PROSPECTUS

BURGAN BANK SHARE CAPITAL INCREASE (S.A.K)

2014

SUBSCRIPTION AGENT

KUWAIT CLEARING COMPANY

LEAD ADVISOR

KIPCO ASSET MANAGEMENT COMPANY K.S.C.C ("KAMCO")

Edited: 20/9/2014

PROSPECTUS

BURGAN BANK SHARE CAPITAL INCREASE (S.A.K)

Shares offered for placement

216,000,000 (Two Hundred Sixteen Million) shares

THE PRICE PER SHARE OFFERED FOR PUBLIC SUBSCIPTION

475 FILS PER SHARE

(100 fils as nominal value + 375 fils as share premium).

INCREASE BB PAID-UP CAPITAL OF KD 21,600,000

From KD 173,577,062,700 to KD 195,177,062,700

SUBSCRIPTION PERIOD

16/11/2014 to 14/12/2014

SUBSCRIPTION PERIOD FOR PRE-Emption RIGHT

16/11/2014 to 30/11/2014

SUBSCRIPTION IN SHARE SURPLUS PERIOD

7/12/2014 to 14/12/2014

PLACEMENT AGENT

Kuwait Clearing Company

Subscription shall be undertaken at Kuwait Clearing Company (Ahmad Tower – Gulf Road – Custody Department)

LEAD ADVISOR

KIPCO ASSET MANAGEMENT COMPANY K.S.C.C ("KAMCO")

* The Pre-emption right to subscribe in shares will be constrained to shareholders recorded in the bank's shareholders register as of the last trading date preceding the date of the commencement of the subscription period, i.e. shareholders recorded in the bank's register as at 13/11/2014.

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NOTICE TO POTENTIAL INVESTORS

REGARDING THE CONTENTS OF THIS PROSPECTUS, YOU ARE HEREBY ADVISED TO SEEK THE ADVICE OF AN ADVISOR LICENSED BY LAW AND SPECIALIZED IN ADVISING ON INVESTMENT IN SHARES AND OTHER SECURITIES PRIOR TO MAKING A DECISION TO PARTICIPATE.

CMA WAIVER TO PROSPECTUS

Capital Markets Authority Shall not assume any responsibility relating to the contents of this Prospectus and shall not provide any declaration and acknowledgment of is accuracy or completeness, and abandon itself clearly and explicitly from any liability whatsoever as a result of any loss may arise or occur due to the reliance on any part of this Prospectus.

RESPONSIBILITY STATEMENT

THIS PROSPECTUS IS PREPARED IN ACCORDANCE WITH THE PROVISIONS OF CMA LAW NO.(7) OF 2010 AND THE EXECUTIVE REGULATION THEREOF ISSUED ON 13 MARCH 2011, AND THE KUWAIT COMPANIES' LAW NO.(25) OF 2012 , AMENDMENTS THEREOF AND THE EXECUTIVE REGULATION.

EACH OF THE DIRECTORS, WHOSE NAMES APPEAR HEREIN UNDER (MANAGEMENT CLAUSE), COLLECTIVELY AND INDIVIDUALLY, ACCEPTS FULL RESPONSIBILITY FOR THE ACCURACY AND SOUNDNESS OF THE INFORMATION CONTAINED IN THIS DOCUMENT, AND ASSURE, THE BEST OF THEIR KNOWLEDGE AND BELIEF AND AFTER CONDUCTING A FULL AND DETAILED DUE DILIGENCE, THAT THERE IS NO OTHER FACTS OR INFORMATION THAT ITS OMISSION MAY HAVE IMPACT ON THE ACCURACY AND COMPLETENESS OF ANY STATEMENT STIPULATED IN THIS DOCUMENT.

THE BOARD OF DIRECTORS HEREBY CONFIRM THAT THE BANK IS ADHERING TO THE PREPARATION OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH THE COMPANIES' LAW AND ASSUME RESPONSIBILITY THEREOF.

ON BEHALF OF THE BOARD OF DIRECTORS OF THE ISSUER:

Name:	**Title:**	**Signature**
Majed Essa Al-Ajeel	Chairman	

Individuals Responsible for the Prospectus

This prospectus has been prepared by:

Name:	**Title:**	**Address:**
Eduardo Eguren	Chief Executive Officer	Burgan Bank S.A.K., State of Kuwait
Mahmoud Ezzat	Chief Legal Counselor	Burgan Bank S.A.K., State of Kuwait

IMPORTANT NOTICES

The issue of shares was approved by the BB Board resolution dated 29/9/2014, the bank obtained the Approval of the Ministry of Finance & Industry on 30/10/2014, and CMA on 6/11/2014 and CBK on 27/10/2014 to issue and offer these shares.
The paid-up capital of the bank was resolved to increase by KD 21,600,000 from 173,577,062,700 to KD 195,177,062,700.

The subscription period shall commence on 16/11/2014 and end 14/12/2014, the shareholders recorded in the bank's register as of the last trading date preceding the date of the commencement of the subscription period, i.e. shareholders recorded in the bank's register as of 13/11/2014, shall have the Pre-emption right to subscribe in the offered shares.

Subscription Period for Pre-emption right shall be from 16/11/2014 to 30/11/2014.

In case all or some shareholders do not undertake their Pre-emption right to subscribe in shares, the share surplus will be offered for Public Subscription and the Period assigned for the Public Subscription shall:
Start on 7/12/2014 and end 14/12/2014.

This Prospectus includes information with regard to Burgan Bank S.A.K ("Bank") and the shares. The Bank has not authorized the making or provision of any representation or information regarding the Bank or the shares other than as contained in this Prospectus or as approved for such purpose by the Bank. Any such representation or information should not be relied upon as having been authorized by the Bank or the Lead Manager named on the cover hereof.

While the Bank has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, certain portions of the market and industry information herein are derived from external sources, and while neither the Bank, the lead manager, nor their respective advisers have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Bank and the value of the shares may be adversely affected by future developments in inflation, financing charges, taxation or other economic, political and other factors, over which the Bank has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Bank, the Lead Manager or any of their advisers or affiliates to participate in the offering of the shares. Information provided herein is of a general nature and has been prepared without taking into account any potential investor's investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining his own independent professional advice in relation to the Bank or the offering of the shares and for making his own independent evaluation of the Bank, an investment in the shares and of the information and assumptions contained herein, using such advice, analysis and projections as he deems necessary in making any investment decision. Prospective investors are not to construe the contents of this document as constituting tax, investment or legal advice. Prior to purchasing any shares, a prospective investor should consult a financial advisor who has been duly licensed by the Kuwait Capital Markets Authority and with his, her or its own legal, business and tax advisors to determine the appropriateness and consequences of an investment in the shares for such investor and arrive at an independent evaluation of such investment. The sole purpose of this document is to provide background information about the Bank to assist each recipient in making an independent evaluation of the offering and any investment in the shares.

The distribution of this Prospectus and the offering or sale of the shares in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Lead Manager and the Bank to inform themselves about and to observe such restrictions.

No person has been authorized to give any information or make any representation in connection with the offering of the shares other than those contained in this Prospectus and, if given or made, any such information or representation should not be relied upon as having been authorized by the Lead Manager or the Bank. Neither the delivery of this Prospectus nor any sale made hereunder shall, in any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof.

Financial information contained herein for any period ending after 31 December 2013 has not been audited. Financial information for the period ended 30 June 2014 has been reviewed by the Bank's auditors as required by applicable regulations.

In this Prospectus all references to "KWD", "KD", "Kuwaiti Dinars" and "Dinars" are to Kuwaiti Dinars, the lawful currency of Kuwait and "USD" "US$" and "$" are to United States Dollars.

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. The Issuer has based these forward looking statements on the current view of the Issuer's management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in the Issuer's forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialize, including those which the Issuer has identified in this Prospectus, 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. These forward looking statements speak only as at the date of this Prospectus. 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 Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

Section One: Description of Burgan Bank (Issuer)

First: Overview

Name of the Issuer	Burgan Bank S.A.K
Legal Structure of the Issuer	Kuwait Public Shareholding Company
Address of the Bank's Headquarter	Burgan Tower- Al-Sharq – Abdullah Al-Ahmed St.
Postal Address	P.O.Box 5389 Safat – 12170 Kuwait
Incorporation Date & Domicile	Incorporated in the state of Kuwait by virtue of the Amiri decree issued on 27/12/1975.
Legislation on which the Bank Incorporated	Established as per the commercial companies' law no. (15) of 1960 – replaced by the companies' law no. (25) of 2012 amended by law no. 97 of 2013 and the Law of Currency, CBK, and Organization of the Banking Profession no. 32 of 1968.
Legislation Under which the Bank conducts Business:	The Bank Currently conducts business pursuant to the provisions of the companies' law no. 25 of 2012 – amended by law no. 97 of 2013 and the Law of Currency, CBK, and Organization of the Banking Profession no. 32 of 1968.

Summary of provisions provided for by the Articles of Association of the issuing Bank:

A) Objects of the Bank:

The objects for which the Bank was established are to transact for the account of the Bank or for the account of others, all banking, exchange and commercial business, including the following:

1) The acceptance of cash deposits and the payment of cheques or drafts on the Bank by depositors in the amounts deposited in their accounts.
2) The raising of funds by issuing loan bonds.
3) The purchase and sale of gold bullion and foreign currency and the issue of loans thereon and the sale or purchase of transfers thereof.
4) Discounting draft orders, promissory notes, loan bonds, coupons and the other commercial and industrial documents and their purchase and discounting and the investment of capital.
5) Granting of loans, advances, credits and all other banking facilities.
6) Advancing on Bills of Lading, shipping documents, and delivery orders inside and outside the State of Kuwait.
7) The issuance of guarantees with or without security.
8) The collection of Drafts, Promissory Notes, Cheques, Bills of Lading, and all other instruments.
9) The purchase and sale of shares and debentures for the account of the Bank or for the account of others.
10) Operating savings accounts and family trust accounts.
11) Keeping all kinds of currencies and precious metals and other properties, bonds, deeds, packages, parcels, and renting of private safes.
12) Operating as trustee or agent and to accept agencies and to appoint agents for or without a fee.
13) Accepting subscriptions towards the establishment of shareholder companies.

In general, the Bank may carry out all banking and commercial operations and services permissible under the law, regulations and statutes adopted in commercial banks. The Bank may acquire interest in, or in any manner associate itself with bodies carrying out activities similar to its own, and which may assist the Bank to realize its objectives in the State of Kuwait or abroad, or it may acquire total equity in or annex such bodies.

B) TERM of the Bank:

Not Specified.

C) Management of the Bank:

- Management of the Bank is entrusted to a Board of Directors comprised of nine members.
- The General Assembly elect the board members by secret ballot, each shareholder whether a natural person or corporate person has the right to appoint representatives for oh his behalf in the Board of the company in a proportion of his shareholding, these representatives shall have the same rights and duties of the elected members. The shareholder shall be responsible for his representatives' activities towards the company, creditors and shareholders.
- The term of the Board of Directors is three years, at the end of this period, the board shall be renewed entirely and any member of the Board of Directors may be re-elected more than once.
- The Board member shall meet the membership requirements conditions as per the companies' law, law of currency, BK, regulating banking profession and CBK instructions in this regard.

D) General Assembly:

- **Invitation Method:**

The invitation shall be addressed to attend the general assembly meeting including the meeting agenda, time, place of the meeting by two advertisements in two daily local Arabic newspapers and the company's website or any other modern media means – in accordance with the executive regulation of the companies' law – provided the second advertisement shall be made after 7 days at least from the date of promulgation of the first announcement and no later than 7 days prior the convening the meeting.

The Ministry of Commerce & Industry shall be notified in writing of the meeting agenda, place, date & time no later than 7 days from the meeting takes place.

- **Competency of Ordinary General Assembly**

The General Assembly shall be able to conduct all matters related to the company except provisions stated by law or the bank's articles of association for the extra-ordinary general assembly or as incorporating assembly.

- **Competency of Extra-Ordinary General Assembly**

Considering other competences prescribed by law, the Extra-Ordinary General Meeting shall be competent to discuss the following matters:

1- Amend the Company's Memorandum & Articles of Association.

2- Sale of the Whole project for which the company was established or disposes the same any other way.

3- The company's dissolution, merger, transformation or division.

4- Increase or decrease the company's capital.

Each amendment in the bank's article of association, name, objectives or capital – except the share capital increase by issue shares against profits recognized by the bank or as a result of the addition of reserves permitted to be utilized in the capital – shall be effective only after having the approval of the Ministry of Commerce and Industry and taking all required procedures prescribed in the currency, CBK, regulating Banking Profession and Companies' Law.

E) Bank's Account

The company shall have one or more accredited auditor/s appointed and its fees shall be fixed by the General Assembly- after having the CBK approval - and shall audit the financial statements of the fiscal year for which it was appointed.

If the company has more than one auditor, they shall prepare joint report in accordance with law.

F) **Dividends:**

Net Profits shall be distributed as follows:

First: 10% shall be deducted and assigned for the statutory reserve, the General Assembly may suspend this deduction if the statutory reserve exceeds 50% of the company's capital.

Second: Other 10% shall be deducted and assigned for the voluntary reserve, such reserve may be suspended by a resolution to be issued by the Ordinary General Assembly based on the Board of Directors 'Proposal.

Third: A portion of profits fixed by the General Assembly shall be deducted to cover the company's obligations in accordance with labor laws.

Fourth: Deduct the amount required to distribute the first portion of profits of 5% of the share value for the shareholders.

Fifth: After the application of the above, a percentage not exceeding 10% of the remaining profits shall be assigned for BOD remuneration.

Sixth: after that the remaining profits shall be distributed to the shareholders as an additional share in profits or to be carried forward to the next year based on BOD proposal, or to be allocated to create fund for non-ordinary reserve or depreciation.

G) **Bank Termination & Liquidation**

- the bank shall be terminated in accordance with any provision stated in the companies' law or due to the issue of a resolution to write-off the bank from the banks' register pursuant to the Law of Currency, CBK and regulating the Banking Profession and shall be under liquidation cycle.

- The bank funds shall be liquidated upon termination in accordance with the provisions stipulated in the companies' law and Law of Currency, CBK and regulating the Banking Profession.

Third: Issued & Paid-up Capital

The bank declares that the issued capital is paid in-full and all are cash shares.

Authorized Capital of the Bank:

KD 250,000,000 (Kuwaiti Dinar Two Hundred Fifty Million Only) divided into two billion five hundred million shares, each share 100 fils.

Issued & Paid-up Capital of the Bank

KD 173,577,062/700 (Kuwaiti Dinar one hundred seventy three million five hundred seventy seven thousand sixty two and 700 fils only) divided into one billion seven hundred thirty five million seven hundred seventy thousand and six hundred twenty seven cash shares."

Fourth: Names and Positions of the Board of Director and Executive Management

A) The Board of the Bank

The Board of Directors of the Bank (the **Board**) consists of nine directors.

In April 2013, the Board was elected by the Bank's shareholders for a term of three years. Currently, the membership of the Board comprises:

1- Majed Essa Al Ajeel (Chairman)

Mr. Al Ajeel has held the position of the Chairman of the Board since 2009. He has also been a board member of United Projects Company since July 2012 and the vice chairman of the Kuwait Banking Association. Previously, he was Vice-Chairman of the Bank from 2004 to 2007 and a Board member from 1998 to 2004. He served as the Chairman and CEO of United Projects Company from 2004 to April 2010 and as the Vice-Chairman and CEO from 2010 to July 2012. He was a board member of Kuwait & Middle East Financial Investment Company, Kuwait between 1984 and 1986, Kuwait Real Estate Investment Consortium, Kuwait between 1985 and 1992, and International Leasing & Investment Company, Kuwait between 1999 and 2003. He graduated with a Bachelor's degree of Science in Architecture from the Catholic University of America in 1977 and a Master's degree in City and Regional Planning from the Catholic University of America in 1978.

2- Mohammed Abdul Rahman Al Bisher (Vice-Chairman)

Mr. Al Bisher is the Vice-Chairman of the Bank. He is the owner and director of Abdul Rahman Al Bisher and Zaid Al Kazemi Group, Kuwait, director of Al Bisher Sons' Group for General Trading and Contracting, Kuwait, chairman of Leo Writter GmbH (jewellery and precious mineral), Kuwait, director of Itemadco Exchange Company, Kuwait, partner of International Optique Company, Kuwait, partner of a group of Saudi Arabian companies and representative for ATA Investment Company, Turkey. Previously, he has held the positions of board member of Kuwait International Investment Company, Kuwait and Jordan Kuwait Bank, Jordan. He graduated with a Bachelor's degree in Commerce, Economic & Political Science from Kuwait University in 1970-71.

3- H.E. Abdul Karim Kabariti (Board Member)

Mr. Kabariti has been a Board member of the Bank since April 2004. He also holds the positions of Chairman of Jordan Kuwait Bank and Chairman of Gulf Bank Algeria. Previously, he has held several high ranking political and legislative positions in Jordan from 1989 to 2007 including, Prime Minister of Jordan, Chief of the Royal Court, Member of the Parliament, Jordan, member of the Jordanian Senate and Minister of Foreign Affairs, Labour and Tourism, Jordan. He graduated with a Bachelor's degree in Business and Finance with Honours from St. Edward's University in 1973.

4- Saudoun Abdullah Ali (Board Member)

Mr. Ali has been a Board member of the Bank since April 2004. He also holds the positions of chairman of KAMCO Real Estate Investment Company, Kuwait, Vice-Chairman and CEO of Al Qurain Petrochemicals Industries Company, Kuwait, board member of Bank of Baghdad, Iraq, board member of Advanced Technology Company, Kuwait, advisor to the chairman and executive committee at United Industries Company, Kuwait, executive committee member of United Agriculture Production Company, Kuwait and committee member at the Chairman's Club, Kuwait. Previously, Mr. Ali has held the positions of board member of Manafae Investment Company, Kuwait and managing director and CEO of KIPCO Asset Management Company, Kuwait. He graduated with a Bachelor of Science degree in Management of Financial & Accounting Services from Ashland University in 1988 and also obtained a Diploma in Commercial Banks from The Public Authority for Applied Education & Training.

5- Abdul Salam Mohammed Al Bahar (Board Member)

Mr. Al Bahar has been a Board member of the Bank since April 2004. He also holds the positions of board member of United Industries Company, Kuwait and general manager of Overland Real Estate Company, Kuwait. Previously, he has held the positions of Chairman and Managing Director of Kuwait National Airways Company, Kuwait, chairman of Kuwait Catering Company, Kuwait, board member of Tamdeen Real Estate Company, Kuwait, board member of Wataniya Telecom, Kuwait, board member of Bank of Bahrain and the Middle East, Bahrain and board member of Tunis International Bank S.A. He graduated with a Bachelor's degree in electrical engineering from Fairleigh Dickinson University in 1988.

6- Pinak Maitra (Board Member)

Mr. Maitra has been a Board member of the Bank since April 2010. He also holds the positions of group chief financial officer of KIPCO, Kuwait, Vice-Chairman of Panther Media Group Ltd., UAE and board member of Pulsar Knowledge Centre, India and Orbit Showtime Networks. Previously, he worked with Arthur Young International. In 2008, Mr. Maitra won the MENA Private Sector CFO of the Year award. He graduated from Osmania University, India in 1978.

7- Samer Subhi Khanachet (Board Member)

Mr. Khanachet has been a Board member of the Bank since May 2011. He also holds the positions of group chief operating officer of KIPCO, Kuwait, chairman of Taka'ud Savings and Pension, Bahrain, Chairman of United Gulf Management Inc., USA, board member of United Gulf Bank, Bahrain, board member of United Real Estate Company, Kuwait, board member of American University of Kuwait, Kuwait and board and committee positions with Massachusetts Institute of Technology (MIT) and Forsyth University. He graduated with two Bachelor of Science degrees from Massachusetts Institute of Technology (MIT) and a Master degree in Business Administration from Harvard University.

8- Masoud Hayat (Board Member)

Mr. Hayat joined the Board of the Bank in 2013. He also holds the position of CEO Banking of KIPCO, Kuwait, and chairman of United Gulf Bank, Syria Gulf Bank and Tunis International Bank S.A., and vice chairman of Gulf Bank Algeria and North Africa Holding Company. He is also a board member of Jordan Kuwait Bank, Bank of Baghdad and KAMCO. He has a degree with a major in Economics from Kuwait University and a High Diploma in Banking Studies from the Institute of Banking Studies, Kuwait.

9- Faisal Al Radwan (Board Member)

Mr. Al Radwan has been a Board member of the Bank since April 2010. He has also previously owned and managed a financial consultancy firm with the name Faisal Al Radwan Management and has been a financial consultant since 1994. Prior to this, he was employed at National Bank of Kuwait in 1970 where he was appointed as general manager in 1980 and deputy chief general manager from 1983 until 1993. He was also Managing Director of the Bank from 2003 to 2004. He was appointed as Deputy Chairman of Kuwait Clearing Company from 1982 to 1986 where he was a member of the arbitration panel that handled disputes arising due to the Manakh Crisis. He has also held positions of board member at Bank of Bahrain and Kuwait, Bank of Oman, Gulfinvest International and Al Ahlia Invest. Mr. Al Radwan graduated from Cairo University, Egypt.

B) The Executive Management of the Bank

The table below sets forth certain information of BB Executive Management, the business address of each member of the executive management is: Box 5389, Safat 12170, Kuwait City, State of Kuwait.

Name	Age	Position	Working Years at Burgan Group	Total Years of Experience
Eduardo Eguren Linsen	59	Group Chief Executive Officer	4	+29
Adrian Alejandro Gostuski	59	Group Chief Operations Officer	3.6	+35
Steven Lee Reece	63	Group Chief Risk Officer	1.5	33
Raed Abdullah Al Haqhaq	43	Chief Banking Officer	14.4	+19
Robert James Frost	49	Group Chief Investment Banking and	0.5	+25
		Treasury Officer		
Venkatakrishnan Menon	49	Chief Operations Officer & Acting Chief	8.7	+28
		Retail Banking Officer		
Khalid Fahad Al Zouman	49	Group Chief Financial Officer	14.5	+25
Amr Mohamed Samy El	48	Group Chief Internal Auditor	7.3	+25
Halah Mohammad El	40	Group Chief Human Resources &	2.7	+18
		Development Officer		
Hanan Mohamed Hassan	64	Group Head of Compliance	23.7	+34
Bashir Ghassan Jaber	36	Group Head of Communications	7.6	+12
Elyas Naser	31	Group Head of Strategic Business	2.7	+13
		and Chief of Staff		
Mahmoud Ezzat	47	Chief Legal Counsel	13.6	+22
Fahad Mohammed Hamad Al	45	Acting Chief of Information Technology	2.4	+17
Huda Fahad Al Shemmari	44	Head of Operations Strategic	10.3	+25
Anil Sunal	61	Head of International Operations	20.8	+40

- There are no potential conflicts of interest between the duties to the Bank of the persons listed above and their private interests or other duties.

Fifth: Share Price at the Liquidation of the Bank

In case of the liquidation of the Bank prior capital increase, the book value (BV) per share is 293 fils in accordance with the Financial Statements ended as of 31/12/2013.

Sixth: profit per share on the short term.

The profit per share on the short term is 13 fils for the financial year ended as of 31/12/2013.

Seventh: Redemption of shares

The current and new shareholders can redeem shares (profit or loss) through direct sale in KSE and there is no any variation in the rights of the new issued and current shares of the capital increase.

Eights: Profit Distributions by the Bank

The table below sets out Burgan Bank dividends for the last five years:

	Financial year ended 31/12/2009	**Financial year ended 31/12/2010**	**Financial year ended 31/12/2011**	**Financial year ended 31/12/2012**	**Financial year ended 31/12/2013**
Date of Approval	5/4/2010	15/3/2011	12/3/2012	1/4/2013	13/3/2014
Cash Dividends (fils)	-	-	10	10	7
Bonus Shares (%)	-	5%	5%	5%	7%

Ninth: Securities issued by the Bank or guaranteed by the Bank excluding Share Capital

	Description
A- Number and details of securities secured by the bank and the subscription results are including within the Additional Tier 1 Capital	During the third quarter of the current fiscal year, Burgan Bank Tier 1 Financing Limited, a special Purpose Vehicle "SPV", incorporated by Burgan Bank, located in Dubai International Financial Centre, issued Perpetual Bonds of U$D 500 million with interest rate of 7.25% per annum for the purpose of granting the full subscription proceeds as a finance to Burgan Bank with the same terms & conditions of the issue. The bonds are listed in Ireland Stock Exchange Market and guaranteed by Burgan Bank.
B- Number and details of securities issued by the bank and do not represent share capital	In 2010, Burgan Bank guaranteed the issue of subordinated bonds of U$D 400 million with a discount rate of 98.3% of the principal and with interest rate 7.875% through Burgan Finance No. 1 (Jersey) Limited, (incorporated with limited liability under the laws of Jersey), a special purpose entity established by the Bank, subordinated bonds due in 2020. In 2012, the bank issued bonds of KD 100 million composed of two tiers, the first tier with fixed interest rate at 5.65% and the second Tier with floating interest rate 3.9% above CBK discount rate, the bonds due in 2022.

Tenth: A Brief on the Group which Owns a Controlling Interest in the Bank:

A) Incorporation & Listing:

Kuwait Projects Company (Holding) K.S.C. (Closed) ("**KIPCO**" or "**Parent Company**" of the Bank), was incorporated as a closed shareholding company on 2 August 1975 under Article 94 of the Kuwaiti Commercial Companies Code, Law No. 15 1960, as amended (the "**Companies Law**"). It was registered under commercial registration number 23118 on 15 November 1979. On 29 September 1999, it changed its structure to that of a holding company and amended its name to Kuwait Projects Company (Holding) K.S.C. (Closed).KIPCO is listed in Kuwait Stock Exchange Market and by virtue of the companies' law no. (25) of 2012 and amendments thereof, the Kuwait Projects Company (Holding) – by the enforcement of law as listed in KSE – became a Kuwaiti Public Shareholding Company.

The issued share-capital of KIPCO is fixed at KD 200 million and its issued and subscribed share-capital is KD 147,357,270.300.

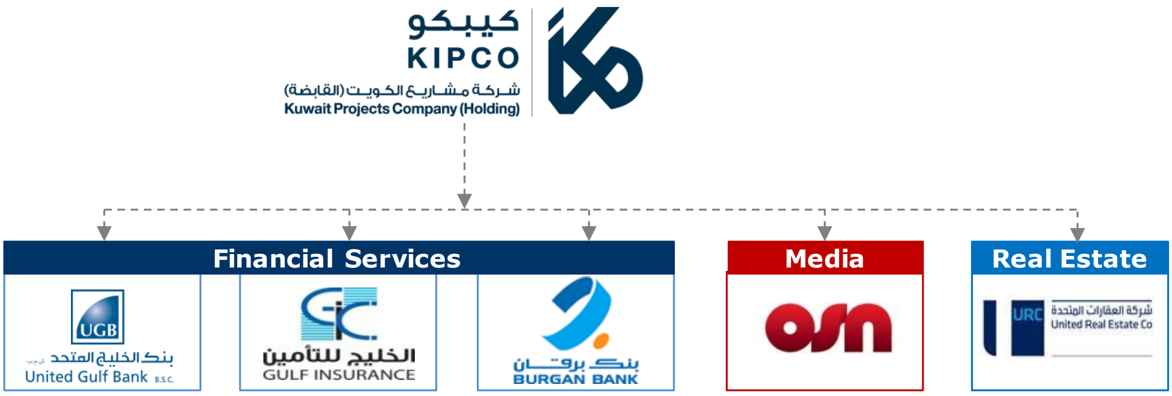
As at 30 June 2014, KIPCO had a direct shareholding interest of 40.9 percent in the Bank and a consolidated effective interest (including shares held through other KIPCO group companies) of 57.9 percent.

B) Group Structure

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

The principal subsidiaries and associates of KIPCO operate in the financial services and real estate sectors, and KIPCO also has a joint venture in the media sector. The remaining companies of the Group and its associates operate in the services and industrial sectors, and are primarily controlled by the Principal Companies.

The chart below sets out the KIPCO's Principal Companies



(OSN) is licensed to operate in 24 countries in the MENA region; however, it currently operates in 19 countries

The table below sets out the KIPCO's consolidated effective interest in its Principal Companies as of 30 June 2014:

Company	Jurisdiction of Incorporation	Status	Year of initial investment	Group's Consolidated Effective interest*(in percent)
United Gulf Bank B.S.C	Bahrain	Subsidiary	1988	96.3
Gulf Insurance Company K.S.C	Kuwait	Associate	1996	45.3
Burgan Bank S.A.K.	Kuwait	Subsidiary	1995	57.9
Panther Media Group Limited (OSN)* **	Dubai International Financial Centre	Joint venture	1995	60.4
United Real Estate Company	Kuwait	Subsidiary	1994	65.4

* Effective interest is computed by adding KIPCO's direct shareholding and KIPCO's share of indirect interest held through subsidiaries and associates

Eleventh: Entities to which the Bank is under Supervision

Direct Supervision: Central Bank of Kuwait and Auditor.

Indirect Supervision: Kuwait Capital Markets Authority.

Twelfth: Names of shareholders their shareholding exceed 5% of the Bank's Capital:

As at 30 June 2014, the following shareholders had holdings in excess of 5.0 per cent. of the Bank's total share capital:

Shareholders	Percentage of Shareholding (%)*	Number of Shares (in million)
Kuwait Projects Company (Holding) K.S.C – KIPCO	40.9	709.4
United Gulf Bank B.S.C.	17.0	295.1
Public Institute for Social Security	7.2	124.7

* *Calculated as number of shares held divided by the paid-up share capital after deducting net treasury shares.*

Thirteenth: Description of Contracts entered into between Directors or any subsidiaries of the Bank

The details of material related party transactions, including any material contract between any director or his immediate family and the Bank or any of its subsidiaries are set out in note 18 of the audited financial statements for the period ended at 31/12/2013.

Fourteenth: Contracts with the Bank in which any Director has a Personal Interest

Directors and their immediate family conduct business with the Bank's subsidiaries as customers on commercial, arm's length basis in the normal course of each subsidiary's business activities. This includes bank accounts and savings and investment products, hotel service, restaurants and other such services. None of these transactions are for material amounts.

As indicated above, there are no potential conflicts of interest between the duties to the Bank of the persons listed above and their private interests or other duties.

Following is the remuneration paid or accrued in relation to "key management" (deemed for this purpose to comprise Directors in relation to their committee service, the Chief Executive Officer and other Senior Officers) was as follows:

Fifteenth: - total financial and in-kind benefits granted to the Bank's senior management for the last year in addition to the estimated value of these benefits to be granted for the subscription year.

KWD 000's	***Paid and accrued benefits for the financial year ended at 31/12/2013***	***Accrued and forecasted benefits for the financial year ends at 31/12/2014***
Short term benefits – including salaries & bonus	**5,575**	6,738
Accrual for end of service indemnity	**640**	640
Accruals for Committees Contributions	**300**	300
Accrual for cost of long term incentive rights	**603**	1,046
	7,118	8,724

Sixteenth: The number and proportion of the shares owned by each member of the Bank's Board of Directors of its capital as of 30 June 2014 as follows:

Board Directors	Direct Ownership	
	Shares	**%**
Majed Eissa Al-Ajeel	161,350	0.009
Mohammad Abdul Rahman Al Bisher	133,346	0.008
H.E. Abdul Karim Kabarti	169,417	0.010
Sadoun Abdullah Al Ali	169,417	0.010
Abdul Salam Mohd Al Bahar	169,417	0.010
Pinak Maitra	102,272	0.008
Samer Subhi Khanachet	133,346	0.008
Masoud Johar Hayat	-	-
Faisal Al Radwan	133,346	0.008

Seventeenth: Bank's Business Overview – Core Areas

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

The following provides an overview of the business lines of the Bank's core operating areas: the Corporate Banking Group and the Investment Banking Treasury, Private and Retail Banking.

Corporate Banking Group

With well experienced and knowledgeable team of professionals, the Bank's Corporate Banking Group provides a wide range of services for businesses in both the commercial and industrial sectors in Kuwait and has a history of well-established corporate banking relationships. The group participates in financing most of the important infrastructure, petrochemical and industrial projects in Kuwait through syndicated loans. The Bank has been able to maintain and grow its customer base through a track record of well-established corporate banking relationships.

Financial Institutions Division

The Financial Institutions Division is responsible for all relationships with financial institutions and international banks. It acts as a focal point for worldwide correspondent banking relationships, so that customer requirements can be actively supported and the Bank can handle its own foreign transactions. This includes trade-related transactions for imports and exports and arranging guarantees from banks to support overseas companies working or providing services in Kuwait. This division is also responsible for developing long-term relationships with and meeting all the banking requirements of local non-bank financial institutions.

On the international side, the division has worked to raise the Bank's profile and level of recognition in several regions throughout the world. These initiatives support both the Bank's own business and that of its customers. This is particularly relevant given the Bank's ongoing regional expansion. The division has strived for greater cooperation within these key relationships, to take full advantage of business opportunities for customers in Kuwait and in other countries where the Bank and its subsidiaries or associates now operate – for example outward business from Kuwait can be reciprocated by correspondents directing their business to the Bank's subsidiaries in other countries. The pursuit of such synergies has already provided some business and there is further potential for development.

The PBD offers bespoke solutions and traditional banking services to Kuwaiti high-net-worth individuals. An important aspect of international relationships is the sourcing of international transactions from outside Kuwait, which has contributed to portfolio development and diversification through participation in bilateral funding and syndicated loans (both in the primary and secondary markets) and in trade-related risk participations (which are tranches of a trade transaction purchased from leading correspondent banks, which seek to sell down part of their portfolio). The Bank undertakes this on a selective basis, focusing on the leading banks in a particular country which meet the risk criteria and appetite of the Bank.

Private Banking Group

The Private Banking Group (PBG) provides personalized wealth management services and investment products to Kuwaiti high net worth individuals, as well as providing more traditional banking services in support of these customers. The PBG offers preferential products and services to meet the diverse needs of its sophisticated customer base. This includes VIP flexibility and treatment through an assigned relationship manager for each client to refer to for all transactions, preferential terms on loans and deposits and foreign exchange transactions, gold accounts and other facilities.

Following a client centric approach, the Bank is planning to expand its product offering together with enhancing its offshore investment capabilities and to expand the distribution channels e.g. technology driven delivery platforms.

Retail Banking Group

The RBD had a network of 27 branches and 115 ATMs in Kuwait. The Bank plans to further expand in strategic areas of targeted customer growth.

The RBD offers a wide range of products and services to its customers, including a variety of savings and deposit accounts, credit, debit and pre-paid cards, and customer loans. The RBD's card offering includes credit cards, under the MasterCard and Visa payment processing systems, and debit card products under the Visa brand. . Recently, the Bank launched the multi-currency pre-paid card, a first in the Kuwaiti market. However, the Bank does not undertake residential mortgage lending in line with the current local regulations.

The RBD's product range is complemented by strong alternative delivery channels, including the 24/7 telephone banking service "Burgan Direct" and the internet banking platform "Burgan Online", which allow customers to make payments, submit requests and make enquiries over the telephone or internet. The provision of an enterprise e-payment platform (through the provider, ACI Worldwide) has allowed the Bank to provide online banking services for daily banking activities and online payment for goods and services through the Bank's secure electronic platforms. Further, the RBD utilizes mobile technology which offers customers the use of a smart phone "Apple store and Google store" which allows customers to complete a wide range of banking transactions on their phone.

The Bank has a well-defined policy on customer segmentation and is in the process of further simplifying customer segmentation, which would strengthen customer relationships. Under the new structure, the Bank would have three separate customer segments: basic, regular and premier. The use of customer segmentation assists the Bank to identify products and services that serve specific customer groups and individuals through the understanding of each segment's needs and requirements. Since 2009, the Customer Relationship Management (**CRM**) system has been an integral part of the RBD to support the Bank's transition to a more customer-centric bank. Further enhancements to the CRM system are planned to be implemented in the coming months to drive the system's effectiveness and to improve its functionality.

RBG is planning to further expand its product portfolio, offered through customer friendly interfaces with focused marketing strategy, to enable it to offer the relevant products at each stage of customer life cycle.

Treasury Investment Banking Group

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

Treasury Division

The objective of the division is to manage the Bank's financial market risks in line with its overall strategic direction. The Treasury Division works closely with the Asset and Liability Committee (**ALCO**) and is actively involved in the management of the bank-wide balance sheet, sourcing efficient funding, providing risk solutions to both internal and external client bases, managing foreign exchange translation and related risks, and the management of customer relationships.

In December 2012, the Treasury Division ("TD") managed bonds issue (LT2) in Kuwaiti Dinar of KD 100 million non-refundable for five years – this is the first type of such transaction undertaken by an institution operating in the Kuwait Market.

Investments Division

The Investments Division is mainly responsible for managing the proprietary portfolio of the Bank which is diversified globally across the fixed income and equity (public and private) asset classes. The division follows a comprehensive top-down asset allocation process to select assets that offer the optimal risk and reward for the Bank.

The division also works closely with the product development unit to develop new investment products for the Bank's customers.

Eighteenth: A Statement on Issuer's Dependence on any specific customers, suppliers, patents, other intellectual property rights, licenses or special contracts that may have significant importance in the issuer's activities.

N/A

Nineteenth: Existing Investments:

Burgan Bank's subsidiaries as at 30 June 2014:

Bank	Country of Incorporation	Date of Initial Investment	Current Effective Shareholding (%)
Jordan Kuwait Bank P.S.C.	Jordan	July 2008	51.19
Gulf Bank Algeria S.A.	Algeria	April 2009	91.13
Bank of Baghdad P.J.S.C.	Iraq	April 2009	51.79
Tunis International Bank S.A.	Tunisia	June 2010	86.70
Burgan Bank - Turkey	Turkey	December 2012	99.26

Twentieth: Litigation

The Bank is not involved in any litigation or arbitration proceedings (whether pending, current, suspended, undergoing preparation or concluded) which have been initiated by or against the Bank itself or any member of its group and which may be material in the context of the issue of the Bonds.

Twenty One: A statement of primary contracts of the bank or its subsidiaries during two years from the date of the issuance of the prospectus not included within the ordinary contracts.

N/A

Twenty Two: A Summary of Financial Statements approved by the Bank's Auditors for the last three years.

Consolidated Income Statement

	Six months ended 30 June		Year ended 31 December	
	2014	**2013**	**2013**	**2012**
	(Unaudited) *(KD 000's)*			
Interest income	148,250	129,829	270,375	190,903
Interest expense	(59,102)	(51,757)	(104,940)	(71,963)
Net interest income	**89,148**	**78,072**	**165,435**	**118,940**
Fee and commission income	25,294	23,798	48,124	41,046
Fee and commission expense	(2,234)	(1,629)	(3,501)	(2,903)
Net fee and commission income	**23,060**	**22,169**	**44,623**	**38,143**
Net gain from foreign currencies	2,401	14,322	18,664	17,554
Net investment income	9,027	3,561	11,266	2,017
Dividend income	1,368	2,328	2,937	2,211
Other income	5,468	6,522	10,634	11,251
Operating income	**130,472**	**126,974**	**253,559**	**190,116**
Staff expenses	(28,419)	(27,323)	(53,598)	(32,379)
Other expenses	(29,301)	(28,469)	(59,238)	(38,803)
Operating profit before provision	**72,752**	**71,182**	**140,723**	**118,934**
Provision for impairment of loans and advances	(26,229)	(24,652)	(89,913)	(36,093)
Provision for impairment of investment securities	(705)	(197)	(2,963)	(4,021)
Profit before taxation	**45,818**	**46,333**	**47,847**	**78,820**
Taxation	(9,189)	(11,845)	(15,692)	(15,984)
Board of directors' remuneration	–	–	(90)	(90)
Profit for the period/year	**36,629**	**34,488**	**32,065**	**62,746**
Attributable to:				
Equity holders of the Bank	33,309	27,885	20,102	55,600
Non-controlling interests	3,320	6,603	11,963	7,146
	36,629	**34,488**	**32,065**	**62,746**
	Fils	**Fils**	**Fils**	**Fils**
Basic and diluted earnings per share – attributable to the equity holders of the Bank	**20.0**	**16.9**	**13.0**	**36.0**

As at 30 June 2014, the consolidated total liabilities of the Group stood at KD 6,805.1 million compared to KD 6,534.9 million as at 31 December 2013, representing an increase of 4.1 per cent. The increase was primarily a result of a 62.3 per-cent increase in due to banks, from KD 568.6 million as at 31 December 2013 to KD 922.6 million as at 30 June 2014, reflecting the continuing increase in short-term deposit of funds with the Bank as part of its inter-bank business.

Consolidated Income Statement

Years ended 31 December 2013 and 31 December 2012

The Group witnessed a rise in its operating income in 2013 which was driven primarily by Kuwaiti operations reporting a 14.3 per cent. increase compared to 2012, the acquisition of BBT on 21 December 2012 and the Group's operating profit in Algeria and Jordan growing by 9.3 per cent. and 9.2 per cent. respectively in 2013.

The Group's net interest income increased by 39.1 per cent. from KD 118.9 million for the year ended 31 December 2012 to KD 165.4 million for the year ended 31 December 2013. This increase was principally the result of a 41.6 per cent. increase in the Group's interest income from KD 190.9 million for the year ended 31 December 2012 to KD 270.4 million for the year ended 31 December 2013, as a result of increases in loans and advances and investment securities during 2013. Interest expense also increased in 2013, from KD 72.0 million for the year ended 31 December 2012 to KD 104.9 million for the year ended 31 December 2013, representing an increase of 45.8 per cent. The Group's net fee and commission income increased by 17.0 per cent. from KD 38.1 million for the year ended 31 December 2012 to KD 44.6 million for the year ended 31 December 2013.

Overall, operating income increased by 33.4 per cent. from KD 190.1 million for the year ended 31 December 2012 to KD 253.6 million for the year ended 31 December 2013, whereas operating profit before provision increased by 18.3 per cent. from KD 118.9 million for the year ended 31 December 2012 to KD 140.7 million for the year ended 31 December 2013. However, profit before taxation and board of directors' remuneration decreased by 39.3 per cent. from KD 78.8 million for the year ended 31 December 2012 to KD 47.8 million for the year ended 31 December 2013, and overall profit for the year decreased by 48.9 per cent. from KD 62.7 million for the year ended 31 December 2012 to KD 32.1 million for the year ended 31 December 2013.

This was a result of a 149.1 per-cent increase in provisions for impairment of loans and advances, from KD 36.1 million for the year ended 31 December 2012 to KD 89.9 million for the year ended 31 December 2013. The reason for the increase in provisions during 2013 was primarily due to the more conservative provisioning policy of the Group in respect of its general provision in respect of corporate loans and advances.

The Group recorded total comprehensive income of KD 13.6 million for the year ended 31 December 2013 compared to a total comprehensive income of KD 70.1 million for the year ended 31 December 2012, representing a 80.6 per-cent decrease. The reason for the decrease was that the Group recorded other comprehensive losses of KD 18.5 million for the year ended 31 December 2013 compared to other comprehensive profit of KD 7.3 million for the year ended 31 December 2012, which was principally due to the Group recognizing a negative foreign currency translation adjustment of KD 15.1 million for the year ended 31 December 2013 compared to a positive foreign currency translation adjustment of KD 1.1 million for the year ended 31 December 2012.

Six months ended 30 June 2014 and 30 June 2013

The Group's operating income increased by 2.8 per cent. from KD 127.0 million for the six months ended 30 June 2013 to KD 130.5 million for the six months ended 30 June 2014, whereas operating profit before provision increased by 2.2 per-cent from KD 71.2 million for the six months ended 30 June 2013 to KD 72.8 million for the six months ended 30 June 2014.

The principal reasons for the increases in operating income and operating profit before provision were an increase in net interest income of 14.2 per cent., from KD 78.1 million for the six months ended 30 June 2013 to KD 89.1 million for the six months ended 30 June 2014, and an increase in net fee and commission income of 4.0 per cent., from KD 22.2 million for the six months ended 30 June 2013 to KD 23.1 million for the six months ended 30 June 2014. Net investment income also grew in the first six months of 2014 compared to the same period in 2013, reflecting increased returns from the Group's investment securities. Net investment income increased from KD 3.6 million for the six months ended 30 June 2013 to KD 9 million for the six months ended 30 June 2014.

Profit before taxation decreased marginally, by 1.1 per cent. from KD 46.3 million for the six months ended 30 June 2013 to KD 45.8 million for the six months ended 30 June 2014 principally as a result of increased provisioning on loans and advances (KD 26.2 million for the six months ended 30 June 2014 compared to KD 24.7 million for the six months ended 30 June 2013), although overall profit for the period increased from KD 34.5 million for the six months ended 30 June 2013 to KD 36.6 million for the six months ended 30 June 2014 due to lower tax charges during the first six months of

2014 compared to the same period in 2013.

The following table sets out the Bank's consolidated operating income by country for the financial years ended 31 December 2012 and 31 December 2013, and for the six months ended 30 June 2013 and 30 June 2014.

	Six months ended 30 June		**Year ended 31 December**	
	2014	**2013**	**2013**	**2012**
	(Unaudited) *(KD 000's)*			
Operating Income				
Kuwait	63.2	52.0	107.7	94.2
Jordan	23.0	24.6	49.8	45.6
Turkey	18.6	19.5	37.4	–
Algeria	17.3	20.8	37.9	34.7
Iraq	6.7	8.6	16.5	12.0
Tunisia	1.7	1.5	4.3	3.6
Total	**130.5**	**127.0**	**253.6**	**190.1**

SELECTED FINANCIAL INFORMATION

The selected financial information below has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Group's consolidated financial statements and the notes thereto as at and for the years ended 31 December 2013 and 31 December 2012 (restated) and as at and for the six-month period ended 30 June 2014, which have each been included elsewhere in this Prospectus.

The comparative financial information relating to the Group for the year ended 31 December 2012 as reported in the Group's consolidated financial statements and the notes thereto as at and for the year ended 31 December 2013 have been restated to reflect the purchase price allocation exercise post-acquisition by the Bank of BBT on 31 December 2012 which resulted in changes to the Bank's share of assets, liabilities and equity whose value were materially changed from those that were previously reported in the Bank's consolidated financial statements as at and for the year ended 31 December 2012 (see "Presentation of Financial and Other Information").

Consolidated Statement of Financial Position

	As atAs at 30 June 2014	31 December 2013	2012
	(Unaudited)	*(KD 000's)*	*(Restated)*
ASSETS			
Cash and cash equivalents	1,121,872	1,004,290	787,468
Treasury bills and bonds with CBK and others	585,825	583,647	483,588
Due from banks and other financial institutions	753,804	700,083	610,780
Loans and advances to customers	4,122,935	3,954,848	3,374,836
Investment securities	441,547	421,402	311,021
Other assets	204,829	238,138	157,130
Property and equipment	88,062	81,378	69,130
Intangible assets	166,895	170,965	178,985
Total assets	**7,485,769**	**7,154,751**	**5,972,938**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	922,612	568,561	311,634
Due to other financial institutions	878,555	880,492	713,253
Deposits from customers	4,546,515	4,640,084	3,895,116
Other borrowed funds	225,178	227,597	230,985
Other liabilities	232,196	218,190	202,119
Total liabilities	**6,805,056**	**6,534,924**	**5,353,107**
SHAREHOLDERS' EQUITY			
Share capital	173,577	162,222	154,497
Share premium	129,559	129,559	129,559
Treasury shares	(4,127)	(37,683)	(36,688)
Statutory reserve	53,480	53,480	51,414
Voluntary reserve	53,858	53,858	51,792
Treasury shares reserve	45,082	36,554	36,554
Investment revaluation reserve	6,511	7,047	11,091
Share-based compensation reserve	564	564	564
Foreign currency translation reserve	(18,378)	(17,372)	(1,753)
Other reserves	554	554	554
Retained earnings	97,846	86,675	93,141
Equity attributable to the equity holders of the Bank	538,526	475,458	490,725
Non-controlling interests	142,187	144,369	129,106
Total Shareholders' equity	**680,713**	**619,827**	**619,831**
Total liabilities and Shareholders' equity	**7,485,769**	**7,154,751**	**5,972,938**

Consolidated Statement of Financial Position *As at 31 December 2013 and 31 December 2012*

As at 31 December 2013, the consolidated total assets of the Group stood at KD 7,154.8 million as compared to KD 5,972.9 million as at 31 December 2012, representing an increase of 19.8 per cent. Loans and advances to customers, which accounted for 55.3 per cent. of the Group's total assets, increased by 17.2 per cent., from KD 3,374.8 million as at 31 December 2012 to KD 3,954.8 million as at 31 December 2013.

Cash and cash equivalents, which represented 14 per-cent of the consolidated total assets as at 31 December 2013, increased by 27.5 per cent. from KD 787.5 million as at 31 December 2012 to KD 1,004.3 million as at 31 December 2013.

Due from banks and other financial institutions increased by 14.6 per-cent from KD 610.8 million as at 31 December 2012 to KD 700.1 million as at 31 December 2013. Investment securities also increased, from KD 311.0 million as at 31 December 2012 to KD 421.4 million as at 31 December 2013, representing an increase of 35.5 per cent. and reflecting the Group's increased investment in securities, in particular financial assets available for sale (from KD 219.1 million as at 31 December 2012 to KD 306.3 million as at 31 December 2013).

As at 31 December 2013, the Group's largest asset exposure after Kuwait was Jordan, followed by Turkey, Algeria, Iraq and Tunisia. The following table sets out the Bank's consolidated assets by country as at 31 December 2012 and 31 December 2013, and as at 30 June 2014.

Assets – Geographical segmentation

	As at 30 June	As at 31 December	
	2014	**2013**	**2012**
	(Unaudited)	*(KD 000's)*	*(Restated)*
Kuwait	4,259.8	3,964.9	3,366.2
Jordan	1,126.3	1,118.6	1,060.9
Turkey	942.4	956.1	709.5
Algeria	561.4	514.9	411.2
Iraq	450.4	447.2	287.8
Tunisia	145.5	153.1	137.3
Total	**7,485.8**	**7,154.8**	**5,972.9**

The consolidated total liabilities of the Group increased by 22.1 per-cent from KD 5,353.1 million as at 31 December 2012 to KD 6,534.9 million as at 31 December 2013. The increase was primarily driven by a 19.1 per cent. increase in customer deposits (which as at 31 December 2013 constituted 71.0 per cent. of total liabilities) from KD 3,895.1 million as at 31 December 2012 to KD 4,640.1 million as at 31 December 2013.

Due to banks also increased during 2013, from KD 311.6 million as at 31 December 2012 to KD 568.6 million as at 31 December 2013, representing an increase of 82.4 per-cent reflecting an increase in short-term deposit of funds with the Bank as part of the Bank's inter-bank business.

As at 30 June 2014

As at 30 June 2014, the Group's consolidated total assets stood at KD 7,485.8 million compared to KD 7,154.8 million as at 31 December 2013, representing an increase of 4.6 per-cent The increase in consolidated total assets reflected a continued increase in cash and cash equivalents, from KD 1,004.3 million as at 31 December 2013 to KD 1,121.9 million as at 30 June 2014, and in loans and advances to customers, from KD 3,954.8 million as at 31 December 2013 to KD 4,122.9 million as at 30 June 2014.

Key Financial Ratios

The following table sets out certain key ratios calculated with results derived from the Financial Statements.

These ratios are not calculated on the basis of IFRS and are not IFRS measures of financial performance.

	Six months ended 30 June		Year ended 31 December	
	2014	2013	2013	2012
	(% unless otherwise stated)			
Key Measures of Profitability				
Return on Average[1] Assets (ROAA)[2]	0.9	0.9	0.3	1.1
Return on Average[3] Equity (ROAE)[4]	13.1	11.3	4.2	11.9
Net interest margin[5]	2.6	2.7	2.7	2.4
Net interest spread[6]	2.5	2.6	2.6	2.3
Efficiency				
Cost to income[7]	44.2	43.9	44.5	37.4
Total operating expenses[8] to average total assets......................	1.6	1.8	1.7	1.4
Asset Quality				
Non-performing loans to total gross loans	4.8	5.3	4.2	7.1
Risk provision[9] to non-performing loans	77.5	69.1	78.0	49.8
Non-performing loans net of collateral to gross loans[10]	2.1	2.1	1.9	1.9
Non-performing assets to total gross loans[10]	3.8	4.2	3.4	5.6
Risk provision to non-performing assets[10]	114.3	109.6	122.9	76.2
Non-performing assets net of collateral to total gross loans	1.9	1.9	1.6	1.8
Funding / Liquidity / Capitalisation				
Loans to customer deposits..	90.7	83.1	85.2	86.6
Loans to total assets	55.1	53.3	55.3	56.5
Total assets to total equity[11]	13.9	12.9	15.0	12.2
Total liabilities to total equity[11]	12.6	11.6	13.7	10.9
Capital Adequacy Ratio[12]	16.0	17.6	15.4	18.5
Tier 1 Capital Ratio	10.6	11.4	9.9	12.0

1 Average numbers for 31 December are computed as average of financial year end and corresponding preceding financial year end while average numbers for interim periods are computed as average of period ended 30 June in the relevant financial year.

2 Calculated as net profit for the year attributable to the equity holders of the Bank divided by average total assets (annualised for the six-month period ended 30 June 2014).

3 Average numbers for 31 December are computed as average of the fiscal year end and corresponding year last year while average numbers for interim periods are computed as average of the period ended June and the last fiscal year end.

4 Calculated as net profit for the year attributable to the equity holders of the Bank divided by average equity attributable to the equity holders of the Bank (annualised for the six-month period ended 30 June 2014).

5 Calculated as net interest income divided by average interest earning assets (annualised for the six-month period ended 30 June 2014).

6 Calculated as yield (being the product of annualised interest income / average interest earning assets) less cost of funds (being the product of annualised interest expenses / average interest bearing liabilities).

7 Calculated as total operating costs divided by total operating income.

8 Sum of staff expenses and other expenses.

9 Risk provision refers to total provisions, i.e. sum of general and specific provisions.

10 Non-performing loans (**NPLs**) constitute a subset of non-performing assets (**NPAs**). In addition to loans and advances to customers, NPAs include non-cash exposures and exposures to OFIs / banks.

11 Total equity represents total equity attributable to the equity holders of the Bank.

12 Calculated in accordance with the requirements of the Central Bank of Kuwait and the Basel II regulations.

Further information

For further detail on the financial information of the Group, please see: (i) the notes to the 2013 Annual Financial Statements, (ii) the notes to the 2012 Annual Financial Statements, and (iii) the notes to the 2014 Interim Financial Statements, each of which are set out in full under "*Financial Information*".

SECTION TWO: OVERVIEW ON THE ISSUANCE

Issued approval	CBK, CMA and MOCI approved to increase the issued capital and the BOD resolution in this regard.
Number and type of shares offered for subscription	216,000,000 shares (two hundred sixteen million shares), ordinary shares, each share has a voting right in the Ordinary and Extra-Ordinary General Assembly Meetings and are not permitted to be converted to another form of Securities forms.
Share Price offered for subscription	475 fils per share (100 fils as nominal value + 375 fils as share premium).
Pre-emption Right to Subscribe	The Pre-emption right to subscribe in shares will be constrained to shareholders recorded in the bank's shareholders register as of the last trading date preceding the date of the commencement of the subscription period, each pro-rata of their shares held as of the aforesaid date. The shareholders are granted 15 days starting from the date of the commencement of the period of practicing the priority right.
Pre-emption Right in Shares Surplus	In case of the existence of un-subscribed shares after the completion of the period assigned for practicing the Pre-emption right for the shareholders recorded in the bank's register as of the last trading date preceding the date of the commencement of the subscription period, these shares will be offered for the public subscription to shareholders and others.
Subscription Period for Pre-emption Right	15 days from the date of the commencement of the subscription period as of 16/11/2014.
Subscription Period in Shares Surplus	7 days from the 7/12/2014 till the end of the subscription period.
Trading of shares offered for subscription	The new issued shares will be automatically listed /carried at KSE pursuant to the generally accepted legal mechanisms in KSE.
Placement Agent	Subscription shall be undertaken at Kuwait Clearing Company (Ahmad Tower – Gulf Road – beside Amiri Hospital), Tel: 184111 – Fax: 22469457 – P.O. Box: 2207 Safat – 13087 Kuwait. Website: www.maqasa.com Email: info@maqasa.com

Lead Advisor	Kuwait Projects Company (Holding) K.S.C. (Closed) Address: Sharq – Khalid Bin Walid Street – Al Shaheed Tower. Post Address: 28873 Safat – 13149 Kuwait Website: http://www.kamconline.com Email: info@kamcoline.com
Target of Issue/ Use of proceeds	Capital increase aims at the execution of the bank's strategic plan in operating expansion to increase profitability rates in accordance with Basel III requirements.
Issue Authority	CBK, CMA – Kuwait
Total revenues forecasted from the offer	KD 102,600,000 (Kuwaiti Dinar One Hundred Two Million and Six Hundred Thousand only)
Estimated expenses for the Offer	KD 50,000 (Kuwaiti Dinar Fifty Thousand Only), the bank shall be liable for the payment of such expenses which include costs of subscription management, required publications and legal advertisements.
Net projected income after expenses deduction	KD 102,550,000 (Kuwaiti Dinar One Hundred Two Million and Five Hundred fifty Thousand only)
Names of individuals responsible for covering the offer in case of the existence of un-subscribed securities.	N/A

SECTION THREE: SUBSCRIPTION CONDITIONS PROCEDURES

Subscription Application:

The form prepared for subscription is available at the Placement Agent (Kuwait Clearing Company – State of Kuwait), the data therein shall be completed in a clear and readable handwrite and the applicant shall sign it supporting with the required documentations.

Mode of Subscription

The applicant shall refer to Kuwait Clearing Company (Security Maintenance Department), located at Gulf Road – Ahmad Tower (5^{th} Floor) – to receive a notice containing the name and number of the shareholders and the owned shares as of the trading date preceding the commencement of the subscription period.

- The subscription applicant shall deposit the required amount in the subscription account as stated in the "Payment Method" in this announcement.

✓ The Subscription applicant shall refer to Kuwait Clearing Company to submit the subscription request attached with:

✓ A copy of the notice issued by the Kuwait Clearing Company including the shareholder's number.

✓ Evidencing deposit of the amount in "Burgan Bank" subscription account.

✓ Declaration attached with the subscription application dully singed.

✓ Complete other subscription procedures.

✓ Documentation required for subscribers as stated below.

a) The individuals shall write a clear full name as indicated in the official Civil ID and if the subscription is being made in favor of a company, the company name shall be written as stated in the commercial register.
b) If the application is in the name of a minor less than 21 years, a copy of the civil ID of his parent / guardian shall be attached thereof.
c) All required data shall be completed pursuant to the subscriptions terms & conditions stipulated in the prospectus.
d) The bank shall have the right to refuse incomplete applications without referring to the subscribers.

Payment Method:

The total amount of subscribed shares shall be paid using one of the following methods:

- Certified cheque issued in favor of Burgan Bank from a Kuwaiti bank to be deposited in the public subscription account opened at Burgan Bank under No. (2160000852).
  IBAN ; KW78BRGN0000000000002160000852
- Bank Transfer to Subscription Account

Other Terms of Subscription

1- Subscription shall not be duplicated and subscription shall be serious, prohibiting subscription using fictitious names.
2- Application submitted by any means aims at dissimulating the fictitious and pseudonym subscription or any other means will not accepted.
3- Subscribers shall abide by all provisions of the law arising from the ownership of shares which will be allocated to them including the provisions of the memorandum and articles of association of the Bank.
4- Shares will be allocated to the subscribers after the completion of the review and selection of all subscription applications and discard duplicate applications thereof.

If it comes clear that, after the closing of the placement period, the placement exceeded the offered shares, the shares shall be distributed to the subscribers in a pro-rata basis, rounded to the nearest whole number.

Refusal of Subscription Application:

The bank shall reserve the right to refuse the subscription applications in the following cases:

- If the subscriber does not meet all prospectus' requirements or the required documents are not attached with the subscription application.
- The duplicate, incomplete or violating subscriptions will be discarded.
- If an error is occurred in the number of required shares against the collected amounts.
- If the amounts of the subscribed shares are not paid in full, in case of the payment through bank transfer, the application will be cancelled if the transfer is not made within 3 working days from the date of submitting the subscription application. If the payment is by cheque, the subscription application will not be accepted unless otherwise it is a certified cheque.
- If the application is not attached with the document evidenced the full payment of the subscribed shares.
  In case of the existence of any difference between the subscribers' information/data and the information registered at the Public Authority for Civil Information, the placement agent shall have the right – in coordination with the bank management – to discard these applications from the allocation process without any liability on the parties thereof.

Pre-emption Right to Subscribe:

The Pre-emption to subscribe in shares shall be constrained to the shareholders recorded in the bank's register as of the last trading date preceding the date of the commencement of the subscription period, the shares unsubscribed by the shareholders will be offered for the public subscription.

Share Fractions

The number of allocated subscribed shares will be rounded to the nearest and lowest whole number, and the bank shall have the right to dispose the share fractions at his discretion and fractions for shares will not be issued by any way.

Refund to subscribers:

The excess amounts and amounts paid for refused applications – if any – will be refunded without any interest in the Kuwait Clearing Company as follows:

Within one week from the date of the announcement of the allocation results.

Time Period to deliver Securities

The securities maintenance Department (shareholders register) at Kuwait Clearing Company will deposit the excess shares in the account of the Shareholders register "Burgan Bank" which is deposited with the Kuwait Clearing Company within one week from the date of the announcement of the allocation and banking settlements.

SECTION FOUR: RISK FACTORS

Prior to investing in any shares, prospective investors should carefully consider, together with all other information contained in this Prospectus, the risk factors described below. The Bank believe that the factors described below represent the principal risks inherent in investing in the shares but these risk factors are not exhaustive and other considerations, including some which may not be presently known to the Bank, or which the Bank currently deem to be immaterial, may impact on any investment in the shares.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks relating to the Bank

The Bank's operations are primarily focused on the Middle East and North Africa ("MENA") region. The Bank's operations are thus exposed to geo-political risks associated with the MENA region which could adversely affect its performance. The demand for services provided by the Bank and its subsidiaries is particularly susceptible to adverse changes in economic and market conditions in MENA region.

The economies of most of the countries in the MENA region are mainly driven by revenues from oil exports and therefore exposed to volatility in oil prices. A sustained deterioration in the economies of these countries or political upheaval in the region could have a material adverse effect on the Bank and its subsidiaries' business, financial condition, results of operations or prospects.

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

Global financial markets and emerging markets

Kuwait's economy remains vulnerable to both external and internal shocks, including volatility in oil prices, political, economic and related developments in Kuwait, other Gulf Cooperation Council ("GCC") countries (i.e. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and MENA region. The economy is also vulnerable from situations resulting from political and economic instability in surrounding countries such as Iran and Iraq. These risks include, but are not limited to, external acts of warfare, civil clashes, terrorist activity, natural disasters and regulatory, taxation and legal structure changes.

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

Credit risk

Risks arising from deterioration in credit quality and the recoverability of amounts due from borrowers and counterparties are inherent in banking businesses. While the Bank has detailed policies to deal with overdue loans, there can be no assurance that these policies will result in full or partial recovery of its overdue loans.

Credit risks could also arise from a deterioration in the credit quality of specific borrowers and counterparties of the Bank or from adverse changes in global and regional economic conditions, or adverse changes which arise from systemic risks in the financial systems, which could affect the recovery and value of the Bank's assets and require an increase in the Bank's provisions. While the Bank has standardized credit policy with well-defined coverage and uses different hedging strategies to minimize credit risk, including securities, collateral and insurance that reduce the credit risk level to be within the Bank's risk appetite, adverse fluctuations in the factors mentioned above, amongst others, could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Lending base concentration risk

The Bank has a high concentration of loans provided within Kuwait and has substantial exposure to the real estate sector, mainly in Kuwait.

The Bank has standalone exposure to local investment companies.

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

Deposit base concentration risk

The bank largely depends on the customer deposits to meet most of its finance needs (deposits of individuals, corporate, government and non-bank financial institutions).

The Bank's funding includes institutional, government and quasi government entities' deposits in Kuwait which are contracted on a commercial basis. These funds have been a stable source of funding to the Kuwaiti banking sector for many years but there can be no assurance that the deposits from government and quasi-government entities will be available at the same current level in the future. The loss of a significant source of funding could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.
As at the date of this Prospectus, the Central Bank of Kuwait ("CBK") guarantees all banks' retail and corporate customer deposits in Kuwait.

Liquidity risk

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

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

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

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

The Bank's liquidity position is also affected by the restriction, imposed on banks by the CBK, which limits total loans (excluding loans to other banks) to a maximum ceiling calculated with reference to various funding sources to the Bank on an unconsolidated basis (i.e. held by Burgan Bank only).

Market risk

The Bank is exposed to unexpected fluctuations in market interest rates. An increase in interest rates generally may decrease the value of the Bank's fixed rate loans and raise the Bank's funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in the Bank's securities portfolio. Volatility in interest rates may result in a pricing gap between the Bank's interest rate sensitive assets and its liabilities. As a result, the Bank may incur additional costs in raising and maintaining capital. Interest rates react to many factors beyond the Bank's control, including the policies of central banks, political factors and domestic and international economic conditions. Any adverse effects of future interest rate fluctuations could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects. Deterioration in the market value of the Bank's securities portfolio may affect the values of the Bank's investment and trading portfolios. The Bank's income from securities operations depends on numerous factors beyond its control, such as overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility. The Bank also engages, to a limited extent, in foreign currency transactions and maintains open currency positions in relation to a number of currencies, which give rise to currency risks.

Although the Bank has risk management processes that review and monitor foreign currency risk, interest rate risk and market price fluctuations, future changes in such risks may have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

Operation risk

Operational risk and losses can result from a number of factors, including, but not limited to, the following: fraud; errors by employees; failure to document properly or to obtain proper internal authorization for transactions; failure to comply with regulatory requirements and conduct of business rules; systems and equipment failures; natural disasters; and the failure of external systems (for example, those of the Bank's counterparties or vendors). The Bank periodically conducts assessment of Risks and Controls in all the operational areas. Although the Bank has implemented risk controls and loss mitigation strategies and devotes substantial resources to developing efficient procedures and staff training, it is not possible to eliminate entirely each of these operational risks. Failure to address such operational risks could have an adverse impact on the Bank's business, financial condition, results of operations or prospects.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as issuer of shares.

Capital adequacy

If the Bank's loan portfolio continues to grow significantly, or if the level of loan impairments increases, and the Bank fails to generate a sufficient level of profits to ensure consistent growth in equity through retained earnings, the Bank may need to raise new capital to maintain the minimum capital adequacy ratios set by CBK. Such capital, whether in the form of debt financing or additional equity, may not be available on attractive terms, or at all.

Any failure by the Bank to maintain certain capital adequacy ratios could lead to the imposition of sanctions by CBK, such as limitations on the Bank's ability to pay dividends, the issuance by CBK of a directive to increase capital and/or sell or reduce assets, the imposition of fines, as well as to an increase of cost of funding. Any of these outcomes could have an adverse effect on the Bank's business, financial condition, results of operations or prospects.

Foreign exchange movements

The Bank maintains its accounts and reports its results in Kuwaiti dinar. Since 20 May 2007, the KWD is pegged to an undisclosed weighted basket of international currencies. The undisclosed weighted basket of currencies is calculated using various national currencies, reflecting the foreign trade and financial relations of the State of Kuwait. However, with the removal of the previous peg to the US dollar, relative flexibility has been achieved in exchange rate determination.

The Bank is exposed to the potential impact of any alteration to, or abolition of, this foreign exchange "peg" as well as potential volatility of the constituent basket currencies. The subsidiaries of the Bank maintain their respective accounts and report their respective results in the local currency of the country of incorporation. Any fluctuations in those foreign currencies against KWD at the time of translating the subsidiaries' accounts in KWD for the preparation of consolidated financials may result in the possibility that the value of foreign currency assets or liabilities of any of the subsidiaries will change due to changes in currency exchange rates which may affect the Bank's reported financial position expressed in KWD.

Kuwaiti government support for the domestic banking industry

Although the Government of Kuwait, the KIA and the CBK have supported the domestic banking industry during the recent global economic crisis, there can be no assurance that such support will be provided to the Bank or the domestic banking industry if another major economic disruption may to occur in the future.

A downgrade in the Bank's credit ratings

The Bank's credit ratings by the major credit rating agencies are intended to measure the probability of its ability to meet its debt obligations as they mature and thus are an important factor in determining the Bank's cost of borrowing and the amount of funding it could raise. The cost of funding of the Bank's borrowings is partly dependent on its credit ratings. As at 30 September 2014,

The Bank's rating by Capital Intelligence was

A) S&P Agency: credit rating at (BBB+) for the long term issuer credit and credit rating at (A2) for third parties' credit on the short term – with a stable outlook.
B) Moody's Agency: credit rating at (A2) for long term bank deposits, credit rating of (P-2) for short-term debts, credit rating at (D+) for the financial strength, with a stable outlook.

A downgrade of the Bank's credit ratings, or being placed on a negative ratings watch, may increase its cost of borrowing which could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects and its relationship with creditors.

Further increases in non-performing loans or deterioration in the Bank's statement of financial position could cause such a downgrade in the Bank's credit ratings or cause the Bank to be placed on a negative ratings watch. Any potential future downgrade of the Bank's credit ratings (or announcement of a negative ratings watch) may also limit its or its subsidiaries' ability to raise capital in the international capital markets. Moreover, actual or anticipated changes in the Bank's credit ratings may affect the market price of the shares. Ratings may be subject to revision or withdrawal at any time by the assigning rating organization and each rating should be evaluated independently of any other rating.

Ownership concentration and related party exposures

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

While the Bank does not have any loan exposure to KIPCO, it does have exposures to other members of the KIPCO group and other related parties of the KIPCO group. Related party transactions could create conflicts of interest for the Bank and its affiliates, which could potentially impact the Bank's business.

By virtue of its controlling interest, KIPCO has the ability to influence the Bank's business significantly through its ability to control actions which require shareholder approval and nominate the majority of the Board.

Small branch network and limited retail franchise

As at 30 September 2014, the Bank operated 27 branches and 116 Automated Teller Machines ("ATMs") in Kuwait. Among the Bank's four bank subsidiaries, Jordan Kuwait Bank ("JKB") operated 58 branches and 77 ATMs in Jordan, as well as two branches in Palestine and one in Cyprus, Gulf Bank Algeria ("GBA") operated 42 branches and 77 ATMs in Algeria, Bank of Baghdad ("BoB") operated 41 branches and 52 ATMs in Iraq, Burgan Bank – Turkey operated 60 branches and 60 ATMs, in addition, Tunis International Bank ("TIB") operated 3 branches in Tunisia. Due to its small branch network and limited retail franchise, the Bank may not be able to capitalize fully on opportunities or developments in the MENA retail banking sector. Any potential inability to capitalize on these opportunities may affect the Bank's competitive advantage or the implementation of its expansion strategy.

Risks associated with expansion

While historically the Bank's operations have been undertaken primarily in the Kuwaiti market, its strategy is to expand further into markets within the GCC and the wider MENA region and Mediterranean, including operating in markets in which it has not operated previously. Challenges that may result from this strategy include the Bank's ability to:

- Finance strategic investments or acquisitions and obtain majority interest or control in target entities;
- Fully integrate strategic investments or newly established entities or acquisitions in line with its strategy;
- Assess the value, strengths and weaknesses of investment or acquisition targets and capitalize these upon acquisition;
- Align its current information technology systems adequately with those of an expanded group;
- Manage efficiently the operations and employees of expanding businesses;
- Manage a growing number of entities without over-committing management or losing key personnel;
- Maintain its existing customer base; and
- Apply its risk management policy effectively to an enlarged group.

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

Increasing competition from global competitors

The Bank and its subsidiaries and associates face a high level of competition for all of their products and services. The Bank competes with other domestic banks in Kuwait. In addition to domestic banks, as the governments of the MENA region continue to liberalize their economies and initiate economic reforms, international banks are increasing their presence in Kuwait, either directly or through strategic investments, and compete with the Bank for loans and deposits as well as trade finance and other banking business. The competitive nature of the Kuwait banking market and that of the MENA region and any inability by the Bank to compete successfully may adversely impact the Bank's business, financial condition, results of operations or prospects.

Loss of key personnel

The Bank's future success and growth depends to a substantial degree on its ability to retain and motivate the Bank's senior management and other key personnel. The Bank depends especially on the efforts, skill, reputations and experience of its key senior management. The loss of key personnel could have a material adverse effect on the Bank's business, financial condition, results of operations or prospects. However, the Bank is not insured against losses that may be incurred or related to the loss or dismissal of its key personnel and the Bank does not maintain key man insurance for any of its employees, officers or directors.

Risks relating to Kuwait and the MENA region

Legal and regulatory systems may create an uncertain environment for investment and business activities in the MENA region is progressing in the development of governing institutions and legal and regulatory systems, which are not yet as firmly established as they are in Western Europe and the United States. Kuwait, along with other countries within the GCC region, has enacted measures to promote greater efficiency and certainty within their legal and regulatory systems. Among those measures, Kuwait and countries within the GCC region have assumed obligations under the General Agreement on Tariffs and Trade ("GATT") (as administered by the World Trade Organization ("WTO"), However, Kuwait may experience changes in its economy and government policies (including, without limitation, policies relating to the continued acknowledgment of the foreigners' right to own securities in Kuwait) that may affect the bank's business.

The regulatory framework of Central Bank of Kuwait

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

These regulations may limit banks' activities (including those of the Bank) while changes by any of the relevant central banks in their supervision and regulation policies and practices could affect, to varying degrees, each bank's business, the products or services that it offers or may offer, the value of its assets, the costs of doing business, and its financial condition.

The applicable regulatory capital regulations

In December 2009 the Basel Committee on Banking Supervision approved for consultation a package of proposals which aim to strengthen global capital and liquidity requirements of financial institutions by changing prudential regulations relating to risk capital. CBK has issued its instructions to banks regarding the application of such proposals referred to as Basel III. These proposals include, among others, changes to the form of both tier one and tier two capital; the strengthening of capital requirements for credit risk exposures arising from the use of derivatives, repos and securities financing activities; the introduction of a minimum liquidity standard for banks that are active internationally; and the promotion of more forward looking provisioning based on expected losses.

The application of Basel III proposal will effect on the Bank's capitalization ratio and overall credit profile, and potentially resulting in a change in its external rating.

Impact of regulatory changes

The Bank is subject to the laws, regulations, administrative actions and policies of Kuwait and each other jurisdiction in which it operates. These regulations may limit the Bank's activities and changes in supervision and regulation, in particular in Kuwait, could materially affect the Bank's business, financial condition, results of operations or prospects. Although the Bank works closely with its regulators and continually monitors the situation, future changes in the regulation, fiscal or other policies cannot be predicted and are beyond the control of the Bank.

Credit ratings may not reflect all risks

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. Any adverse change in an applicable credit rating could adversely affect the market price for the shares.

Change in law

The Terms and Conditions of these securities are governed by Kuwaiti applicable law as of the date of this prospectus. No assurance can be given as to the impact of any potential change to Kuwaiti after the date of this Prospectus.

SECTION FIVE: APPENDICES

Financial Statements

Interim Consolidated Financial Information for the six-month period ended 30 June 2014

Consolidated Financial Statements for the year ended 31 December 2013.

Consolidated Financial Statements for the year ended 31 December 2012.

Consolidated Financial Statements for the year ended 31 December 2011.