the fixed conversion rate of BHD0.376 = U.S.\$1.00

Conventional Banks

Retail Banks

Retail banks include domestic banks, which hold most of the assets of this category, foreign banks and seven Islamic banks.

The table below sets out the aggregate balance sheet of retail banks and a breakdown of loans made by retail banks as at the dates indicated.

	As at 31 December				
	2019	2020	2021	2022	2023
Number of retail banks ⁽¹⁾	31	30	30	30	30
of which: Islamic retail banks	6	6	6	6	7
Aggregate balance sheet of retail banks (U.S.\$ millions) ⁽²⁾	94,068.6	94,274.8	99,399.0	101,721.9	107,076.3
Combined foreign and local deposits of retail banks (U.S.\$ millions) ⁽²⁾	47,777.7	44,968.8	49,745.2	50,541.8	53,735.6
Business loans made by retail banks (% of total loans)	52.8	51.2	49.0	43.8	42.6

Loans to government made by retail banks (% of total loans).....	3.1	3.5	4.2	5.6	7.9
Personal loans made by retail banks (% of total loans).....	44.1	45.3	46.9	50.6	49.5

Source: CBB

Notes:

- (1) Including Islamic retail banks
- (2) Using the fixed conversion rate of BHD0.376 = U.S.\$1.00

The key performance indicators of the following Bahraini banks as at 31 December 2023 are set out below (source: annual reports published on the company website of each bank listed below).

	As at/year ended 31 December 2023			
	Bank of Bahrain and Kuwait (B.S.C.)	National Bank of Bahrain	Al Salam Bank	Kuwait Finance House (Bahrain)
Total assets (BHD'million).....	3,901.9	5,372.5	5,147.1	1,553.2
Loans and advances to customers (BHD'million).....	1,588.3	2,535.1	2,676.5	1,009.3
Customers' current, savings and other deposits (BHD'million).....	2,130.0	3,504.8	3,870.4	1,325.8
Profit for the year attributed to owners of the bank (BHD'million).....	74.5	79.1	42.2	8.1
Capital adequacy ratio (%).....	28.1	23.3	20.4	26.3
Tier 1 capital adequacy ratio (%).....	26.99	22.2	17.3	25.4

Wholesale Banks

Wholesale banks comprise locally-incorporated banks and branches of foreign commercial and investment banks which use Bahrain as a base. Locally-incorporated wholesale banks are subject to the capital or cash reserve requirements of the CBB. Branches of overseas banks may operate with significant tax benefits with regard to their home jurisdiction. Wholesale banks pay the CBB an annual licence fee and, under specific conditions and limitations, may accept deposits from residents of Bahrain.

Wholesale banks, including wholesale Islamic banks, are the most important sector in Bahrain's financial services industry. As at 31 December 2021, 2022 and 2023 there were 59, 56 and 54 wholesale banks in Bahrain, respectively, of which 10, 8 and 8, respectively, were wholesale Islamic banks.

The table below shows a breakdown of the assets and liabilities of wholesale banks as at the dates indicated.

	As at 31 December									
	2019		2020		2021		2022		2023	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Domestic (U.S.\$ billions)	15.5	11.9	15.8	12.7	17.2	13.5	17.9	15.7	20.6	13.9
Foreign (U.S.\$ billions)	95.4	99.0	97.3	100.4	100.9	104.6	104.5	106.6	110.8	117.6
Share of GCC countries (%) ⁽¹⁾	31.2	35.9	31.3	34.2	32.0	35.7	27.3	38.7	24.7	41.3
Share of Western.....										
Europe (%).....	29.5	26.1	31.0	26.2	28.3	23.8	31.0	23.4	31.1	25.7
Share of Americas (%).....	10.2	3.6	9.4	3.1	11.1	3.0	12.2	3.8	15.1	2.4
Share of Asian countries (%).....	8.3	7.7	7.3	9.9	7.3	11.5	6.9	7.6	6.4	6.8
Denominated in U.S. dollars (%).....	69.0	75.8	68.8	75.7	70.8	79.2	72.3	77.9	74.1	75.6

	As at 31 December									
	2019		2020		2021		2022		2023	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Denominated in Euros. (%)	11.2	9.4	11.0	8.6	11.7	8.3	13.0	8.6	13.1	9.1
Denominated in GCC currencies (%).....	10.2	10.3	11.6	11.0	10.4	8.0	7.9	9.5	6.3	11.1

Source: CBB

Note:

(1) Excluding Bahrain.

Islamic Banks

Bahrain is increasingly involved in the rapidly expanding Islamic banking business and hosts the industry's global oversight body, the Accounting and Auditing Organisation for Islamic Institutions, as well as the Islamic Rating Agency and the International Islamic Financial Market. The Islamic banking sector in Bahrain was created in 1978 with the establishment of the Bahrain Islamic Bank and expanded in the 1980s with the issue of four banking licences to Islamic banks. Eight further banking licences were issued to Islamic banks in the 1990s.

The number of Islamic banking licences has remained relatively stable for the past five years and, as at 31 December 2023, there were a total of 15 Islamic banking licences, of which seven were held by retail banks and eight were held by wholesale banks.

The aggregate total assets of Islamic banks, comprised of unrestricted investments, have been relatively stable since 2019, increasing from U.S.\$32,082.6 million in 2019 to U.S.\$38,234.4 million in 2023, with restricted investment accounts (which are off-balance sheet items) of U.S.\$439.9 million as at 31 December 2023.

With restricted investment accounts, the account holder may impose certain restrictions as to when and how such holder's funds are to be invested, and the Islamic bank may be restricted from combining its own funds with the restricted investment account funds for investment purposes.

As at 31 December 2019, 2020, 2021, 2022 and 2023 Islamic banks' assets accounted for 15.7 per cent., 15.3 per cent., 15.9 per cent., 16.1 per cent. and 16.0 per cent. of Bahrain's total banking sector assets, respectively.

Non-Performing Loans

The table below shows a breakdown of NPLs as a percentage of loans issued by the banking institutions in Bahrain (conventional and Islamic) as at the dates indicated.

	2019	2020		2021		2022		2023	
	Dec	June	Dec	June	Dec	June	Dec	June	Sep
Conventional Retail Banks (%)	4.9	4.6	4.7	4.3	3.9	3.8	3.3	3.6	3.4
Conventional Wholesale Banks (%)	4.5	4.7	4.1	3.6	2.8	2.5	2.3	2.1	2.3
Islamic Retail Banks (%)	10.4	7.5	6.5	5.5	5.0	4.4	4.8	5.0	5.7
Islamic Wholesale Banks (%)	1.1	1.4	1.6	1.8	0.7	6.3	4.8	5.3	0.9
Total Banking Sector (%)	4.8	4.5	4.3	3.8	3.2	3.3	3.0	3.1	3.1

Source: CBB; Prospectus dated 2 February 2024 in relation to the Kingdom of Bahrain's (acting through the Ministry of Finance) Trust Certificate Programme issued by CBB International Sukuk Programme Company W.L.L.

Between 31 December 2022 and 30 September 2023, the NPLs for the entire banking sector increased / from 3 per cent. to 3.1 per cent. NPLs of conventional retail banks decreased by 0.20 per cent. as at 31 December 2022 versus 30 September 2023; NPLs of conventional wholesale banks increased by 0.10 per cent., from 2.1 per cent. to 2.3 per cent. as at the same dates. NPLs of Islamic retail banks increased by 0.70 per cent., from 5 per cent. as at 31 December 2022 to 5.7 per cent. as at 30 September 2023; NPLs of Islamic wholesale banks decreased from 5.3 per cent. to 0.9 per cent. as at the same dates.

Although Islamic banks significantly reduced their NPL ratios over the past four years, their NPL ratios still remain the highest amongst other banking institutions due to the nature of their financings, which involve a higher exposure to real estate. The CBB continues to work with banks in the sector to decrease their real estate exposure and NPL figures accordingly.

Capital Adequacy

The table below shows a breakdown of the Capital Adequacy Ratios (**CAR**) by the banking institutions in Bahrain (conventional and Islamic) as at the dates indicated.

	2019	2020	2021	2022	2023
	Dec	Dec	Dec	Dec	Sep
Conventional Retail Banks (%)	21.1	20.0	20.6	21.5	21.7
Conventional Wholesale Banks (%)	18.6	17.8	17.1	17.5	17.2
Islamic Retail Banks (%)	18.3	20.3	21.7	21.2	20.5
Islamic Wholesale Banks (%)	18.2	16.4	15.8	16.9	18.0
Total Banking Sector (%)	19.4	18.6	18.7	19.5	19.4

Source: CBB; Prospectus dated 2 February 2024 in relation to the Kingdom of Bahrain's (acting through the Ministry of Finance) Trust Certificate Programme issued by CBB International Sukuk Programme Company W.L.L.

The CAR for the entire banking sector decreased by 0.10 per cent., from 19.5 per cent. as at 31 December 2022 to 19.4 per cent. as at 30 September 2023. The CAR of conventional retail banks increased by 0.20 per cent., from 21.5 per cent. as at 31 December 2022 to 21.7 per cent. as at 30 September 2023; CAR of conventional wholesale banks / decreased by 0.30 per cent., from 17.5 per cent. to 17.20 per cent. as at the same dates. The CAR of Islamic retail banks decreased by 0.70 per cent., from 21.2 per cent. as at 31 December 2022 to 20.5 per cent. as at 30 September 2023 and the CAR of Islamic wholesale banks increased by 1.1 per cent. from 16.9 per cent. to 18 per cent. as at the same dates.

Bank Supervision

The CBB is the sole regulator of Bahrain's financial sector, covering the full range of banking, insurance, investment business and capital markets activities. The CBB's wide scope of responsibilities allows a consistent policy approach to be applied across the whole of Bahrain's financial sector. It also provides a straightforward and efficient regulatory framework for financial services firms operating in Bahrain.

Under the Central Bank of Bahrain and Financial Institutions Law of 2006, the CBB is authorised, among other things, to grant licences to persons wishing to undertake regulated services, determine the types of business which banks may or may not conduct, establish capital requirements for banks, conduct inspections of banks, stipulate reserve and liquidity ratios for banks and, in certain circumstances, to take over the administration of banks and liquidate them.

The CBB currently issues two main types of banking licence, namely retail banking licences and wholesale banking licences. All of these licences may be operated according to either conventional or Islamic banking principles.

The CBB's board of directors consists of seven members drawn from the financial services industry, one of whom is a representative of the Ministry of Finance and one of whom is the governor of the CBB. Mr. Hassan Khalifa Al Jalahma is the chairman of the board, and Messrs Rasheed Mohammed Al Maraj, Yousif Abdulla Humood, Khaled Ibrahim Humaidan, Yousif Abdulhussain Khalaf, Ahmed Mohammed Buhejji and Shaikha Mai Bint Mohammed Al Khalifa are all members of the board. The CBB is managed by the governor, the deputy governor, four executive directors and 20 directors and also employs support staff and specialist advisers.

The CBB has five off-site supervision directorates which undertake supervision of retail banks, wholesale banks, non-bank financial institutions, Islamic financial institutions and insurance firms, respectively. The principal objectives of these directorates are to ensure that these institutions remain adequately capitalised, have effective risk management and internal controls in place, maintain adequate liquidity and operate with integrity and skill. Supervision is conducted by these directorates in a number of ways, including through prudential meetings with banks and their auditors, monitoring of the regular reporting of banks and ensuring their compliance with a range of regulatory requirements.

A separate inspection directorate carries out on-site examinations of banks, including Islamic financial institutions. This directorate has introduced a risk-based approach whereby a particular institution's risk profile will determine the nature and frequency of inspections. A separate directorate, the compliance directorate, investigates suspicious financial transactions, money laundering, terrorist financing and unauthorised business.

In 2016, the CBB (together with the IMF) conducted a Financial Sector Assessment Programme aimed at ensuring that international standard best practices have been implemented and applied across the CBB's financial sector operations and activities. On 26 June 2016, the IMF published a comprehensive report in respect of Bahrain's financial sector, which included a number of recommendations for the development of the legislative and regulatory frameworks adopted by the CBB, as well as detailed technical reports of, amongst other topics, banking supervision, inspection, insurance, financial stability, and macro-prudential policy, contingency planning and anti-money laundering. The CBB has implemented many of these recommendations, including establishing the Financial Stability Committee tasked with creating a macroprudential policy framework for the CBB, making changes to the deposit protection scheme and to the risk modules in the CBB Rulebook for conventional and Islamic Banks and signing a memorandum of understanding with the MOFNE, acknowledging the importance of cooperation during financial crises and the need for information exchange and consultation regarding financial stability and crisis management and is continuing to work on the implementation of certain other recommendations.

Conventional banks and non-bank financial institutions

The retail and wholesale banking supervision directorates are responsible for the off-site supervision of all conventional banks and financing companies. The financial institutions supervision directorate is responsible for all conventional non-bank financial institutions (including money changers and money and foreign exchange brokers).

The banking supervision directorates deal with the prudential supervision of banks and require the published accounts of all banks, whether locally incorporated or branches of foreign banks, to comply with International Financial Reporting Standards. Locally incorporated banks and branches of foreign banks operating under a commercial bank licence in Bahrain are required to publish their financial statements on a quarterly and a semi-annual basis, respectively. The year-end financial statements and the interim financial statements of all banks must be audited and reviewed, respectively by external auditors. In addition, all banks operating in Bahrain are required to submit prudential information returns on a quarterly basis and statistical returns on a monthly basis to the CBB.

The CBB is the banking regulator of Bahrain and sets and monitors capital requirements on both a consolidated (group) basis and on a standalone (parent company only) basis. The CBB implemented new standards for capital

and liquidity requirements as effective from 1 January 2015, as proposed by the Basel Committee on Banking Supervision (**Basel III**) in Bahrain. Local banks or banking groups are required to maintain a minimum capital adequacy ratio of 12.5 per cent. (on a consolidated basis) and eight per cent. (on a standalone basis), which exceeds the minimum ratio requirements set by Basel III. All Bahraini banks are currently following the standardised approach to Credit Risk under Pillar One of Basel III. The basic indicator and standardised approaches are permitted for operational risk, while the standardised and internal model approaches are permitted for market risk. As part of the implementation of Basel III, new and more extensive Pillar Three disclosure requirements came into effect from 30 June 2015 for the financial statements of all locally-incorporated banks. In compliance with Basel III, the CBB has since required all banks to comply with LCR and net NSFR requirements. Each of LCR and NSFR is reported by DSIBs to the CBB on a monthly basis. Banks are also required to disclose the ratios in their quarterly and annual financial statements.

The CBB has established a deposit and unrestricted investment account protection scheme (the **Scheme**) for compensating eligible depositors (any natural person holding an eligible account with a conventional bank or an Islamic bank in Bahrain) when conventional retail and Islamic banks licenced by the CBB are unable, or are likely to be unable, to satisfy claims against them. A new pre-funded Scheme was established by the CBB at the beginning of 2011 to replace the old post-funded Scheme. The new Scheme creates two funds (one conventional and one Islamic), which will be used to compensate eligible depositors in the event that their bank defaults.

The body established to operate and administer the Scheme is the Deposit and Unrestricted Investment Account Protection Board (the **Deposit Protection Board**). The Deposit Protection Board will consider whether or not compensation will be available in relation to a particular bank, set out the procedures and rules of operation of the Scheme and be responsible for calculating the amounts of compensation payable.

The Scheme applies to eligible deposits held with the Bahrain offices of CBB licensees, whether in Bahraini Dinars or other currencies, held by persons who are either residents or non-residents of Bahrain. In the event of default, such deposits are protected up to a maximum of BHD 20,000 (U.S.\$53,191.50). Islamic Banking

As the charging of interest is prohibited under Shari'a rules and regulations, Islamic banking institutions operate, *inter alia*, on the principle of profit and loss sharing. Rather than charging interest, they participate in the yield resulting from use of the funds. Depositors also share in the profits of the bank according to a pre-determined ratio.

Due to the different manner in which Islamic banking operates and the specific risks inherent in the system, the CBB has developed a regulatory framework for Islamic banks which is separate from that for the conventional banking system. This was first implemented in March 2002 with the introduction of the Prudential Information and Regulatory Framework for Islamic banks (**PIRI**) by the Islamic financial institutions' directorate. The objective of the PIRI is to provide an Islamic banking regulatory framework which is based on the Basel III standards and addresses the specific features of Islamic financial products.

Among other measures, PIRI requires Islamic banks to maintain a 12.5 per cent. consolidated capital adequacy ratio (8.0 per cent. on a solo basis) and to take a capital charge equal to 30.0 per cent. of assets financed by unrestricted profit-sharing investments accounts in order to calculate their capital adequacy requirements. Islamic banks, like conventional banks, must also submit prudential returns on a quarterly basis. The Basel III capital adequacy requirements are applicable to Islamic banking institutions, however, such requirements are customised to fit the nature of the relevant Islamic bank in accordance with Islamic Financial Services Board requirements. The deposit protection scheme described above also applies in respect of deposits held with Islamic banks licensed by the CBB.

Banking Sector Liquidity

The impact of the global financial crisis on the Bahraini financial system has been relatively modest so the Government and the CBB have not considered it necessary to resort to some of the exceptional measures adopted elsewhere in the world such as unlimited deposit or interbank guarantees or asset purchases by the state. Nonetheless, the CBB introduced two measures to improve market liquidity: opening a new foreign exchange swap facility and the acceptance of a wider range of collateral. The CBB enhanced its monitoring of bank liquidity during the financial crisis, requiring all locally-incorporated banks to report their liquidity positions on a daily basis and to report their risk exposures on a weekly basis.

COVID-19 Support Measures

In 2020, the CBB implemented a number of measures to mitigate the negative impact of COVID-19, which included:

- introduction of payment holidays for all Bahraini citizens and resident financial and non-financial companies;
- introduction of a 0.8 per cent. cap on POS fees for debit card transactions;
- decreasing the minimum LCR and NSFR from 100 per cent. to 80 per cent.;
- reducing the risk weighting on loans / financings provided to Bahraini SMEs from 75 per cent. to 25 per cent.;
- reduction of the minimum loan-to-value ratio for residential mortgages granted to Bahraini citizens;
- reduction of the minimum cash reserve ratio for retail banks from 5 per cent. to 3 per cent.; and
- concessionary repos by CBB to banks at a zero per cent. rate for a period of up to six months.
- As at the date of this Base Offering Circular, all of the above measures (save for the reduced risk weighting on loans / financings provided to Bahraini SMEs) have been phased out.

TAXATION

The following summary of certain Bahrain, United States and European Union tax consequences relating to the Notes 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 Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of acquiring, holding and disposing of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Base Offering Circular, and of any actual changes in applicable tax laws after such date.

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Bahrain

As at the date of this Base Offering Circular, there are no taxes payable with respect to income, withholding or capital gains under existing Bahrain laws. Corporate income tax is only levied on oil, gas and petroleum companies at a flat rate of 46 per cent. This tax is applicable to any oil company conducting business activity of any kind in Bahrain, including oil production, refining and exploration, regardless of the company's place of incorporation.

There are no currency or exchange control restrictions currently in force under Bahrain law and the free transfer of currency into and out of Bahrain is permitted, subject to any anti money laundering regulations and international regulations in force from time to time.

FATCA DISCLOSURE

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Bahrain) 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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for the purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all

Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA, with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time the **Programme Agreement**) dated 7 May 2024, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer 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 Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the **Resale Restriction Termination Date**), within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes prior to the Resale Restriction Termination Date a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;

- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**); and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base 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 Notes to the public in that Member State:

- (A) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (C) at any time in any other circumstances falling within Article 3(2) of the Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129 (as amended).

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA;
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not

qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

- (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

- (A) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (C) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in paragraphs (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) 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 Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except that it may market the Notes on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors" for an offer outside Bahrain.

For this purpose, an **accredited investor** means:

- (a) an individual who has a minimum net worth (either singly or jointly with their spouse) of U.S.\$1,000,000, excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund); or
- (d) any other entity which is an "accredited investor" as defined in the Central Bank of Bahrain Rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 8 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority pursuant to its resolution number 3-123-2017 dated 27 December 2017, as amended by its resolution number 3-6-2024 dated 17 January 2024 (the **KSA Regulations**), made through a capital market institution licensed by the Capital Market Authority, in each case, in accordance with the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "institutional and qualified clients" under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of, or as otherwise required or permitted by, the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes made by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre) other than in compliance with any laws applicable

in the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre) governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA**) Rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes 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; 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. This Base Offering Circular: (i) has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange; (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and 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 Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Malaysia

This 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 (the **CMSA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or delivered by it, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and 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 Notes. 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 Notes as aforesaid without the necessary approvals being in place.

Singapore

Unless the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Applicable", 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, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to, and in accordance with the conditions specified in Section 275 of the SFA.

If the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", 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 Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Notification under Section 309B of the SFA – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes 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 MAS Notice SFA 04-N12: Notice on the Sale of Investment Product and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the Companies Ordinance) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case, whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Authorisation

The establishment and update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 16 May 2005, 19 June 2005, 10 May 2007, 31 January 2010, 7 August 2011, 22 December 2014, 29 April 2019 and 24 October 2023 and resolutions of the shareholders of the Issuer dated 16 July 2005, 7 March 2010, 20 June 2019 and 27 March 2024.

Listing of Notes

Application has been made to the London Stock Exchange for the Notes issued under the Programme during the period of 12 months from the date of this Base Offering Circular to be admitted to the ISM. The ISM is not a regulated market for the purposes of UK MiFIR. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the FCA. The London Stock Exchange has not approved or verified the contents of this Base Offering Circular.

Documents Available

For the period of 12 months following the date of this Base Offering Circular, copies of the following documents will be available for inspection during normal business hours at the specified office of the Principal Paying Agent for the time being in London:

- (a) the memorandum and articles of association (with an English translation thereof) of the Issuer;
- (b) the Agency Agreement (which includes the forms of the Notes) and the Deed of Covenant;
- (c) a copy of this Base Offering Circular; and
- (d) any future base offering circulars, prospectuses, information memoranda, supplements and Pricing Supplements (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or the Paying Agent as to its holding of Notes and identity) to this Base Offering Circular and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information 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. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Group since 31 December 2023 and there has been no material adverse change in the prospects of the Group since 31 December 2023.

Litigation

The Group has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group are aware) in the 12 months preceding the date of this Base Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Group.

Independent Auditors

The 2022 Financial Statements and the 2023 Financial Statements have been audited, without qualification, by Ernst & Young – Middle East, PO Box 140, Bahrain World Trade Centre, Manama, Kingdom of Bahrain (EY), in accordance with International Standards on Auditing as stated in their reports incorporated by reference in this Base Offering Circular.

EY is registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain. Some of the professionals of EY are members of the Bahrain Accountants Association and/or other professional bodies.

Post-issuance information

Save as set out in the Pricing Supplement, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuer

In connection with any offering of Notes, each Dealer and/or its affiliate(s) may act as an investor for its own account and may take up Notes in such offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Dealers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer and its affiliates routinely hedge their credit exposure to the Issuer 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 Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph, the term "affiliates" shall also include parent companies.

ISSUER

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